

**OFFICIAL NOTICE OF SALE,  
OFFICIAL BID FORM,  
AND  
PRELIMINARY OFFICIAL STATEMENT**

**\$6,210,000\***

**CITY OF SELMA, TEXAS**  
**(A Political Subdivision of the State of Texas located in  
Bexar, Comal and Guadalupe Counties, Texas)**

**COMBINATION TAX AND LIMITED PLEDGE REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2019**

**To be Designated by the City as  
“QUALIFIED TAX-EXEMPT OBLIGATIONS”**

**Bids due  
Thursday, August 8, 2019  
at  
11:00 A.M. Central Time**

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\*Preliminary, subject to change based on bid structures. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES” IN THE OFFICIAL NOTICE OF SALE.

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Certificates defined and described herein. The invitation for bids on the Certificates is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

**The Issuer will designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions.**

**OFFICIAL NOTICE OF SALE**

**\$6,210,000\***

**CITY OF SELMA, TEXAS**

**(A political subdivision of the State of Texas located in Bexar, Comal and Guadalupe Counties, Texas)**

**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019**

**CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID:** The City Council (the “City Council”) of the City of Selma, Texas (the “City” or the “Issuer”) is offering for sale at competitive bid its \$6,210,000\* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the “Certificates”).

**BIDS BY INTERNET:** Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M. Central Time, on Thursday, August 8, 2019. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System (“PARITY”) and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on Thursday, August 8, 2019 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email, please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

**OPENING OF BIDS:** Bids will be opened and publicly read at 11:00 A.M. Central Time, on Thursday, August 8, 2019, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the “Financial Advisor”) and the City Council shall provide final approval of the award at a City Council meeting later that evening. The Mayor of the City or his representative shall award the Certificates as described in the section entitled “AWARD AND SALE OF THE CERTIFICATES” below.

**AWARD AND SALE OF THE CERTIFICATES:** By 12:00 P.M. (noon) Central Time, on the date set for receipt of bids, the Mayor of the City or his representative shall award the Certificates to **the low qualified bidder (the “Winning Bidder”), as described in the section entitled “CONDITIONS OF SALE – Basis of Award” herein subject to final approval of the City Council which will take action to adopt an ordinance (the “Ordinance”)** authorizing the issuance and awarding sale of the Certificates or will reject all bids promptly at a scheduled meeting to commence at 6:00 P.M. Central Time on Thursday, August 8, 2019. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

\*Preliminary, subject to change based on bid structures. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES” herein.

## THE CERTIFICATES

**DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES:** The Certificates will be dated August 1, 2019 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on February 1, 2020, and semiannually on each August 1 and February 1 thereafter until the earlier of stated maturity or prior redemption. The Certificates will be issued as fully registered Certificates 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 (the “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” in the Preliminary Official Statement.) The Certificates will be stated to mature on February 1 in each of the following years in the following amounts:

### MATURITY SCHEDULE (Due February 1)

Stated Maturity	Principal Amount*	Stated Maturity	Principal Amount*
2020	\$65,000	2030	\$320,000
2021	145,000	2031	330,000
2022	230,000	2032	345,000
2023	310,000	2033	355,000
2024	265,000	2034	365,000
2025	275,000	2035	380,000
2026	285,000	2036	390,000
2027	290,000	2037	405,000
2028	300,000	2038	415,000
2029	310,000	2039	430,000

**ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES:** The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$6,210,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

**SERIAL CERTIFICATES AND/OR TERM CERTIFICATES:** Bidders may provide that all of the Certificates be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates, not to exceed five term certificates (the “Term Certificates”).

**MANDATORY SINKING FUND REDEMPTION:** If the Winning Bidder designates principal amounts to be combined into one or more Term Certificates, each such Term Certificate will be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Certificate and continuing on February 1 in each year thereafter until the stated maturity date of that Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE”. Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

**OPTIONAL REDEMPTION:** The City reserves the right, at its option, to redeem the Certificates maturing on or after February 1, 2030, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest as further described in the Official Statement.

**SECURITY FOR PAYMENT:** The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including 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, and an ordinance (the “Ordinance”) to be adopted by the City Council on August 8, 2019, and are payable primarily from an annual ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and 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 that may be pledged to the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereafter 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 retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are Outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

\*Preliminary, subject to change. See “CONDITIONS OF SALE – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES”.

**OTHER TERMS AND COVENANTS:** Other terms of the Ordinance and the various covenants of the City contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

**SUCCESSOR PAYING AGENT/REGISTRAR:** The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Certificates are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates.

In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the City, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

#### CONDITIONS OF SALE

**TYPES OF BIDS AND INTEREST RATES:** The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates that results in a dollar price of less than 101.50% nor greater than 106.50% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Certificates (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Certificates of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

**BASIS OF AWARD:** The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest True Interest Cost (defined herein) rate to the City. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates (the "Code"), relating to the excludability of interest on the Certificates from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (on or before the date of initial delivery of the Certificates) a certification as to their initial offering prices of the Certificates (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale. (See "ESTABLISHMENT OF ISSUE PRICE" herein).

#### ESTABLISHMENT OF ISSUE PRICE:

- (a) The Winning Bidder shall assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City by the Delivery Date an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the City and Norton Rose Fulbright US LLP, the City's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Certificates under applicable federal regulations). All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the City by the City's Financial Advisor and any notice or report to be provided to the City may be provided to the City's Financial Advisor.
- (b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Certificates) will apply to the initial sale of the Certificates (the "competitive sale requirements") because:
  - (1) the City shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
  - (2) all bidders shall have an equal opportunity to bid;
  - (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
  - (4) the City anticipates awarding the sale of the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Certificates, as specified in the bid.

- (c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the Winning Bidder. In such event, the City intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Certificates as the issue price of that maturity (the “hold-the-offering-price rule”). The City shall promptly advise the Winning Bidder, at or before the time of award of the Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied, and the hold-the-offering-price rule applies.** In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.
- (d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Certificates to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Certificates, that the underwriters will neither offer nor sell unsold Certificates of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:
- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
  - (2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder will advise the City promptly after the close of the fifth (5<sup>th</sup>) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

- (e) The City acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Certificates, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Certificates.
- (f) By submitting a bid, each bidder confirms that:
- (1) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires,
  - (2) any agreement among underwriters or selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.
- (g) Sales of any Certificates to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale:

(1) “public” means any person other than an underwriter or a related party,

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public),

(3) a purchaser of any of the Certificates is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) “sale date” means the date that the Certificates are awarded by the City to the Winning Bidder.

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES” for a description of the City’s reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities.

**GOOD FAITH DEPOSIT:** A bank cashier’s check payable to the order of “City of Selma, Texas” in the amount of \$124,200, which is 2% of the par value of the Certificates (the “Good Faith Deposit”), is required. The Good Faith Deposit will be retained uncashed by the City until the Certificates are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Certificates; however, should the Purchaser fail or refuse to take up and pay for the Certificates, said Good Faith Deposit is to be cashed by the City and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Certificates has been made.

**ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:**

It is the obligation of the City to receive information from winning bidder if bidder is not a publicly traded business entity (a “Privately Held Bidder”). Effective January 1, 2018, pursuant to Texas Government Code Section 2252.908 (the “Interested Party Disclosure Act”), the City may not award the Certificates to a winning bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the City as prescribed by the Texas Ethics Commission (“TEC”). In the event that a Privately Held Bidder’s bid for the Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City’s conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Selma, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Selma CO2019 – Bid Form) and description of the goods or services (Purchase of the City of Selma, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC’s “electronic portal” to the City. The executed Disclosure Form must be sent by email to the City’s financial advisor at [mmcliney@samcocapital.com](mailto:mmcliney@samcocapital.com), as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Clay Binford, c/o Norton Rose Fulbright US LLP, 300 Convent Street, Suite 2100, San Antonio, Texas 78205, along with a PDF executed version sent to [clayton.binford@nortonrosefulbright.com](mailto:clayton.binford@nortonrosefulbright.com).

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made “under penalty of perjury.” Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Certificates until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder’s obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the

completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at [https://www.ethics.state.tx.us/whatsnew/elf\\_info\\_form1295.htm](https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm).

**ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE:** Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

Each bidder, through submittal of an executed Official Bid Form, represents that neither it nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>; <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law and excludes our company and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

**IMPACT OF BIDDING SYNDICATE ON AWARD:** For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

#### **OFFICIAL STATEMENT**

To assist the Purchaser in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the City and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

**COMPLIANCE WITH RULE:** The City has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Certificates, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the City deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the City of the initial offering yields of the Certificates.

The City agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The City consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The City will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The City does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the City intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the City makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates.

**FINAL OFFICIAL STATEMENT:** In addition to delivering the Official Statement in a "designated electronic format", the City will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Certificates, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Certificates. The Purchaser will be responsible for providing information concerning the City and the Certificates to subsequent purchasers of the Certificates, and the City will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided

herein. The City agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The City consents to the distribution of such documents in a "designated electronic format". Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The City's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Certificates to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Certificates have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Certificates have been sold to ultimate customers.

**CHANGES TO OFFICIAL STATEMENT:** If, subsequent to the date of the Official Statement, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Certificates, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY", the City will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the City to do so will terminate when the City delivers the Certificates to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Certificates have been sold to ultimate customers, in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Certificates) until all of the Certificates have been sold to ultimate customers.

**CERTIFICATION OF THE OFFICIAL STATEMENT:** At the time of payment for and delivery of the hereinafter defined Initial Certificate (the "Delivery Date"), 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 Certificate and the acceptance of the best bid therefore, and on the date of the initial 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 the date of the last financial statements of the City appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council of the City on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the City.

**CONTINUING DISCLOSURE AGREEMENT:** The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

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

#### **DELIVERY AND ACCOMPANYING DOCUMENTS**

**INITIAL DELIVERY OF INITIAL CERTIFICATE:** The initial delivery of the Certificates to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Certificate in the total principal amount of \$6,210,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Certificate for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Certificate"), signed by manual or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Certificates will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificate, they shall be immediately canceled and one Certificate for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Certificate must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Certificates. It is anticipated that Initial Delivery of the Initial Certificate can be made on or about August 28, 2019, but if for any reason the City is unable to make delivery by August 28, 2019, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Certificates. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

**EXCHANGE OF INITIAL CERTIFICATES FOR DEFINITIVE CERTIFICATES:** Upon payment for the Initial Certificate at the time of such delivery, the Initial Certificate is to be canceled by the Paying Agent/Registrar and registered definitive Certificates delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's



syndicate. Such Certificates shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Certificate, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Certificate and delivery of registered definitive Certificates may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

**CUSIP NUMBERS:** It is anticipated that CUSIP identification numbers will be printed on the Certificates, but neither the failure to print such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Certificates shall be paid by the City; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

**CONDITIONS TO DELIVERY:** The obligation to take up and pay for the Certificates is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Certificate, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "No Material Adverse Change", all as described below. In addition, if the City fails to comply with its obligations described under "OFFICIAL STATEMENT – Final Official Statement" above, the Purchaser may terminate its contract to purchase the Certificates by delivering written notice to the City within five (5) days thereafter.

**NO MATERIAL ADVERSE CHANGE:** The obligation of the Purchaser to take up and pay for the Certificates, and of the City to deliver the Initial Certificate, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Certificate, there shall have been no material adverse change in the affairs of the City subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

**LEGAL OPINIONS:** The Certificates are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

**CHANGE IN TAX-EXEMPT STATUS:** At any time before the Certificates are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Certificates shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

**QUALIFIED TAX-EXEMPT OBLIGATIONS:** The City will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see discussion under "TAX MATTERS – Qualified Tax-Exempt Obligations" in the Preliminary Official Statement).

#### GENERAL CONSIDERATIONS

**FUTURE REGISTRATION:** 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 Certificates 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. To the extent possible, 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 its 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 interest rate as the Certificates surrendered for exchange or transfer.

**RECORD DATE:** The record date ("Record Date") for determining the party to whom the semiannual interest on the Certificates is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

**RATING:** A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" in the Preliminary Official Statement). 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 City 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 such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

**SALE OF ADDITIONAL OBLIGATIONS:** The City currently has no plans to issue additional ad valorem tax supported debt in 2019, except potentially issuing refunding bonds for debt service savings.

**REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE:** No registration statement relating to the Certificates has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Certificates have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or 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 expense and within reasonable limits, in registering or qualifying the Certificates, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Certificates are offered for sale.

**ADDITIONAL COPIES:** Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from [www.samco.postos.com](http://www.samco.postos.com).

The City Council has approved the form and content of the Official Notice of Sale, the Official Bid Form, and the Official Statement and authorized the use thereof in its initial offering of the Certificates. On the date of the sale, the Certificates will, in the Ordinance authorizing the issuance of the Certificates, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

/s/ Tom Daly

Mayor,  
City of Selma, Texas

ATTEST:

/s/ Johnny Casias

City Secretary,  
City of Selma, Texas

August 1, 2019

# CERTIFICATE OF INTERESTED PARTIES

# FORM 1295

Complete Nos. 1 - 4 and 6 if there are interested parties.  
 Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

### OFFICE USE ONLY

**1 Name of business entity filing form, and the city, state and country of the business entity's place of business.**

**2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.**

City of Selma, Texas

**3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the goods or services to be provided under the contract.**

Contract Number: Selma CO2019 - Bid Form  
 Purchase of the City of Selma, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019

4 Name of Interested Party	City, State, Country (place of business)	Nature of Interest (check applicable)	
		Controlling	Intermediary
<h1>SAMPLE</h1>			

**5 Check only if there is NO Interested Party.**

**6 AFFIDAVIT** I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.

\_\_\_\_\_  
 Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said \_\_\_\_\_, this the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_, to certify which, witness my hand and seal of office.

\_\_\_\_\_  
 Signature of officer administering oath      Printed name of officer administering oath      Title of officer administering oath

**ADD ADDITIONAL PAGES AS NECESSARY**

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**OFFICIAL BID FORM**

Honorable Mayor and City Council  
 City of Selma  
 9375 Corporate Drive  
 Selma, Texas 78151

August 8, 2019

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated August 1, 2019, which terms are incorporated by reference to this proposal (and which are hereto agreed as evidenced by our submission of this bid), we hereby submit the following bid for \$6,210,000 (preliminary, subject to change) City of Selma, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019, dated August 1, 2019 (the "Certificates").

For said legally issued Certificates, we will pay you \$\_\_\_\_\_ (being a price of no less than 101.50% and no more than 106.5% of par value) plus accrued interest from their date to the date of delivery to us for Certificates maturing February 1 and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2020	\$65,000		2030*	\$320,000	
2021	145,000		2031*	330,000	
2022	230,000		2032*	345,000	
2023	310,000		2033*	355,000	
2024	265,000		2034*	365,000	
2025	275,000		2035*	380,000	
2026	285,000		2036*	390,000	
2027	290,000		2037*	405,000	
2028	300,000		2038*	415,000	
2029	310,000		2039*	430,000	

*\*Maturities available for Term Certificates.*

Our calculation (which is not part of this bid) of the True Interest Cost from the above is: \_\_\_\_\_%

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** As a condition to our submittal of this bid for the Certificates, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$6,210,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

Of the principal maturities set forth in the table above, we have created term certificates (the "Term Certificates") as indicated in the following table (which may include no more than five Term Certificates). For those years which have been combined into a Term Certificate, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificate maturity date will mature in such year. The Term Certificates created are as follows:

Term Certificate Maturity Date February 1	Year of First Mandatory Redemption	Principal Amount of Term Certificate	Interest Rate
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

The Initial Certificate shall be registered in the name of \_\_\_\_\_, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the \_\_\_\_\_ Bank, \_\_\_\_\_, Texas, in the amount of \$124,200, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds at the Corporate Trust Division, UMB Bank, N.A., Austin Texas, not later than 10:00 A.M., Central Time, on Wednesday, August 28, 2019, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Certificates to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Certificates in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the City. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it does not and will not "boycott Israel" and is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE".

For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM", complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the City's financial advisor at [mmcliney@samcocapital.com](mailto:mmcliney@samcocapital.com) and Bond Counsel at [clayton.binford@nortonrosefulbright.com](mailto:clayton.binford@nortonrosefulbright.com). The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

By: \_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Email Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Selma, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 8<sup>th</sup> day of August 2019.

/s/ \_\_\_\_\_  
Mayor,  
City of Selma, Texas

ATTEST:

/s/ \_\_\_\_\_  
City Secretary,  
City of Selma, Texas

**\$6,210,000\***  
**CITY OF SELMA, TEXAS**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2019**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Obligations") of the City of Selma, Texas (the "Issuer").

**1. Reasonably Expected Initial Offering Price.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by \_\_\_\_\_ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Obligations used by the "Purchaser" in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by the "Purchaser" to purchase the Obligations.

(b) \_\_\_\_\_ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by \_\_\_\_\_ constituted a firm offer to purchase the Obligations.

**2. Defined Terms.**

(a) *Maturity* means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is August 8, 2019.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

\_\_\_\_\_  
By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_  
\*Preliminary, subject to change.

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**SCHEDULE A**

**EXPECTED OFFERING PRICES**

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**SCHEDULE B**  
**COPY OF UNDERWRITER'S BID**

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

NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "Applied For"  
(See: "OTHER PERTINENT INFORMATION-Rating")

**PRELIMINARY OFFICIAL STATEMENT**  
**July 29, 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 will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.**

**\$6,210,000\***

**CITY OF SELMA, TEXAS**

**(A political subdivision of the State of Texas located in Bexar, Comal and Guadalupe 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 \$6,210,000\* City of Selma, 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, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Selma, Texas (the "City" or the "Issuer") on August 8, 2019. (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 the earlier of 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, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (2) constructing, acquiring, purchasing, improving, and expanding City Hall and the City's public works facility (including the demolition of the existing public works facility); (3) 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 (4) 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.)

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

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*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" and "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 28, 2019.*

\* Preliminary, subject to change

**BIDS DUE THURSDAY, AUGUST 8, 2019 BY 11:00 A.M., CENTRAL TIME**

**\$6,210,000\***  
**CITY OF SELMA, TEXAS**  
**(A political subdivision of the State of Texas located in Bexar, Comal and Guadalupe Counties, Texas)**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019**

**MATURITY SCHEDULE\***  
**(Due February 1)**

CUSIP Prefix No. 816587<sup>1)</sup>

<b>Stated</b>				<b>CUSIP</b>	<b>Stated</b>				<b>CUSIP</b>
<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Initial</b>	<b>No.</b>	<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Initial</b>	<b>No.</b>
<u><b>2/1</b></u>	<u><b>Amount</b></u>	<u><b>Rate</b></u>	<u><b>Yield</b></u>	<u><b>Suffix</b></u> <sup>(1)</sup>	<u><b>2/1</b></u>	<u><b>Amount</b></u>	<u><b>Rate</b></u>	<u><b>Yield</b></u>	<u><b>Suffix</b></u> <sup>(1)</sup>
2020	\$ 65,000				2030	\$ 320,000			
2021	145,000				2031	330,000			
2022	230,000				2032	345,000			
2023	310,000				2033	355,000			
2024	265,000				2034	365,000			
2025	275,000				2035	380,000			
2026	285,000				2036	390,000			
2027	290,000				2037	405,000			
2028	300,000				2038	415,000			
2029	310,000				2039	430,000			

**(Interest to accrue from Dated Date)**

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2030, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

\* Preliminary, subject to change.

<sup>(1)</sup> 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.

*[The remainder of this page intentionally left blank]*

**CITY OF SELMA, TEXAS**  
**9375 Corporate Drive**  
**Selma, Texas 78154**  
**Telephone: (210) 651-6661**

**ELECTED OFFICIALS**

Name	Years Served	Term Expires (May)	Occupation
Tom Daly Mayor	9	2020	Fleet Serviceman, American Airlines
Jim Parma Mayor Pro-Term	20	2021	CPA, Business Owner
John T. Sharp Councilmember, Place 2	1	2020	Equipment Engineer
Becky Harris Councilmember, Place 3	Less than 1	2020	Homemaker
Kevin Hadas Councilmember, Place 4	6	2021	Sales, Business Owner
Ken Polasek Councilmember, Place 6	4	2021	Project Manager., AGCM Inc.

**ADMINISTRATION**

Name	Position	Length of Service (Years)
Johnny Casias	City Administrator	12
Wyatt Agee	Assistant to the City Administrator	3
Hortencia Lozano	Finance Clerk	19
Marc J. Schnall	City Attorney	17

**CONSULTANTS AND ADVISORS**

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

**Certified Public Accountants** .....Armstrong, Vaughan & Associates, P.C.  
Universal City, Texas

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

**For Additional Information Please Contact:**

Mr. Johnny Casias  
City Administrator  
**City of Selma**  
9375 Corporate Drive  
Selma, Texas 78154  
Phone: (210) 651-7858  
jcasias@ci.selma.tx.us

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

**USE OF INFORMATION IN THE OFFICIAL STATEMENT**

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

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.

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*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.*

<b>The Issuer</b>	The City of Selma, Texas (the "City" or the "Issuer"), a municipal corporation and political subdivision of the State of Texas, was originally incorporated in 1951. The City operates under a Council/Manager form of government, as a Type A municipality, with a Mayor and a five member City Council. The City of Selma is located in the heart of the Austin-San Antonio Corridor along I.H. 35. The 2018 population was 10,712. (See "APPENDIX B – General Information Regarding the City of Selma and Bexar, Comal and Guadalupe Counties, Texas" herein.)
<b>The Certificates</b>	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, and an ordinance (the "Ordinance") to be adopted by the City Council of the City, on August 8, 2019. (See "THE CERTIFICATES - Authority for Issuance" herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.
<b>Security</b>	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.)
<b>Redemption Provisions of the Certificates</b>	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2030, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
<b>Tax Matters</b>	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", and will not be included in computing the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein.)
<b>Qualified Tax-Exempt Obligations</b>	The Issuer will designate 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, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (2) constructing, acquiring, purchasing, improving, and expanding City Hall and the City's public works facility (including the demolition of the existing public works facility); (3) 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 (4) 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**

A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (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 refunding bonds for debt service savings.

**Delivery**

When issued, anticipated on or about August 28, 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.

*(The remainder of this page intentionally left blank.)*

## PRELIMINARY OFFICIAL STATEMENT

relating to

**\$6,210,000\***

**CITY OF SELMA, TEXAS**

**(A political subdivision of the State of Texas located in Bexar, Comal and Guadalupe 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 Selma, Texas (the "City" or the "Issuer") of its \$6,210,000\* 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. 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 Northeast 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 will be 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, and an ordinance (the "Ordinance") to be adopted by the City Council of the City (the "City Council") on August 8, 2019.

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\*Preliminary, subject to change.

## **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, 2030, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Two or more consecutive maturities of the Certificates may be grouped together as a "Term Certificate" by the Purchaser, and such "Term Certificates" would also be subject to mandatory sinking fund redemption. If less than all of the Certificates within a stated maturity are to be redeemed, 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 of 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, acquiring, purchasing, renovating, enlarging, and improving the City’s utility system; (2) constructing, acquiring, purchasing, improving, and expanding City Hall and the City’s public works facility (including the demolition of the existing public works facility); (3) 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 (4) 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	\$ _____
Accrued Interest on the Certificates	_____
[Net] Reoffering Premium	_____
Total Sources of Funds	=====
Uses	
Project Fund Deposit	\$ _____
Purchaser’s Discount	_____
Certificate Fund Deposit	_____
Costs of Issuance	_____
Total Uses	_____

**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. City officials are authorized to restrict such eligible

securities as deemed appropriate. 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. The Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance 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 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<sup>th</sup>) 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](http://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.

#### **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."

## 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.

## 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 City Council of the Issuer. 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

As of April 30, 2019 the City held investments as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Certificates of Deposit	\$ 714,457.17	10.40%
Money Markets and Investment Pools	6,158,941.34	89.60%
	<u>\$ 6,873,398.51</u>	<u>100.00%</u>

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.

<sup>(1)</sup> Unaudited.

**AD VALOREM TAX PROCEDURES**

**Property Tax Code and County-Wide Appraisal District**

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

**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, by resolution adopted by its governing body, may require the Appraisal District to appraise all property within the City as of a date specified in the resolution. The City must pay the Appraisal District for the cost of making such an appraisal. While such a current estimate of appraised value may serve to indicate the growth of taxable values within the City, it may not be used by the City as the basis for the imposition of property taxes.

**Property Subject to Taxation by the Issuer**

Reference is made to the 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.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), 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.

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. 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.

### **Residential Homestead Exemptions**

The State of Texas approved a constitutional amendment authorizing counties, cities, towns or junior college districts to establish, on a local option basis, an ad valorem "tax freeze" on residence homesteads of the disabled and persons sixty-five years of age or older. This "tax freeze" can be implemented by official action of a governing body, or pursuant to an election called by the governing body upon receipt of a petition signed by 5% of registered voters of the political subdivision.

If the tax limitation is established, the total amount of ad valorem taxes imposed by the City on a homestead that receives the exemption may not be increased while it remains the residence homestead of that person or that person's spouse who is disabled or sixty-five years of age or older, except to the extent the value of the homestead is increased by improvements other than repairs. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person's surviving spouse if 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.
- (2) An exemption of up to 20% of the market value of residence homesteads; minimum exemption \$5,000.

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

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the 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 City may designate areas within the City as a reinvestment zone. Thereafter, the City may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity with taxing authority over the property will follow in granting tax abatement to owners of property. The tax abatement agreement may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the City, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same.

### **Tax Increment Reinvestment (Financing) Zones**

The City, by action of the City Council, may create one or more tax increment reinvestment zones ("TIRZs") 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.

### **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.

### **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 Tax Code.

The 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 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. Generally before the later of September 30<sup>th</sup> or the 60<sup>th</sup> 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 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.

## **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**

The City operates as a Type A municipality under the Constitution and laws of the State of Texas. Article XI, Section 4 of the Constitution of the State provides that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness must not exceed \$1.50 for each \$100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the \$1.50 rate for interest and sinking fund purposes; however, the Texas Attorney General has adopted an administrative policy that 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 \$1.00 of the foregoing \$1.50 maximum tax rate calculated at 90% collection. The issuance of the Certificates does not violate the 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 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 representations and certifications of the City 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 City subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City 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 City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City 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 City 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 will designate the Certificates as “qualified tax-exempt obligations” and will certify 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](http://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 1-14 of APPENDIX A to this Official Statement and in 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 October 31. Accordingly, it must provide updated information by the end of April 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. Neither the Certificates nor the Ordinance make any provisions for debt service reserves, liquidity enhancement, or credit enhancement. In the Ordinance, the City will adopt 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 City 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. 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.

### **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**

A municipal bond rating application for the Certificates has been made to S&P Global Ratings ("S&P"). The outcome of the result will be made available as soon as possible. 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 \_\_\_\_\_ (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 [net] reoffering premium of \$\_\_\_\_\_, less a Purchaser's discount of \$\_\_\_\_\_, 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 October 31, 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 will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Certificates by the Purchaser.

This Official Statement will be 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 SELMA, TEXAS**

/s/  
\_\_\_\_\_  
Mayor  
City of Selma, Texas

ATTEST:

/s/  
\_\_\_\_\_  
City Secretary  
City of Selma, Texas

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**APPENDIX A**

**FINANCIAL INFORMATION RELATING TO  
THE CITY OF SELMA, TEXAS**

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION**

**TABLE 1**

2019 Preliminary Market Value of Taxable Property (100% of Market Value).....	\$ 1,470,073,600
Less Exemptions:	
Optional Over-65 or Disabled.....	\$ 7,302,635
Homestead Exemption.....	9,292,276
Veterans' Exemptions.....	44,200,536
Freeport Exemptions.....	28,891,443
Open-Space Land and Timberland.....	6,929,752
Tax Abatement Act.....	14,252,192
Loss to 10% HO Cap.....	<u>2,221,483</u>
<b>TOTAL EXEMPTIONS</b> .....	<u>113,090,317</u>
2019 Preliminary Assessed Value of Taxable Property.....	<u>\$ 1,356,983,283</u> *

Source: *Bexar, Comal and Guadalupe County Appraisal Districts.*

\* Includes tax freeze of \$65,807,152.

**GENERAL OBLIGATION BONDED DEBT <sup>(1)</sup>**

*(as of August 1, 2019)*

**General Obligation Debt Principal Outstanding**

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2008	\$ 4,400,000
General Obligation Refunding Bonds, Series 2010	365,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012	1,445,000
General Obligation Refunding Bonds, Series 2012	915,000
General Obligation Bonds, Series 2015	8,215,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	875,000
The Certificates	<u>6,210,000</u> *
Total Gross General Obligation Debt	<u>\$ 22,425,000</u> *

**Less: Self Supporting Debt**

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2008 (50.57% Utility Fund)	\$ 2,225,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 (30.40% Hotel/Motel Tax)	345,000
General Obligation Refunding Bonds, Series 2012 (100.00% Utility Fund)	915,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 (100.00% Utility Fund)	875,000
The Obligations (27.21% Utility Fund)	<u>1,690,000</u>
Total Self-Supporting Debt	<u>\$ 3,485,000</u>

Total Net General Obligation Debt Outstanding \$ 18,940,000 \*

2019 Preliminary Net Assessed Valuation	\$ 1,356,983,283
Ratio of Gross General Obligation Debt Principal to Preliminary Net Taxable Assessed Valuation	1.65%
Ratio of Net General Obligation Debt to Preliminary Net Taxable Assessed Valuation	1.40%

Population: 1990 - 520; 2000 - 788; 2010 - 5,046; est. 2019 - 12,500  
Per Capita Preliminary Net Taxable Assessed Valuation - \$108,558.66  
Per Capita Gross General Obligation Debt Principal - \$1,794.00  
Per Capita Net General Obligation Debt Principal - \$1,515.20

<sup>(1)</sup> *Unaudited.*

\* *Preliminary, subject to change.*

**CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE**

**TABLE 2**

*(As of October 31, 2018)*

**Capital Lease**

The City leased police vehicles in the amount of \$95,340 and \$95,340 in 2017 and 2018, respectively. Accumulated depreciation on the vehicles was \$36,547 and 15,890, respectively, as of October 31, 2018. The 2018 lease was for 4 vehicles, however one was totaled during the year, causing the difference between asset cost and lease additions.

Future Minimum Lease Payments are as follows:

Year Ending	
<u>October 31,</u>	
2019	\$ 60,270
2020	<u>12,282</u>
Total Lease Payments	<u>\$ 72,552</u>
Amount Representing Interest	<u>1,865</u>
Total Payments	<u>\$ 74,417</u>

Source: *The Issuer's Annual Financial Report for the fiscal year ended October 31, 2018.*

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending (10/31)	Current Total Outstanding Debt <sup>(1)</sup>	The Certificates			Combined Debt Service	Less: Self Supportin Debt Service	Total Net Debt Service
		Principal	Interest*	Total			
2019	\$ 1,814,367				\$ 1,814,367	\$ 508,717	\$ 1,305,650
2020	1,840,073	\$ 65,000	\$ 200,769	\$ 265,769	\$ 2,105,842	626,804	1,479,038
2021	1,838,825	145,000	197,356	342,356	2,181,181	628,406	1,552,775
2022	1,839,291	230,000	191,263	421,263	2,260,554	629,516	1,631,038
2023	1,843,960	310,000	182,488	492,488	2,336,448	629,254	1,707,194
2024	1,522,191	265,000	173,144	438,144	1,960,335	558,354	1,401,981
2025	1,508,891	275,000	164,369	439,369	1,948,260	538,916	1,409,344
2026	1,504,624	285,000	155,269	440,269	1,944,893	539,405	1,405,488
2027	1,371,469	290,000	145,925	435,925	1,807,394	404,275	1,403,119
2028	1,373,469	300,000	136,338	436,338	1,809,806	406,256	1,403,550
2029	818,825	310,000	126,425	436,425	1,255,250	113,313	1,141,938
2030	818,575	320,000	116,188	436,188	1,254,763	115,631	1,139,131
2031	697,725	330,000	105,625	435,625	1,133,350	112,869	1,020,481
2032	694,875	345,000	94,656	439,656	1,134,531	115,025	1,019,506
2033	695,050	355,000	83,281	438,281	1,133,331	117,019	1,016,313
2034	694,575	365,000	71,581	436,581	1,131,156	113,931	1,017,225
2035	693,450	380,000	59,475	439,475	1,132,925	115,763	1,017,163
2036	-	390,000	46,963	436,963	436,963	117,431	319,531
2037	-	405,000	34,044	439,044	439,044	114,019	325,025
2038	-	415,000	20,719	435,719	435,719	115,525	320,194
2039	-	430,000	6,988	436,988	436,988	116,869	320,119
Total	<u>\$ 21,570,234</u>	<u>\$6,210,000</u>	<u>\$2,312,863</u>	<u>\$8,522,863</u>	<u>\$ 30,093,097</u>	<u>\$ 6,737,297</u>	<u>\$ 23,355,800</u>

<sup>(1)</sup> Includes self supporting debt.

\* Preliminary, subject to change. Interest calculated at an assumed rate.

**TAX ADEQUACY (Includes Self Supporting Debt)**

2019 Preliminary Net Taxable Assessed Valuation	\$ 1,291,176,131
Maximum Annual Debt Service Requirements (Fiscal Year Ending 6-30-2023)	2,336,447.50 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirem	\$ 0.18465 *

\* Includes the Certificates. Preliminary, subject to change.

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 Preliminary Net Taxable Assessed Valuation	\$ 1,291,176,131
Maximum Annual Debt Service Requirements (Fiscal Year Ending 6-30-)	1,707,193.75 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirem	\$ 0.13492 *

\* Includes the Certificates. Preliminary, subject to change.

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**

Interest and Sinking Fund Balance, Fiscal Year Ended October 31, 2018	\$ 1,575,979
2019 Anticipated Interest and Sinking Fund Tax Levy at 95% Collections Produce <sup>(1)</sup>	1,410,622
Total Available for General Obligation Debt	<u>\$ 2,986,601</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 10/31/19	1,305,650
Estimated Surplus at Fiscal Year Ending 10/31/2019 <sup>(1)</sup>	<u>\$ 1,680,951</u>

<sup>(1)</sup> Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

(As of August 1, 2019)

Fiscal Year Ending 10-31	Principal Repayment Schedule			Principal Unpaid at End of Year*	Percent of Principal Retired (%) *
	Currently Outstanding <sup>(a)</sup>	The Certificates*	Total*		
2019				\$ 22,425,000	0.00%
2020	\$ 1,360,000	\$ 65,000	\$ 1,425,000	21,000,000	6.35%
2021	1,395,000	145,000	1,540,000	19,460,000	13.22%
2022	1,430,000	230,000	1,660,000	17,800,000	20.62%
2023	1,475,000	310,000	1,785,000	16,015,000	28.58%
2024	1,195,000	265,000	1,460,000	14,555,000	35.09%
2025	1,220,000	275,000	1,495,000	13,060,000	41.76%
2026	1,255,000	285,000	1,540,000	11,520,000	48.63%
2027	1,160,000	290,000	1,450,000	10,070,000	55.09%
2028	1,200,000	300,000	1,500,000	8,570,000	61.78%
2029	675,000	310,000	985,000	7,585,000	66.18%
2030	695,000	320,000	1,015,000	6,570,000	70.70%
2031	595,000	330,000	925,000	5,645,000	74.83%
2032	610,000	345,000	955,000	4,690,000	79.09%
2033	630,000	355,000	985,000	3,705,000	83.48%
2034	650,000	365,000	1,015,000	2,690,000	88.00%
2035	670,000	380,000	1,050,000	1,640,000	92.69%
2036	-	390,000	390,000	1,250,000	94.43%
2037	-	405,000	405,000	845,000	96.23%
2038	-	415,000	415,000	430,000	98.08%
2039	-	430,000	430,000	-	100.00%
<b>Total</b>	<b>\$ 16,215,000</b>	<b>\$ 6,210,000</b>	<b>\$ 22,425,000</b>		

<sup>(a)</sup> Includes self-supporting debt.

\*Preliminary, subject to change.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2010-2019**

**TABLE 3**

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2010-11	\$ 603,234,777	--	--
2011-12	626,853,134	\$ 23,618,357	3.92%
2012-13	658,122,164	31,269,030	4.99%
2013-14	719,725,377	61,603,213	9.36%
2014-15	815,616,831	95,891,454	13.32%
2015-16	904,948,773	89,331,942	10.95%
2016-17	996,255,526	91,306,753	10.09%
2017-18	1,109,187,360	112,931,834	11.34%
2018-19	1,194,314,319	85,126,959	7.67%
2019-20	1,356,983,283	162,668,964	13.62%

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

**PRINCIPAL TAXPAYERS 2018**

**TABLE 4**

Name	Type of Business/Property	2018 Net Taxable Assessed Valuation	% of Total 2018 Assessed Valuation
S A Development Company LP	Land Development	\$ 66,013,433	5.53%
FPK Realty Lookout Hollow 1 LLC	Real Estate	42,770,000	3.58%
KIMCO Forum at Olympia LP	Shopping Mall	33,481,698	2.80%
Costco Wholesale Corporation	Wholesale Distributor	23,518,320	1.97%
Selma Retail LTD	Commercial	10,655,650	0.89%
Haverty Furniture CO Inc.	Furniture Store	7,665,514	0.64%
Furniture Row USA LLC	Furniture Store	7,350,000	0.62%
GVD Commercial Properties Inc.	Real Estate	6,600,000	0.55%
Selma-SMC Health Invest Holdings LLC	Medical Facility	6,044,590	0.51%
Maple Seven Investments LLC	Real Estate	5,600,000	0.47%
		<b>\$ 209,699,205</b>	<b>17.56% *</b>

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

As shown in the table above, the top ten taxpayers in the City account for in excess of 17.56% of the City's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the city, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Certificates may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "THE CERTIFICATES – Default and Remedies" and "AD VALOREM TAX PROCEDURES – Issuer's Rights in the Event of Tax Delinquencies" in this Official Statement.

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 5**

	2019*	% of Total	2018	% of Total	2017	% of Total
Real, Residential, Single-Family	\$ 671,450,338	45.67%	\$ 620,324,775	46.40%	\$ 566,074,595	44.51%
Real, Residential, Multi-Family	106,941,410	7.27%	97,683,060	7.31%	98,310,440	7.73%
Real, Vacant Lots/Tracts	26,481,854	1.80%	24,424,125	1.83%	24,388,130	1.92%
Real, Acreage (Land Only)	6,974,687	0.47%	6,524,031	0.49%	6,552,520	0.52%
Real, Farm and Ranch Improvements	10,110,414	0.69%	10,396,447	0.78%	10,151,119	0.80%
Real, Commercial and Industrial	436,683,634	29.70%	366,506,971	27.42%	334,816,852	26.33%
Real & Tangible, Personal Utilities	1,263,413	0.09%	1,310,320	0.10%	1,408,868	0.11%
Tangible Personal, Commercial & Industrial	170,158,676	11.57%	168,699,445	12.62%	188,881,201	14.85%
Tangible Personal, Mobile Homes	96,630	0.01%	1,975,335	0.15%	1,629,658	0.13%
Real Inventory	3,282,581	0.22%	3,075,641	0.23%	6,422,963	0.51%
Special Inventory	36,629,963	2.49%	35,925,549	2.69%	33,083,807	2.60%
<b>Total Appraised Value</b>	<b>\$ 1,470,073,600</b>	<b>100.00%</b>	<b>\$ 1,336,845,699</b>	<b>100.00%</b>	<b>\$ 1,271,720,153</b>	<b>100.00%</b>
<b>Less:</b>						
Optional Over-65 or Disabled	\$ 7,302,635		\$ 6,990,000		\$ 6,290,000	
Homestead Exemption	9,292,276		9,316,095		8,912,942	
Veterans' Exemptions	44,200,536		38,798,560		33,049,282	
Freeport Exemptions	28,891,443		28,891,443		54,232,299	
Open-Space Land and Timberland	6,929,752		6,487,001		6,516,572	
Tax Abatement Act	14,252,192		49,974,611		50,211,500	
Low-Income Financing	-		52,635		52,635	
Loss to 10% HO Cap	2,221,483		2,021,035		3,267,563	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 1,356,983,283</b>		<b>\$ 1,194,314,319</b>		<b>\$ 1,109,187,360</b>	
<b>Less: Freeze Taxable</b>	<b>\$ 65,807,152</b>		<b>\$ 55,383,013</b>		<b>\$ 39,111,354</b>	
<b>Freeze Adjusted Taxable Assessed Valuation</b>	<b>\$ 1,291,176,131</b>		<b>\$ 1,138,931,306</b>		<b>\$ 1,070,076,006</b>	

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

\* Represents preliminary values provided by Bexar, Comal and Guadalupe Appraisal Districts.

**TAX DATA**

**TABLE 6**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2010	\$ 603,234,777	\$ 0.2793	\$ 1,684,835	99.07	99.92	10/31/2011
2011	626,853,134	0.2793	1,750,801	98.84	100.74	10/31/2012
2012	658,122,164	0.2793	1,838,135	98.82	98.86	10/31/2013
2013	719,725,377	0.2342	1,685,597	99.38	99.77	10/31/2014
2014	815,616,831	0.2223	1,813,116	99.40	99.56	10/31/2015
2015	904,948,773	0.2223	2,011,701	98.08	99.43	10/31/2016
2016	996,255,526	0.2065	2,057,268	99.49	100.51	10/31/2017
2017	1,109,187,360	0.2034	2,256,087	99.61	100.61	10/31/2018
2018	1,194,314,319	0.2016	2,407,738	96.84	97.57	10/31/2019*
2019	1,356,983,283	0.2016	2,735,678			10/31/2020

\* Collections as of June 1, 2019.

**TAX RATE DISTRIBUTION**

**TABLE 7**

	2018	2017	2016	2015	2014
General Fund	\$ 0.0866	\$ 0.0805	\$ 0.0997	\$ 0.1025	\$ 0.1250
I & S Fund	0.1150	0.1211	0.1037	0.1040	0.0973
<b>Total Tax Rate</b>	<b>\$ 0.2016</b>	<b>\$ 0.2016</b>	<b>\$ 0.2034</b>	<b>\$ 0.2065</b>	<b>\$ 0.2223</b>

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. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. At an election held on April 1, 2002, an additional ½ cent sales tax was authorized by the voters for the Selma Municipal Development District. The remaining 1/2 cent is levied by Guadalupe, Bexar, and Comal Counties for ad valorem tax relief. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	Selma Municipal Development Corporation	Total	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2010	\$ 4,062,815	\$ 1,289,359	\$ 5,352,174	241.14%	0.67
2011	4,368,883	1,170,227	5,539,110	249.54%	0.70
2012	4,472,521	1,301,498	5,774,019	243.32%	0.68
2013	4,853,151	1,351,218	6,204,369	287.92%	0.67
2014	5,468,800	1,438,189	6,906,989	301.62%	0.67
2015	6,041,449	1,559,041	7,600,489	300.32%	0.67
2016	6,047,485	1,580,303	7,627,788	293.96%	0.61
2017	6,225,607	1,596,792	7,822,398	275.95%	0.56
2018	6,507,169	1,652,245	8,159,414	270.26%	0.54
2019	2,803,222	709,591	3,512,813	(as of August 1, 2019)	

Source: State Comptroller's Office of the State of Texas.

**OVERLAPPING DEBT INFORMATION**

(As of August 1, 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 were 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 8/1/19)	% Overlapping	Amount Overlapping
Alamo Community College District	\$ 470,915,000	0.48%	\$ 2,260,392
Bexar County	1,898,620,000	0.47%	8,923,514
Bexar County Hospital District	840,300,000	0.48%	4,033,440
Comal County	155,015,000	0.16%	248,024
Comal ISD	747,720,504	0.37%	2,766,566
Guadalupe County	11,570,000	3.64%	421,148
Judson ISD	609,179,223	7.70%	46,906,800
Schertz-Cibolo-Universal City ISD	408,181,092	6.77%	27,633,860
Total Gross Overlapping Debt			<u>\$ 93,193,744</u>
Selma, City of			\$ 22,425,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 115,618,744 *</u>
Ratio of Gross Direct Debt and Overlapping Debt			8.52% *
Per Capita Gross Direct Debt and Overlapping Debt			\$9,249.50 *

Note: The above figures show Gross General Obligation Debt for the City of Selma, Texas. The Issuer's Net General Obligation Debt is \$18,940,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	\$ 112,133,744 *
Ratio of Net Direct and Overlapping Debt to 2014 Net Assessed Valuation	8.26% *
Per Capita Net Direct and Overlapping Debt	\$8,970.70 *

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

\* Preliminary, subject to change. Includes the Certificates.

**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				
	10/31/2018	10/31/2017	10/31/2016	10/31/2015	10/31/2014
Fund Balance - Beginning of Year	\$ 7,849,997	\$ 7,566,770	\$ 8,482,159	\$ 6,910,674	\$ 6,509,768
Revenues	\$ 9,783,168	\$ 10,008,622	\$ 9,211,266	\$ 9,844,911	\$ 8,569,557
Expenditures	9,809,167	10,163,513	10,162,009	8,576,388	8,868,964
Excess (Deficit) of Revenues Over Expenditures	\$ (25,999)	\$ (154,891)	\$ (950,743)	\$ 1,268,523	\$ (299,407)
Other Financing Sources (Uses):					
Issuance of Bonds	\$ 127,520	\$ -	\$ -	\$ -	\$ -
Capital Lease	-	95,340	-	-	237,813
Operating Transfers In	361,914	-	35,354	302,962	462,500
Operating Transfers Out	-	342,778	-	-	-
Total Other Financing Sources (Uses):	\$ 489,434	\$ 438,118	\$ 35,354	\$ 302,962	\$ 700,313
Prior Year End Adjustment	-	-	-	-	-
Fund Balance - End of Year*	<u>\$ 8,313,432</u>	<u>\$ 7,849,997</u>	<u>\$ 7,566,770</u>	<u>\$ 8,482,159</u>	<u>\$ 6,910,674</u>

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

\* The City anticipates its unaudited General Fund balance for fiscal year ending October 31, 2019 will be approximately \$11,463,415.



**Plan Description**

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system in 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 issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com). All eligible employees of the city are required to participate in TMRS.

**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:

	<u>2017</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	19
Inactive Employees Entitled to but Not Yet Receiving Benefits	36
Active Employees	<u>91</u>
	<u>146</u>

**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 their 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 matching rate is 2 to 1. The contribution rates for the City were 14.66% and 14.82% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended October 31, 2018 were \$844,822, 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.

**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 R2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

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

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

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

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

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.

**Changes in the Net Pension Liability**

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

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Position Liability</u>
Balance at December 31, 2016	\$ 17,187,114	\$ 13,627,071	\$ 3,560,043
Changes for the year:			
Service Cost	1,004,049	-	1,004,049
Interest	1,177,599	-	1,177,599
Change of Benefit Terms	-	-	-
Difference between expected and Actual Experience	17,814	-	17,814
Changes of Assumptions	-	-	-
Contributions - Employer	-	809,202	(809,202)
Contributions - Employee	-	386,385	(386,385)
Net Investment Income	-	1,891,007	(1,891,007)
Benefit Payments, Including Refunds of Employee Contributions	(486,448)	(486,448)	-
Administrative Expense	-	(9,788)	9,788
Other Changes	-	(496)	496
Net Changes	<u>1,713,014</u>	<u>2,589,862</u>	<u>(876,848)</u>
Balance at December 31, 2017	<u>\$ 18,900,128</u>	<u>\$ 16,216,933</u>	<u>\$ 2,683,195</u>

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

**Discount Rate Sensitivity Analysis**

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 <u>5.75%</u>	Discount Rate <u>6.75%</u>	Discount Rate <u>7.75%</u>
Net pension Liability	\$ 6,077,967	\$ 2,683,195	\$ (20,480)

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

**Pension Plan Fiduciary Net Position**

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

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

For the year ended October 31, 2018, the City recognized pension expense of \$958,874. Also as of October 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience	\$ 331,745	\$ -
Changes in Actuarial Assumptions	14,842	-
Differences between Projected and Actual Investment Earnings	-	-
Contributions subsequent to the Measurement date	334,881	776,944
	<u>685,947</u>	<u>-</u>
	<u>\$ 1,367,415</u>	<u>\$ 776,944</u>

Deferred outflows of resources in the amount of \$685,947 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 year ending December 31, 2018. 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 <u>12/31</u>	
2018	\$ 73,154
2019	47,599
2020	(107,631)
2021	(136,367)
2022	22,096
Thereafter	5,673
	<u>\$ (95,476)</u>

**OTHER POST EMPLOYMENT BENEFITS**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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:

	<u>2017</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	14
Inactive Employees Entitled to but not yet receiving benefits	7
Active Employees	91
Total	<u>112</u>

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

	<u>Total SDBF Contribution Rate</u>	<u>Retiree Portion of SDBF Contribution Rate</u>
For the plan year ended December 31,		
2017	0.12%	0.01%
2018	0.12%	0.01%

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

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:

Salary Increases	3.50% to 10.50% Including Inflation
Discount Rate	3.31% (Based on Fidelity's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied at 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 at 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 criteria in paragraph 4 of Statement No. 75 to pay related benefits.

The 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:

	<b>Total OPEB Liability</b>
Balance at December 31, 2016	\$ 94,501
Changes for the year:	
Service Cost	8,280
Interest on Total OPEB Liability	3,718
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	11,414
Benefit Payments	(552)
Net Changes	<u>22,860</u>
Balance at December 31, 2017	<u>\$ 117,361</u>

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:

	<b>Discount Rate</b>	<b>Discount Rate</b>	<b>Discount Rate</b>
	2.31%	3.31%	4.31%
Total OPEB liability	\$ 147,211	\$ 117,361	\$ 94,836

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

For the year ended October 31, 2018 the City recognized OPEB expense of \$13,203 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions and other inputs	10,209	-
Contributions subsequent to the Measurement date	462	-
	10,671	-

Deferred outflows of resources in the amount of \$462 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the year ended December 31,	
2018	\$ 1,205
2019	1,205
2020	1,205
2021	1,205
2022	1,205
Thereafter	4,184
	<u>\$ 10,209</u>

**UTILITY SYSTEM PLANT IN OPERATION**

**TABLE 11**

	<b>FYE 10/31/2018</b>
Land	\$ 173,139
Buildings & Improvements	404,337
Water Rights	2,558,666
Water Sewer Utility Plant	10,399,275
Construction in Process	679,451
Vehicles and Equipment	706,567
Total Capital Assets	\$ 14,921,435
Less: Accumulated Depreciation	(3,536,809)
Net Capital Assets	<u>\$ 11,384,626</u>

Source: The Issuer's Annual Financial Report for Fiscal year ended October 31, 2018.

**UTILITY FUND OPERATING STATEMENT**

**TABLE 12**

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.

Fiscal Year Ended:	Fiscal Year Ended				
	<u>10/31/2018</u>	<u>10/31/2017</u>	<u>10/31/2016</u>	<u>10/31/2015</u>	<u>10/31/2014</u>
<b>Revenues:</b>					
Utility Sales and Changes Miscellaneous (includes Interest Income)	\$ 4,648,368	\$ 4,358,901	\$ 4,216,297	\$ 3,935,510	\$ 3,639,193
	<u>610,255</u>	<u>282,828</u>	<u>282,828</u>	<u>410,134</u>	<u>162,473</u>
Total Revenues	\$ 5,258,623	\$ 4,641,729	\$ 4,499,125	\$ 4,345,644	\$ 3,801,666
<b>Expenses:</b>					
Administration Cost	434,758	417,921	376,350	382,646	337,508
Water & Sewer Operations	<u>3,658,231</u>	<u>3,209,849</u>	<u>3,293,601</u>	<u>2,995,983</u>	<u>2,839,664</u>
Total Expenses	\$ 4,092,989	\$ 3,627,770	\$ 3,669,951	\$ 3,378,629	\$ 3,177,172
Net Available for Debt Service	\$ 1,165,634	\$ 1,013,959	\$ 829,174	\$ 967,015	\$ 624,494
<b>Customer Count:</b>					
Water	3,531	3,491	3,408	3,243	3,394
Sewer	3,180	3,104	3,022	3,189	3,075

**WATER SUPPLY**

The City's water supply is the Edwards Aquifer and Schertz/Seguin Local Government Corporation. The City has permits for 1,200 acre-feet per year (394,493,468 gallons) from Edwards Aquifer and 800 acre-feet from Schertz/Seguin Local Government Corporation. Currently, City usage is at approximately 69% of capacity.

The City also maintains a 1,000,000 gallon elevated storage tank on FM 1518 and 800 acre feet of Carrizo Water.

**WATER RATES**

**TABLE 13**

[Based on Monthly Billing]

Current Rates  
(Effective June 13, 2013)

<b>Residential Water Rates (Standard)</b>			Winter	Summer
	\$8.90	\$8.90	\$8.90	
	minimum/ Base Rate	minimum/ Base Rate	minimum/ Base Rate	
0-2,000 Gallons	\$8.90 Plus	\$ 1.40	\$ 1.40	Per 1,000 Gallons
2,001-5,000 Gallons	\$8.90 Plus	\$ 1.67	\$ 1.82	Per 1,000 Gallons
5,001-10,000 Gallons	\$8.90 Plus	\$ 1.98	\$ 2.20	Per 1,000 Gallons
10,001-20,000 Gallons	\$8.90 Plus	\$ 2.64	\$ 2.99	Per 1,000 Gallons
20,001-35,000 Gallons	\$8.90 Plus	\$ 4.83	\$ 6.40	Per 1,000 Gallons
35,001-45,000 Gallons	\$8.90 Plus	\$ 6.30	\$ 8.55	Per 1,000 Gallons
45,001 gallons and Over	\$8.90 Plus	\$ 6.30	\$ 8.55	Per 1,000 Gallons

Old Rates  
Effective November 1, 2009

**Residential Water Rates (Standard)**

0-2,000 gallons	\$8.90/Base Rate
2,001-5,000 gallons	\$8.90 plus \$1.40 per thousand gallons
5,001-10,000 gallons	\$8.90 plus 1.67 per thousand gallons
10,001 - 20,000 gallons	\$8.90 plus 1.98 per thousand gallons
20,001 - 35,000 gallons	\$8.90 plus \$2.61 per thousand gallons
35,001 - 45,000 gallons	\$8.90 plus \$4.83 per thousand gallons
45,001 gallons and over	\$8.90 plus \$6.30 per thousand gallons

**Residential Water Rates (Seniors \*)**

0-2,000 gallons	\$8.40/Base Rate
2,001-5,000 gallons	\$8.40 plus \$1.32 per thousand gallons
5,001-10,000 gallons	\$8.40 plus \$1.58 per thousand gallons
10,001 - 20,000 gallons	\$8.40 plus \$1.84 per thousand gallons
20,001 - 35,000 gallons	\$8.40 plus \$2.37 per thousand gallons
35,001 - 45,000 gallons	\$8.40 plus \$3.15 per thousand gallons
45,001 gallons and over	\$8.90 plus \$4.20 per thousand gallons

\*To qualify for Senior rates, the owner of the account must be (1) 65 years of age or older, and (2) reside at the address to

**Residential Water Rates (Commercial Service\*)**

C-1 (5/8 inch meter)	\$22.26 plus \$2.50 per thousand gallons
C-2 (3/4 inch meter)	\$22.26 plus \$2.50 per thousand gallons
C-3 (1 inch meter)	\$33.39 plus \$2.50 per thousand gallons
C-4 (1 1/2 inch meter)	\$44.52 plus \$2.50 per thousand gallons
C-5 (2 inch meter)	\$46.11 plus \$2.50 per thousand gallons
C-6 (3 inch meter)	\$105.74 plus \$2.50 per thousand gallons
C-7	\$133.56 plus \$2.50 per thousand gallons

\* Commercial Service includes business, apartments, government, and public accounts.

**WASTEWATER TREATMENT**

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Selma 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 Selma, the City of Schertz, 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"). On October 1, 2009, the Sewer Rate billed to Member Cities increased to \$2.50 per thousand gallons with a \$1,800 Impact Fee per new connection. The Member Cities are responsible for payment when billed.

Selma's Wastewater System is responsible for maintaining the collections system and billing its citizens that are on the System. The rates, which are shown on the following page, produce revenues that are sufficient to pay the Cibolo Creek Municipal Authority bill, maintain the collection system, pay debt service, if any and overhead, and produce profit.

**SEWER RATES**

**TABLE 14**

Current Rates  
(Effective November 1, 2018)

Residential wastewater rates are based on the average water meter readings taken in December, January and February and billed at a base rate of \$6.49 plus \$3.83 per thousand gallons times the average water use from the December, January and February readings. New customers start at 30.24 until they establish sewer average.

Commercial accounts will be billed a base rate of \$8.12 plus \$4.05 per thousand gallons of water usage.

Old Rates (Effective November 1, 2017)

Residential wastewater rates are based on the average water meter readings taken in December, January and February and billed at a base rate of \$6.07 plus \$3.58 per thousand gallons times the average water use from the December, January and February readings.

Commercial accounts will be billed a base rate of \$7.10 plus \$3.55 per thousand gallons of water usage.



**APPENDIX B**

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

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**GENERAL INFORMATION REGARDING THE CITY OF SELMA  
AND GUADALUPE, COMAL AND BEXAR COUNTIES**

**The City of Selma**

The City of Selma, Texas (the “City”) is located in the heart of the Austin-San Antonio Corridor along I.H. 35. It was established in 1847 and is one of the first settlements in the northeast San Antonio area. It is a city of mystery as nobody can remember the origin of the City’s name. The City is thought to be one of many German settlements along Cibolo Creek, but the community is American in origin, since the word “Selma” has no translation into German. The first settlers of Selma include John D. Brown and William Davenport – ranchers who ran cattle on open land up until 1860. In the 1870s, an increase in population of German and Polish immigrants brought the need for a school, gristmill, cotton gin and post office, which also served as a stagecoach stop.

The City covers about five square miles in three counties, Bexar, Guadalupe and Comal Counties, Texas and has an estimated 2015 population of 9,000. The original city hall, a colonial Spanish-style building, served as headquarters for a local radio station, and served for a brief time as a restaurant after City Hall was moved to 9375 Corporate Drive, across the I.H. 35. Commercial and industrial entities have access to railways, interstate highways, low taxes and are situated at a safe distance from the Edwards Aquifer Recharge Zone, which supplies local water to the various communities in this area.

One of the largest outdoor shopping centers in Texas and located in the heart of the City is the Forum Shopping Center. With easy access from Interstate 35 North and Loop 1604, the Forum offers acres of shopping and dining enjoyment with plenty of store-front parking.

The City is also home to Retama Park, a beautiful horse-racing facility that opened in 1995. Retama provides racing for both turf and dirt running horses and simulcasting of races from other major race tracks throughout the country.

**Economy**

Selma is derived by businesses around the City but mostly by adjoined employers from the City of San Antonio, Texas (“San Antonio”).

**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, Texas), 1 Children’s Hospital, 2 Heart Hospitals, 1 Specialty and Transplant Hospital and 3 out patient clinics. Located in the city of Live Oak, Texas 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. A new orthopedic service has recently 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 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.

**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 <sup>(1)</sup>	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 <sup>(1)</sup>**

	<u>2019 <sup>(2)</sup></u>	<u>2018 <sup>(3)</sup></u>	<u>2017 <sup>(3)</sup></u>	<u>2016 <sup>(3)</sup></u>
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.

**Guadalupe County**

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 Employers**

- Employer**
- 
- Guadalupe Power Partners
  - CMC Steel Texas
  - LCRA Transmission Services
  - Helmerich & Payne International
  - Temic Automotive
  - Amazon.com.KYDC LLC
  - Texas petroleum Investment
  - US Real Estate LP
  - Guadalupe Valley Electric Cooperative
  - Union Pacific Railroad Co.
  - Temple-Inland Inc.
  - Rio Nogales Power Project

**Labor Force Statistics <sup>(1)</sup>**

	<u>2019 <sup>(2)</sup></u>	<u>2018 <sup>(3)</sup></u>	<u>2017 <sup>(3)</sup></u>	<u>2016 <sup>(3)</sup></u>
Civilian Labor Force	80,424	79,824	78,527	76,000
Total Employed	78,451	77,327	75,907	73,276
Total Unemployed	1,973	2,497	2,620	2,724
% Unemployment	2.5%	3.1%	3.3%	3.6%
Texas Unemployment	2.9%	3.9%	4.3%	4.6%

(1) Source: Texas Workforce Commission.

(2) As of May, 2019.

(3) Average Annual Statistics.

## Comal County

### 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	2,895
Schlitterbahn Water Park	2,100
Wal-Mart Distribution Center	1,250
New Braunfels ISD	1,188
Christus Santa Rosa hospital	812
Sysco	810
Hunter Industries/Colorado Materials, Inc	730
Comal County	681
HD Supply Call Center	538
Rush Enterprises	518

#### Labor Force Statistics <sup>(1)</sup>

	2019 <sup>(2)</sup>	2018 <sup>(3)</sup>	2017 <sup>(3)</sup>	2016 <sup>(3)</sup>
Civilian Labor Force	70,468	70,132	68,868	65,525
Total Employed	68,734	67,878	66,551	63,157
Total Unemployed	1,734	2,254	2,317	2,368
% Unemployment	2.5%	3.2%	3.4%	3.6%
Texas Unemployment	2.9%	3.9%	4.3%	4.6%

(1) Source: Texas Workforce Commission.

(2) As of May, 2019

(3) Average Annual Statistics.

**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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**DRAFT 7/23/19**

IN REGARD to the authorization and issuance of the “City of Selma, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019” (the *Certificates*), dated August 1, 2019 in the aggregate principal amount of \$\_\_\_\_\_ we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Selma, 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 concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at [nortonrosefulbright.com](http://nortonrosefulbright.com).

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

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 SELMA, 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 STATEMENTS FOR THE FISCAL YEAR ENDED OCTOBER 31, 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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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
City of Selma, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Selma, Texas, as of and for the year ended October 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of City of Selma, Texas' primary government as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 adverse audit opinion on the reporting entity and unmodified audit opinions on the governmental activities, business-type activities, and major funds of the primary government.

### ***Basis for Adverse Opinion on the Reporting Entity***

The financial statements referred to above include only the primary government of City of Selma, Texas, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise City of Selma, Texas' legal entity and the Municipal Development Corporation, a legally separate component unit of the City of Selma, Texas. The financial statements do not include the financial data for Retama Development Corporation, one of the City of Selma, Texas' legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of City of Selma, Texas' primary government.

### ***Adverse Opinion on the Reporting Entity***

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of City of Selma, Texas, as of October 31, 2018, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The City of Selma, Texas has not issued separate reporting entity financial statements, however separate financial statements are available for the Retama Development Corporation.

### ***Unmodified Opinions on the Governmental Activities, Business-Type Activities, and each Major Fund***

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, and each major fund for the primary government of City of Selma, Texas, as of October 31, 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 A22 of the financial statements, in November 2017, the City adopted new accounting guidance from the Governmental Accounting Standards Board Statement No. 75 related to accounting for post-employment benefits other than pensions (OPEB). 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 the management's discussion and analysis, budgetary comparison information, and schedules of changes and contributions for net pension liability and net other post-employment benefits liability, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Selma, Texas' primary government basic financial statements. The transmittal letter, statistical section and individual fund comparative statements are presented for purposes of additional analysis and are not a required part of the primary government's basic financial statements.

The individual fund comparative 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, except for the supplementary information related to the exclusion of the Retama Development Corporation, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

The transmittal letter and statistical section 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.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

February 22, 2019

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of City of Selma’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended October 31, 2018. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

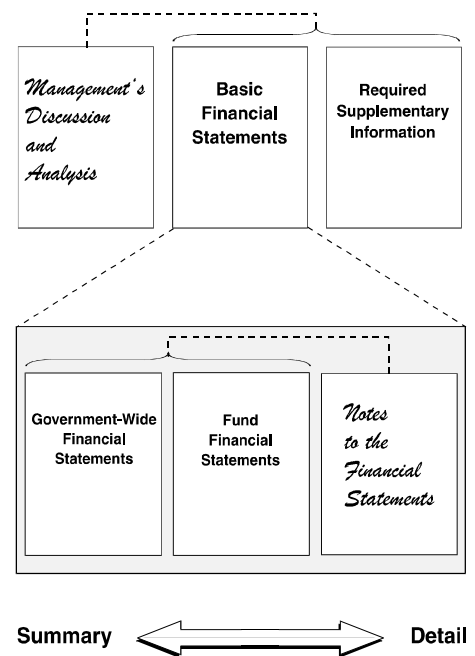
- The City’s total combined net position was \$41 million at October 31, 2018. The general fund reported a fund balance this year of \$8.3 million.
- During the year, the City’s governmental expenses were \$1.9 million less than the \$12.9 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance of \$8.3 million at the end of the fiscal year, a \$463 thousand increase over the previous fiscal year. This increase is primarily due to the 4.8% increase in tax revenues over the previous year.
- The City’s Water/Sewer Fund reported a \$224 thousand increase in net position over the previous fiscal year. Net position at October 31, 2018 was \$7.2 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government services* were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

**Figure A-1, Required Components of the City’s Annual Financial Report**



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

<b>Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements</b>			
<b>Fund Statements</b>			
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary	Activities the City operates similar to private businesses: water/sewer
<i>Required financial statements</i>	• Statement of Net Position	• Balance Sheet	• Statement of Net Position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balance	• Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## **GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s net position and how they have changed. Net position—the difference between the City’s assets and liabilities—is one way to measure the City’s financial health or *position*.

- Over time, increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City’s tax base

The government-wide financial statements of the City include the *Governmental activities*. Most of the City’s basic services are included here, such as public safety, public works and general administration. Sales taxes, property taxes, franchise fees and charges for services finance most of these activities.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Position

The City's combined net position was \$41 million at October 31, 2018. (See Table A-1).

**Table A-1**  
City of Selma Net Position  
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2018	2017	2018	2017	2018	2017	
<b>ASSETS</b>							
<i>Current Assets:</i>							
Cash and Investments	\$ 16,497	\$ 21,574	\$ 2,950	\$ 2,671	\$ 19,447	\$ 24,245	-19.79%
Other Current Assets	1,555	1,398	693	767	2,248	2,165	3.83%
<b>Total Current Assets:</b>	<b>18,052</b>	<b>22,972</b>	<b>3,643</b>	<b>3,438</b>	<b>21,695</b>	<b>26,410</b>	<b>-17.85%</b>
<i>Noncurrent Assets:</i>							
Capital Assets (Net)	34,895	29,036	11,385	11,358	46,280	40,394	14.57%
<b>Total Noncurrent Assets</b>	<b>34,895</b>	<b>29,036</b>	<b>11,385</b>	<b>11,358</b>	<b>46,280</b>	<b>40,394</b>	<b>14.57%</b>
<b>Total Assets</b>	<b>52,947</b>	<b>52,008</b>	<b>15,028</b>	<b>14,796</b>	<b>67,975</b>	<b>66,804</b>	<b>1.75%</b>
<b>Deferred Outflows of Resources</b>							
Deferred OPEB Outflows	10	-	1	-	11	-	100.00%
Deferred Pension Related Outflows	1,301	1,499	66	82	1,367	1,581	-13.52%
<b>Total Deferred Outflows of Resources</b>	<b>1,311</b>	<b>1,499</b>	<b>67</b>	<b>82</b>	<b>1,378</b>	<b>1,581</b>	<b>-12.84%</b>
<b>LIABILITIES</b>							
Current Liabilities	2,415	2,640	4,278	3,958	6,693	6,598	1.45%
Long-Term Liabilities	17,178	18,837	3,557	3,916	20,735	22,753	-8.87%
<b>Total Liabilities</b>	<b>19,593</b>	<b>21,477</b>	<b>7,835</b>	<b>7,874</b>	<b>27,428</b>	<b>29,351</b>	<b>-6.55%</b>
<b>DEFERRED INFLOWS</b>							
Future Tax Levy Collections	36	6	-	-	36	6	500.00%
Deferred Pension Related Inflows	739	-	38	-	777	-	100.00%
<b>Total Deferred Inflows of Resources</b>	<b>775</b>	<b>6</b>	<b>38</b>	<b>-</b>	<b>813</b>	<b>6</b>	<b>13449.07%</b>
<b>NET POSITION</b>							
Net Investment in							
Capital Assets	23,171	21,508	7,965	7,628	31,136	29,136	6.86%
Restricted	9,690	8,775	-	-	9,690	8,775	10.43%
Unrestricted	1,029	1,741	(743)	(624)	286	1,117	-74.38%
<b>Total Net Position</b>	<b>\$ 33,890</b>	<b>\$ 32,024</b>	<b>\$ 7,222</b>	<b>\$ 7,004</b>	<b>\$ 41,112</b>	<b>\$ 39,028</b>	<b>5.34%</b>

\*Comparative information has not been restated for adoption of GASB Statement No. 75. See Note A22 for more detail.

The \$286 thousand of unrestricted net position represents resources available to fund the programs of the City next year.

## CHANGES IN NET POSITION

**Table A-2**  
Changes in City of Selma Net Position  
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2018	2017	2018	2017	2018	2017	
Program Revenues:							
Charges for Services	\$ 1,263	\$ 1,886	\$ 4,779	\$ 4,357	\$ 6,042	\$ 6,243	-3.2%
Operating Grants & Contributions	3	3	-	-	3	3	0.0%
General Revenues							
Property Taxes	2,084	2,016	-	-	2,084	2,016	3.4%
Franchise Taxes	758	756	-	-	758	756	0.3%
Sales Taxes	8,195	7,639	-	-	8,195	7,639	7.3%
Occupancy Taxes	237	214	-	-	237	214	10.7%
Impact Fees	-	-	460	248	460	248	85.5%
Investment Earnings	184	97	4	2	188	99	89.9%
Other	167	235	16	29	183	264	-30.7%
Total Revenues	<u>12,891</u>	<u>12,846</u>	<u>5,259</u>	<u>4,636</u>	<u>18,150</u>	<u>17,482</u>	<u>3.8%</u>
General Government	2,244	2,470	-	-	2,244	2,470	-9.1%
Police Department	3,932	3,852	-	-	3,932	3,852	2.1%
Fire Department	2,448	2,470	-	-	2,448	2,470	-0.9%
Building Inspections	614	578	-	-	614	578	6.2%
Infrastructure	1,610	1,308	-	-	1,610	1,308	23.1%
Others	162	193	-	-	162	193	-16.3%
Water/Sewer	-	-	4,454	3,949	4,454	3,949	12.8%
Interest on Long-Term Debt	399	422	110	117	509	539	-5.6%
Total Expenses	<u>11,409</u>	<u>11,293</u>	<u>4,564</u>	<u>4,066</u>	<u>15,973</u>	<u>15,359</u>	<u>4.0%</u>
Transfers In (Out)	<u>471</u>	<u>600</u>	<u>(471)</u>	<u>(600)</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
Increase (Decrease) in Net Position	<u>\$ 1,953</u>	<u>\$ 2,153</u>	<u>\$ 224</u>	<u>\$ (30)</u>	<u>\$ 2,177</u>	<u>\$ 2,123</u>	<u>2.6%</u>

\*Comparative information has not been restated for adoption of GASB Statement No. 75. See Note A22 for more detail.

### Governmental Activities

- Property tax rates decreased from 0.20340 to 0.20160, however, higher property values resulted in an increase of 3.4% in property tax revenues.
- The City's total revenues were \$12.9 million. A significant portion, 87.5%, comes from taxes and 9.8% relates to charges for services.

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$11.4 million.
- However, the amount that our taxpayers paid for these activities through taxes was \$11.3 million.
- Some of the cost was paid by those who directly benefited from the programs, \$1.3 million.

### Business-Type Activities (Water Sewer)

Revenues of the City's business-type activities were \$5.3 million (a 13% increase) and expenses were \$4.6 million (12% increase).

**Table A-3**  
 Net Cost of Selected City Functions  
*(in thousands of dollars)*

	Total Cost of Services			Net Cost of Services		
	2018	2017	Percent Change	2018	2017	Percent Change
General Government	\$ 2,244	\$ 2,470	-9.1%	\$ 1,976	\$ 2,201	-10.2%
Police Department	3,932	3,852	2.1%	3,333	3,095	7.7%
Fire Department	2,448	2,470	-0.9%	2,448	2,470	-0.9%
Building Inspection	614	578	6.1%	215	(285)	-175.4%
Infrastructure	1,610	1,308	23.1%	1,610	1,308	23.1%
Other	162	193	-16.3%	162	193	-16.3%
Debt Service – Interest & Fiscal	399	422	-5.5%	399	422	-5.5%
Water/Sewer	4,564	4,066	12.2%	(215)	(291)	-26.1%

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City’s most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

- *Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

## FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Revenues from governmental fund types totaled \$12.9 million, a 0.3% increase over the prior year. Expenditures increased 19.9% to \$18.2 million.

## Budgetary Highlights

The City did not make any amendments during the year. Expenditures were under budget in total by \$791 thousand in the general fund and under budget by \$732 thousand in the municipal development district, respectively. Ending resources increased by \$463 thousand in the general fund. Additionally, the MDD was budgeted to have a zero decrease in fund balance. Although there was a decrease in fund balance, the fund remained strong with a \$4.3 million fund balance.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of October 31, 2018, the City had invested \$55.8 million and \$14.9 million in a broad range of capital assets, including land, equipment, buildings, infrastructure and vehicles for governmental and business-type activities, respectively. Significant additions during the year include several infrastructure projects, police cars and updated software. (See Table A-4.)

**Table A-4**  
City's Capital Assets  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2018	2017	2018	2017	2018	2017	
Land	\$ 1,688	\$ 1,688	\$ 173	\$ 173	\$ 1,861	\$ 1,861	0.0%
Water Rights	-	-	2,559	2,559	2,559	2,559	0.0%
Buildings	8,236	8,126	404	404	8,640	8,530	1.3%
Water and Sewer Plant	-	-	10,399	10,399	10,399	10,399	0.0%
Vehicles and Equipment	5,806	5,555	707	646	6,513	6,201	5.0%
Infrastructure	28,602	27,751	-	-	28,602	27,751	3.1%
Construction in Progress	11,513	5,254	679	352	12,192	5,606	117.5%
Totals at Historical Cost	<u>55,845</u>	<u>48,374</u>	<u>14,921</u>	<u>14,533</u>	<u>70,766</u>	<u>62,907</u>	12.5%
Accumulated Depreciation	(20,949)	(19,338)	(3,537)	(3,176)	(24,486)	(22,514)	8.8%
Net Capital Assets	<u>\$ 34,896</u>	<u>\$ 29,036</u>	<u>\$ 11,385</u>	<u>\$ 11,357</u>	<u>\$ 46,280</u>	<u>\$ 40,393</u>	14.6%

More detailed information about the City's capital assets is presented in the notes to the financial statements.

### Long Term Debt

As of October 31, 2018, the City had \$17.93 million in bonds outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-5**  
City's Long Term Debt  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2018	2017	2018	2017	2018	2017	
Bonds Payable	\$ 14,441	\$ 15,025	\$ 3,420	\$ 3,730	\$ 17,861	\$ 18,755	-4.77%
Capital Leases	73	60	-	-	73	60	100.00%
Total Debt	<u>\$ 14,514</u>	<u>\$ 15,085</u>	<u>\$ 3,420</u>	<u>\$ 3,730</u>	<u>\$ 17,934</u>	<u>\$ 18,815</u>	-4.68%

## **TAX RATE, BUDGET, AND ECONOMIC OUTLOOK**

The proposed budget for Fiscal Year 2018-2019 was filed with the City Secretary on August 6, 2018, and the Notice of Public Hearing was published in the Northeast Herald on August 22, 2018 and August 29, 2018. The Guadalupe County Appraisal District lists the City's tax roll for FY 2018-2019 at \$1,118,970,004. Last fiscal year, the Guadalupe County Appraisal District listed the City's tax roll at \$1,091,766,500. After careful analysis, it is our recommendation that we adopt the Effective Tax Rate of \$0.2016 per \$100 of valuation for FY 2018-2019. This tax rate remains unchanged from last year's tax rate of \$0.2016 per \$100 of valuation and is lower than the proposed effective tax rate. The tax components for the proposed FY 2018-2019 tax rate would be as follows: \$0.086599 for Maintenance & Operations (General Fund) and \$0.115001 for Interest & Sinking (Debt Service).

The retail outlook from January 2018 through August 2018, exactly two-thirds of the way into the current fiscal year, Selma's local economy grew as sales tax collections were 1.85% above this same period last year. Some businesses that were added during the current fiscal year include Pluckers Wing Bar, Popcorn Piccadilly, and VIRC Snacks. Pluckers Wing Bar, located between Forum Pointe Shopping Center and Chuy's Mexican Food Restaurant, opened its doors in early July 2018 to much fanfare from the greater Selma area. The Selma Pluckers location is the 23<sup>rd</sup> location for the Austin based company, and the first in the San Antonio Area. One of 2017's most welcomed Selma businesses, Audi North Park, began work on the expansion of their state-of-the-art dealership next to their current facility earlier this year and look to complete construction in late 2018, or early 2019. Mercedes-Benz of Selma also poised to begin construction of their new dealership on Corporate Drive within coming months, bringing yet another luxury car dealership to Selma which will serve the Interstate 35 corridor as one of the areas only Mercedes-Benz dealerships. Continuing this latest trend of automobile dealerships investing in Selma, long time corporate citizen, Gillman Honda, Subaru and Mitsubishi, is expanding its automotive operations by adding over \$43,000 square feet of showroom and service space. A new eatery for Selma, Lin's Chinese Buffet, is looking to break ground on an over 11,000 square foot restaurant next to the Stage Stop Visitors Center. Also moving into the Forum Shopping Center next fiscal year will be one of the nation's most recommended jewelry retailers, Kay Jewelers. We look forward to these wonderful companies joining the City of Selma, and we are excited about potential business announcements that we hope will be forthcoming in the near future.

The industrial sector in Selma continues to show sustained growth, especially in the vicinity of the Titan Industrial Park, located on 188 acres off of Lookout Road. Last year, Ben E. Keith Foods began construction on their brand-new South Texas Regional Headquarters and Distribution Center, which is located next to O'Reilly Auto Parts Distribution Center. This award-winning company plans to be fully operational by the end of 2018, with the new headquarters and distribution center encompassing over 625,000 square feet and eventually employing over 800 employees. Also joining the Selma Industrial Market is Penske Truck Rentals, which has begun building their new facility just off Lookout Road on the former site of Blue Bonnet Driving Range. Long time corporate citizen, Tex-Star Enterprises is expanding by adding over 6,000 square feet of office space. Two new businesses, California Closets and Aqua metrics, have relocated from San Antonio and Schertz, respectively, to the Alamo Industrial Park and look to be open for business in the coming months. Look for more announcements on new businesses that should be released soon. The industrial sector in Selma has become one of the most sought-after locations for new and relocating businesses along the IH-35 corridor and is poised to have another great year!

Progress continues on the Retreat at Retama Subdivision, a quad-plex townhome development, with construction set to begin soon on Phase 2, located along Lookout Road behind Retama Park. A resurgence of new home construction is also occurring in the Selma Park Estates Subdivision, with empty lots being purchased and houses constructed at a higher rate than the last several years. Some of this resurgence we suspect is the result of the investment the City of Selma has made in this subdivision over the past 10 years with improvements to roads, storm water drainage, and utilities. Creekside Ridge Subdivision near the cul-de-sac on Retama Parkway has already sold numerous homes and continues to move closer to its full buildout. Upon completion, Creekside Ridge will encompass approximately 95 new single-family homes. A new single-family home subdivision, Sunrise Village has begun construction of its utilities and infrastructure



and looks to begin selling homes sometime in the next year. Located just off Retama Parkway between Creekside Village and TruCare Living Centers, this new subdivision will provide close to 100 new upscale homes in the City. Lastly, a new multi-family housing project located on Lookout Road near the Selma-Live Oak city limits is in the early design phases. This new apartment complex will contain approximately 300 units and provide another multi-family residence option for a new and current residents of the City.

For more than a decade, the City of Selma has experienced residential and commercial growth unmatched by most cities in the area. In addition to a concerted effort to manage and encourage this growth, the City of Selma has also laid the blueprint for its future successes. With a current estimated population of 10,088, the City has seen an even greater need for continued capital improvement projects and planning. With this in mind, the City Council approved a 2017-2032 Comprehensive Development Plan (CDP) in order to provide a variety of capital improvement projects for the next fiscal year and beyond. One such project that was recently completed that was included in the 2017-2032 CDP was the reconstruction of Woodcliffe Boulevard in Selma Park Estates. This project was completed in mid-2018. In June of this year, City Council awarded a contract to J3 Company, to perform road improvements to Ventura Boulevard in Selma Park Estates Subdivision. Also included in this road project are additional streets in the Selma Park Estates Subdivision, that once completed will make a good number of lots better primed for developing. Look for this road project to be completed in summer 2019. In August 2017, the City of Selma also began work on the long-awaited Lookout Road Widening and Bridge Expansion Project. This project, funded by a \$9 million-dollar special bond election approved by voters in May 2015, will provide an alternate transportation route to the highly congested Interstate 35. Once completed, Lookout Road will be a four—lane contiguous roadway with an elevated bridge traversing the often-flooded Cibolo Creek. This highly anticipated and necessary project is expected to be completed under budget by the end of 2018. Also completed within the past year was the Historic Evans Road Hike & Bike Trail. The trail connects the Stage Stop Park with the John S Harrison House Property, and also traverses Cibolo Creek to connect with FM 1518 Park. This project was one of the last remaining pieces for the overall development of the Harrison House Property. The last development stage of the Harrison House Property involves the development of the “Final Four” acres. We are pleased to report that at the July 12, 2018 Regular City Council Meeting, City Council awarded a contract for the design and planning phase of this project to Garden Ridge Consulting LLC. This project is currently in the design phase with community involvement and key stakeholder meetings to be held in coming months. Other projects currently in the design stages that are anticipated to be funded next fiscal year include: Engineering / Non-construction costs for Evans Road reconstruction and expansion project; Further improvements to various storm water drainage systems across the city; and Preventative Maintenance (painting the interior bowl and rehabilitation to the discharge piping) to the Elevated Water Storage Tank in Live Oak Hills Subdivision. Recently, the City has made great strides to invest in current infrastructure in order to meet the needs of the citizenry this year and into the future. The Selma 2017 — 2032 CDP Update includes a prioritized listing of key capital improvements based on public health and safety, maintaining a high level of service to the citizens, and the urgency and feasibility of the project. The CDP provides a roadmap for future improvement projects that will allow the City to continue to thrive and keep pace with our growing population and economy. The Selma Branding & Trails Master Plan, also completed in 2018, provides a plan for the future development of parks and iconic locations, connected by an intricate system of walking and biking trails. This plan is just another quality of life initiative by the City to enhance the overall community experience of residents and visitors. In addition to these projects, the City has recently undertaken other master planning documents, such as a Water Cost of Service Rate Study and a City Facilities Renovation and Expansion Plan.

## **ANNUAL OPERATING BUDGET**

Collectively, the funds that make up the Fiscal Year 2018-2019 Annual Operating Budget (which begins on November 1) will increase by 3% or \$629,346 over the previous fiscal year. The following is a list of all city funds represented in this budget: General Fund, Municipal Development District Fund, Utility Fund, Reserve Funds and the Debt Service Fund. Combined, these funds equate to a total operating budget for Fiscal Year 2018-2019 of \$21,466,256.

Overall, the City of Selma is in a sound financial position heading into next fiscal year. We will continue to monitor economic conditions throughout the current and next fiscal year and recommend adjustments to the budget that may be warranted. In July 2015, Standard & Poor's Credit Rating Agency raised the City's long-term rating to 'AA' from 'AA-'. According to Standard & Poor's, this upgrade was due primarily to the City's further strengthened wealth and income levels, strong economy, strong management, adequate budgetary performance, very strong budgetary flexibility, very strong liquidity, weak debt & contingent liability profile, and strong institutional framework. In May 2018, the City of Selma celebrated another financial milestone. The Texas Comptroller of Public Accounts, Glenn Hegar, awarded the City the Transparency Stars Award in the area of Traditional Finances. The Transparency Stars Award for Traditional Finances recognizes entities for their outstanding efforts in making their spending and revenue information easily available. Selma is just one of a handful of Texas cities, counties and school districts across the state to be recognized for their efforts to promote greater government transparency.

We would like to thank all the department heads for their hard work and assistance in developing this document. Lastly, we would like to thank the Mayor, City Council and all Selma Citizens for your continued support and faith in striving to make Selma, "a premier destination in the San Antonio-Austin corridor for quality entertainment, shopping, dining, and industrial services." Our goal is that this annual operating budget will continue to provide exemplary and sustainable city services and infrastructure to our residents, while maintaining good stewardship of our public's financial resources and continuing to invest in our City Staff by making our workplace enjoyable and challenging.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Selma citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator by phone at 651-6661.

CITY OF SELMA, TEXAS  
ANNUAL FINANCIAL REPORT  
YEAR ENDED OCTOBER 31, 2018

BASIC FINANCIAL STATEMENTS

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

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

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

CITY OF SELMA, TEXAS  
STATEMENT OF NET POSITION  
OCTOBER 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 16,496,892	\$ 2,949,579	\$ 19,446,471
Receivables (Net of Allowance for Uncollectibles):			
Property Taxes	30,023	-	30,023
Nonproperty Taxes	1,655,699	-	1,655,699
Lot Maintenance	84	-	84
Water Sewer Customers	-	526,107	526,107
Prepaid Expenses	34,359	1,488	35,847
Internal Balances	(165,596)	165,596	-
Capital Assets:			
Land	1,688,152	173,139	1,861,291
Water Rights	-	2,558,666	2,558,666
Buildings & Improvements	8,235,720	404,337	8,640,057
Water Sewer Plant	-	10,399,275	10,399,275
Vehicles & Equipment	5,806,150	706,567	6,512,717
Infrastructure	28,601,631	-	28,601,631
Construction in Progress	11,513,007	679,451	12,192,458
Accumulated Depreciation	(20,949,480)	(3,536,809)	(24,486,289)
<b>TOTAL ASSETS</b>	52,946,641	15,027,396	67,974,037
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Other Post Employment Benefit Outflows	10,090	581	10,671
Deferred Pension Related Outflows	1,301,104	66,311	1,367,415
<b>TOTAL DEFERRED OUTFLOWS     OF RESOURCES</b>	\$ 1,311,194	\$ 66,892	\$ 1,378,086

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS  
STATEMENT OF NET POSITION (CONTINUED)  
OCTOBER 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 1,514,073	\$ 206,330	\$ 1,720,403
Accrued Expenses	348,945	13,500	362,445
Accrued Compensated Absences	447,995	21,680	469,675
Accrued Interest Payable	104,293	26,833	131,126
Unearned Revenue	-	4,002,718	4,002,718
Customer Deposits	-	7,050	7,050
<i>Noncurrent Liabilities:</i>			
Due within One Year	1,070,713	320,000	1,390,713
Due in more than One Year	13,443,275	3,100,000	16,543,275
Net Other Post Employment Benefits Liability	110,967	6,394	117,361
Net Pension Liability	2,553,077	130,118	2,683,195
<b>TOTAL LIABILITIES</b>	<b>19,593,338</b>	<b>7,834,623</b>	<b>27,427,961</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Tax Levy for Future Period	36,437	-	36,437
Deferred Pension Related Inflows	739,267	37,677	776,944
<b>TOTAL DEFERRED INFLOWS</b>	<b>775,704</b>	<b>37,677</b>	<b>813,381</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	22,338,451	7,964,626	30,303,077
Restricted Net Position:			
Debt Service	1,488,917	-	1,488,917
Municipal Development District	4,275,616	-	4,275,616
Police Department	69,833	-	69,833
Hotel/Motel	883,995	-	883,995
Building Security and Technology	335,962	-	335,962
Street Repairs	2,472,753	-	2,472,753
Other	163,161	-	163,161
Unrestricted (Deficit)	1,860,105	(742,638)	1,117,467
<b>TOTAL NET POSITION</b>	<b>\$ 33,888,793</b>	<b>\$ 7,221,988</b>	<b>\$ 41,110,781</b>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED OCTOBER 31, 2018

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental Activities:				
General Administration	\$ 2,244,299	\$ 268,335	\$ -	\$ -
Police Protection	3,931,676	596,056	2,494	-
Fire Protection	2,447,627	-	-	-
Building Inspections	613,526	398,801	-	-
Infrastructure	1,610,406	-	-	-
Other	161,586	-	-	-
Interest on Long-Term Debt	398,957	-	-	-
<b>Total Governmental Activities</b>	<u>11,408,077</u>	<u>1,263,192</u>	<u>2,494</u>	<u>-</u>
Business-Type Activities				
Water & Sewer Utility	<u>4,563,610</u>	<u>4,778,807</u>	-	-
<b>Total Business-Type Activities</b>	<u>4,563,610</u>	<u>4,778,807</u>	-	-
<b>Total Government</b>	<u>\$ 15,971,687</u>	<u>\$ 6,041,999</u>	<u>\$ 2,494</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Taxes				
General Property Taxes				
Franchise Taxes				
Sales Taxes				
Occupancy Tax				
Interest and Investment Earnings				
Impact Fees				
Miscellaneous				
<b>Total General Revenues</b>				
Transfers				
Change in Net Position				
<b>Net Position at Beginning of Year</b>				
Prior Period Adjustment				
<b>Net Position at End of Year</b>				

The accompanying notes are an integral part of these statements.

Net (Expense) Revenue

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,975,964)	\$ -	\$ (1,975,964)
(3,333,126)	-	(3,333,126)
(2,447,627)	-	(2,447,627)
(214,725)	-	(214,725)
(1,610,406)	-	(1,610,406)
(161,586)	-	(161,586)
(398,957)	-	(398,957)
<u>(10,142,391)</u>	<u>-</u>	<u>(10,142,391)</u>
<u>-</u>	<u>215,197</u>	<u>215,197</u>
<u>-</u>	<u>215,197</u>	<u>215,197</u>
<u>(10,142,391)</u>	<u>215,197</u>	<u>(9,927,194)</u>
2,084,289	-	2,084,289
758,026	-	758,026
8,194,677	-	8,194,677
237,095	-	237,095
183,532	3,665	187,197
-	460,419	460,419
166,561	15,732	182,293
<u>11,624,180</u>	<u>479,816</u>	<u>12,103,996</u>
<u>471,227</u>	<u>(471,227)</u>	<u>-</u>
1,953,016	223,786	2,176,802
32,024,710	7,003,326	39,028,036
(88,933)	(5,124)	(94,057)
<u>\$ 33,888,793</u>	<u>\$ 7,221,988</u>	<u>\$ 41,110,781</u>

CITY OF SELMA, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
OCTOBER 31, 2018

	Major Funds				Total Governmental Funds
	General Fund	Debt Service Fund	Municipal Development District	Capital Projects	
<b>ASSETS</b>					
Cash and Investments	\$ 9,254,542	\$ 122,774	\$ 4,329,774	\$ 2,789,802	\$ 16,496,892
Receivables (Net of Uncollectibles):					
Property Taxes	12,643	17,380	-	-	30,023
Sales and Franchise Tax	1,384,482	-	271,217	-	1,655,699
Lot Maintenance	84	-	-	-	84
Prepaid Items	34,359	-	-	-	34,359
Due From Other Funds	-	1,473,841	12,027	-	1,485,868
<b>TOTAL ASSETS</b>	<u>\$ 10,686,110</u>	<u>\$ 1,613,995</u>	<u>\$ 4,613,018</u>	<u>\$ 2,789,802</u>	<u>\$ 19,702,925</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
<i>Liabilities:</i>					
Accounts Payable	\$ 344,128	\$ -	\$ 337,402	\$ 832,542	\$ 1,514,072
Accrued Expenditures	348,945	-	-	-	348,945
Due To Other Funds	1,651,464	-	-	-	1,651,464
<b>TOTAL LIABILITIES</b>	<u>2,344,537</u>	<u>-</u>	<u>337,402</u>	<u>832,542</u>	<u>3,514,481</u>
<i>Deferred Inflow of Resources:</i>					
Unavailable Revenue	12,489	17,231	-	-	29,720
Future Property Tax Levy	15,652	20,785	-	-	36,437
<b>TOTAL DEFERRED INFLOWS     OF RESOURCES</b>	<u>28,141</u>	<u>38,016</u>	<u>-</u>	<u>-</u>	<u>66,157</u>
<i>Fund Balances:</i>					
Nonspendable:					
Prepaid Items	34,359	-	-	-	34,359
Restricted for:					
Debt Service	-	1,575,979	-	-	1,575,979
Police Department	69,833	-	-	-	69,833
Hotel/Motel	883,995	-	-	-	883,995
Building Security and Technology	335,962	-	-	-	335,962
Municipal Development District	-	-	4,275,616	-	4,275,616
Street Repairs	2,472,753	-	-	-	2,472,753
Lookout Road Improvements	-	-	-	1,957,260	1,957,260
Other Balances	163,161	-	-	-	163,161
Assigned for:					
Fire Department	31,478	-	-	-	31,478
Parks	13,262	-	-	-	13,262
Police Department	58,325	-	-	-	58,325
Unassigned	4,250,304	-	-	-	4,250,304
<b>TOTAL FUND BALANCES</b>	<u>8,313,432</u>	<u>1,575,979</u>	<u>4,275,616</u>	<u>1,957,260</u>	<u>16,122,287</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
	<u>\$ 10,686,110</u>	<u>\$ 1,613,995</u>	<u>\$ 4,613,018</u>	<u>\$ 2,789,802</u>	<u>\$ 19,702,925</u>

The accompanying notes are an integral part of these statements.



CITY OF SELMA, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
OCTOBER 31, 2018

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 16,122,287
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 governmental funds.		34,895,180
Other long-term assets are not available to pay for current-period expenditures and therefore, are not reported in the governmental funds.		29,720
Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the governmental funds.		(447,996)
Long-term liabilities, including bonds and capital leases payable, are not due and payable in the current period and, therefore, not reported in the governmental funds.		
Bonds Payable	(14,095,000)	
Premium	(346,436)	
Capital Lease	<u>(72,552)</u>	(14,513,988)
Net Pension Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in governmental funds.		
Net Pension Liability	(2,553,077)	
Pension Related Deferred Outflows	1,301,104	
Pension Related Deferred Inflows	<u>(739,267)</u>	(1,991,240)
Net Other Post Employment Benefit (OPEB) Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in governmental funds.		
Net OPEB Liability	(110,967)	
OPEB Related Deferred Outflows	<u>10,090</u>	(100,877)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the governmental funds.		<u>(104,293)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ 33,888,793</u></u>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED OCTOBER 31, 2018

	Major Funds				Total Governmental Funds
	General Fund	Debt Service Fund	Municipal Development District Fund	Capital Projects	
<b>REVENUES</b>					
Ad Valorem Taxes	\$ 813,809	\$ 1,265,259	\$ -	\$ -	\$ 2,079,068
Sales and Mixed Beverage Tax	6,552,751	-	1,652,245	-	8,204,996
Franchise Taxes	758,026	-	-	-	758,026
Occupancy Tax	237,095	-	-	-	237,095
Charges for Services	642,809	-	-	-	642,809
Fines and Forfeits	596,649	-	-	-	596,649
Miscellaneous	182,029	741	-	193,314	376,084
<b>TOTAL REVENUES</b>	<u>9,783,168</u>	<u>1,266,000</u>	<u>1,652,245</u>	<u>193,314</u>	<u>12,894,727</u>
<b>EXPENDITURES</b>					
Current:					
General Administration	2,015,770	-	42,000	-	2,057,770
Police Protection	3,498,550	-	-	-	3,498,550
Fire Protection	2,313,020	-	-	-	2,313,020
Building Inspections	564,555	-	-	-	564,555
Infrastructure	585,272	-	-	-	585,272
Other	74,256	-	-	-	74,256
Capital Outlay	639,451	-	1,726,242	5,306,425	7,672,118
Debt Service:					
Principal	115,029	930,000	-	-	1,045,029
Interest and Fiscal Charges	3,264	435,203	-	-	438,467
<b>TOTAL EXPENDITURES</b>	<u>9,809,167</u>	<u>1,365,203</u>	<u>1,768,242</u>	<u>5,306,425</u>	<u>18,249,037</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(25,999)</u>	<u>(99,203)</u>	<u>(115,997)</u>	<u>(5,113,111)</u>	<u>(5,354,310)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of Debt	127,520	-	-	-	127,520
Transfers In (Out)	361,914	109,313	-	-	471,227
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>489,434</u>	<u>109,313</u>	<u>-</u>	<u>-</u>	<u>598,747</u>
<b>Net Change in Fund Balance</b>	463,435	10,110	(115,997)	(5,113,111)	(4,755,563)
<b>FUND BALANCES - NOVEMBER 1</b>	<u>7,849,997</u>	<u>1,565,869</u>	<u>4,391,613</u>	<u>7,070,371</u>	<u>20,877,850</u>
<b>FUND BALANCES - OCTOBER 31</b>	<u>\$ 8,313,432</u>	<u>\$ 1,575,979</u>	<u>\$ 4,275,616</u>	<u>\$ 1,957,260</u>	<u>\$ 16,122,287</u>

The accompanying notes are an integral part of these statements.



CITY OF SELMA, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, CHANGES IN FUND BALANCE OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED OCTOBER 31, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (4,755,563)

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.

Capital Outlay	7,553,562	
Depreciation Expense	<u>(1,684,438)</u>	5,869,124

Governmental funds report proceeds from the sale of capital assets as other financing sources. However in the statement of activities, the proceeds are reduced by the net book value of the capital assets disposed. This amount represents the net book value of capital assets disposed. (10,085)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes Not Available for Current Period	5,221
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to government 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:

Principal Repayments	1,045,029	
Proceeds from Capital Lease	(127,520)	
Amortization of Debt Related Balances	<u>30,444</u>	947,953

Governmental funds report required contributions to employee pensions 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 the actuarially determined pension expense exceeded contributions. (116,373)

Governmental funds report required contributions to Other Post Employment Benefits (OPEB) as expenditures. However, in the Statement of Activities the expense for the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that contributions differed from the actuarially determined OPEB expense. \$ (11,944)

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, CHANGES IN FUND BALANCE OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED)  
 FOR THE YEAR ENDED OCTOBER 31, 2018

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	\$ 18,881	
Accrued Interest	5,802	24,683
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		\$ 1,953,016

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS  
STATEMENT OF NET POSITION – PROPRIETARY FUND  
OCTOBER 31, 2018

	<u>Water &amp; Sewer</u>
<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash and Investments	\$ 2,949,579
Accounts Receivables - Customers (Net of Allowance for Uncollectibles)	526,107
Prepaid Expenses	1,488
Due From Other Funds	165,596
<i>Total Current Assets</i>	3,642,770
 <i>Capital Assets:</i>	
Land	173,139
Water Rights	2,558,666
Building and Improvements	404,337
Water Sewer Plant	10,399,275
Equipment	706,567
Construction in Progress	679,451
Accumulated Depreciation	(3,536,809)
<i>Total Capital Assets, Net</i>	11,384,626
<b>TOTAL ASSETS</b>	<b>15,027,396</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Other Post Employment Benefit Outflows	581
Deferred Pension Related Outflows	66,311
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 66,892</b>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS  
STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)  
OCTOBER 31, 2018

**LIABILITIES**

*Current Liabilities:*

Accounts Payable	\$	206,330
Accrued Expenses		13,500
Accrued Vacation Payable		21,680
Accrued Interest		26,833
Unearned Revenue		4,002,718
Customer Deposits		7,050
Current Portion of Bonds Payable		<u>320,000</u>
<i>Total Current Liabilities</i>		<u>4,598,111</u>

*Noncurrent Liabilities:*

Bonds Payable		3,100,000
Net Other Post Employment Benefits Liability		6,394
Net Pension Liability		<u>130,118</u>
<i>Total Noncurrent Liabilities:</i>		<u>3,236,512</u>
<b>TOTAL LIABILITIES</b>		<u><b>7,834,623</b></u>

**DEFERRED INFLOWS  
OF RESOURCES**

Deferred Pension Related Inflows		<u>37,677</u>
<b>TOTAL DEFERRED INFLOWS  OF RESOURCES</b>		<u><b>37,677</b></u>

**NET POSITION**

Net Investment in Capital Assets		7,964,626
Unrestricted (Deficit)		<u>(742,638)</u>
<b>TOTAL NET POSITION</b>	<b>\$</b>	<u><b>7,221,988</b></u>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUND  
FOR THE YEAR ENDED OCTOBER 31, 2018

	<u>Water &amp; Sewer</u>
<b>OPERATING REVENUE</b>	
Water Service	\$ 1,458,997
Sewer Service	1,308,314
Stormwater Fees	466,231
Garbage Billing	1,414,826
Connection and Extension Fees	55,910
Other Fees	74,529
<b>TOTAL OPERATING REVENUE</b>	<u>4,778,807</u>
<b>OPERATING EXPENSES</b>	
Administration Costs:	
Personnel	434,758
Administrative Services	3,185,901
Water and Sewer Operations:	
Supplies and Materials	202,427
Repairs and Maintenance	174,423
Other	95,480
Depreciation	360,360
<b>TOTAL OPERATING EXPENSES</b>	<u>4,453,349</u>
<b>OPERATING INCOME (LOSS)</b>	<u>325,458</u>
<b>NONOPERATING INCOME (EXPENSE)</b>	
Impact Fees	460,419
Miscellaneous	15,732
Interest Income	3,665
Interest Expense	(110,261)
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	<u>369,555</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	695,013
Transfers In (Out)	<u>(471,227)</u>
<b>NET INCOME (LOSS)</b>	223,786
<b>NET POSITION, BEGINNING OF YEAR</b>	7,003,326
Prior Period Adjustment	(5,124)
<b>NET POSITION, END OF YEAR</b>	<u>\$ 7,221,988</u>

The accompanying notes are an integral part of these statements.



CITY OF SELMA, TEXAS  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
FOR THE YEAR ENDED OCTOBER 31, 2018

	Water & Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 5,157,161
Cash Paid to Suppliers	(3,721,606)
Cash Paid to Employees	(435,951)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>999,604</b>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Miscellaneous Income	15,732
Impact Fees	460,419
Deposits Collected (Refunded)	3,000
Due to (from) Other Funds	77,706
Transfers From (to) Other Funds	(471,227)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>85,630</b>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(387,401)
Principal Payments on Long-term Debt	(310,000)
Interest Paid for Financing Activities	(112,461)
<b>NET CASH USED FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(809,862)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income Received	3,665
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>3,665</b>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 <b>279,037</b>
 <b>CASH AND INVESTMENTS, BEGINNING OF YEAR</b>	 <b>2,670,542</b>
<b>CASH AND INVESTMENTS, END OF YEAR</b>	<b>\$ 2,949,579</b>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (CONTINUED)  
FOR THE YEAR ENDED OCTOBER 31, 2018

	<u>Water &amp; Sewer</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ 325,458
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	360,360
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (net)	(4,327)
(Increase) Decrease in Deferred Other Post Employment Benefit Outflows	(581)
(Increase) Decrease in Deferred Pension Outflows	15,944
Increase (Decrease) in Accounts Payable	(63,375)
Increase (Decrease) in Accrued Expenses	440
Increase (Decrease) in Unearned Revenue	382,681
Increase (Decrease) in Net Other Post Employment Benefits Liability	1,270
Increase (Decrease) in Net Pension Liability	(55,943)
Increase (Decrease) in Deferred Pension Related Inflows	37,677
Total Adjustments	674,146
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 999,604</b>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2018

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. REPORTING ENTITY**

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, "The Financial Reporting Entity" and GASB Statement 39 "Determining Whether Certain Organizations are Component Units". The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The City has two component units, the Retama Development Corporation and the Municipal Development District.

*Component Units*

The Retama Development Corporation (the "Corporation") is a local, nonprofit government corporation, without powers of taxation, created pursuant to Article 15281, Texas Revised Civil Statutes, as amended. The Corporation was created to act on behalf of the City of Selma to finance, acquire and operate a Class I horse racetrack. The City of Selma is not obligated for any of the debts of Retama Development Corporation. The City of Selma appoints the directors of the Corporation. When the bonds issued by the Corporation are paid, the Retama Development Corporation will own the horse racetrack. The City has elected not to present a discrete presentation of those financial statements in the City's annual financial report. Copies of the individual audit of Retama Development Corporation for the year ended December 31, 2017 can be obtained from City Hall.

The Selma Municipal Development District, an entity legally separate from the City, was created pursuant to Section 377.021, et. Seq. of the Texas Local Government Code. The District was created November 6, 2001, to plan, acquire, establish, develop, construct or renovate one or more development projects beneficial to the District. The District is governed by the Mayor and Council. For financial reporting purposes, the District is reported as if it were part of the City's operations because its purpose is to enhance the City's development project.

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The city has no fiduciary funds. The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund, Debt Service Fund, Capital Projects Fund and Municipal Development District Fund meet the criteria of a *major governmental fund*. These funds are reflected in individual columns in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

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

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary and 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. Revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Property taxes are recognized in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and impact fees assessed toward future development of utility infrastructure.

**Governmental fund level financial statements** are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unavailable revenue.

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

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

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

The government reports the following major governmental funds:

**The General Fund** is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general government, public safety, public facilities, municipal court and capital acquisition.

**Debt Service Fund** is used to account for all funds collected and disbursed in the retirement of governmental debt.

**Municipal Development District (MDD) Fund.** On November 6, 2001, the citizens of the City of Selma voted to authorize the creation of the Selma Municipal Development District. This vote authorized the imposition of a sales and use tax at the rate of one-half percent for the purposes of financing development projects within the district (District includes portions of the City of Selma in Bexar County). The Selma Municipal Development District is a political subdivision of the State of Texas and the Board of Directors is composed of the Mayor and the five Aldermen of the City of Selma. Collection of taxes began in April 2002.

**Capital Projects Fund** is used to account for all funds restricted (such as bond proceeds), committed or assigned for the purchase, construction, renovation or improvement of City capital assets.

The City has no nonmajor governmental funds.

**Proprietary fund level financial statements** are used to account for activities similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Water Fund (used to account for the provision of water and sewer services to residents).

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

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

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

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**4. INVESTMENTS**

State statutes authorize the City to invest in (a) obligations of the United States or its agencies, and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (d); or, (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

The City's investment policy authorizes investments in obligations of the U.S. Government, federal agency and instrumentality obligations, certificates of deposit, money market mutual funds and local government investment pools. Investments are stated at fair value, except for money market investments and deposits in local government investment pools, which are stated at share price which approximates fair value.

**5. CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Proprietary Fund (Water and Sewer Fund) considers all highly liquid investments including cash in banks, cash on hand, money market accounts, deposits in local government investment pools, and temporary investments that have a maturity of three months or less when purchased to be cash equivalents.

**6. ACCOUNTS RECEIVABLE**

Property taxes are levied based on taxable value at January 1 prior to the levy date of September 30. They become due October 1 and are past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectibles.

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

CITY OF SELMA, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 OCTOBER 31, 2018

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

6. ACCOUNTS RECEIVABLE (CONT.)

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

7. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Allowances have been established by management based on best available information for a variety of receivables as of October 31, 2018.

	General Fund	Debt Service Fund	Water/Sewer Fund
	2018	2018	2018
Property taxes	\$ 1,655	\$ 602	\$ -
Lot Maintenance	14,047	-	-
Water/Sewer Accounts	-	-	84,034

8. INTERFUND BALANCES AND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements. Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

9. PREPAID ITEMS

Expenditures made in advance of the receipt of goods or services are recorded on the balance sheet as prepaid items.

10. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets are defined as assets with a cost of \$5,000 or more with a useful life greater than 1 year. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Property and equipment is recorded at historical costs if purchased or constructed. Donated property and equipment are recorded at estimated fair market value at the date of donation.

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

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

10. CAPITAL ASSETS (CONT.)

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

Buildings and Improvements	5 to 30 years
Improvements Other than Buildings	7 to 50 years
Utility System in Service	15 to 40 years
Machinery and Equipment	5 to 10 years

11. COMPENSATED ABSENCES

Vested or accumulated vacation and sick leave and compensatory time that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No expenditure is reported for these amounts. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. Vested or accumulated vacation and sick leave of the Proprietary Fund is recorded as an expense and liability of those funds as the benefits accrue to employees. Accumulated vacation and sick pay and compensatory time at October 31, 2018 have been recorded in accrued liabilities of the Proprietary Fund and government-wide statements. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The General Fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

12. UNEARNED REVENUE

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

13. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category: deferred pension and OPEB related outflows reported on the government-wide and proprietary statements. The deferred pension and OPEB related outflows result from contributions made after the measurement date and changes in assumptions.



CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

13. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES (CONT.)

*Deferred inflows of resources* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of reporting. Unavailable revenues from property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as unavailable revenue as an inflow of resource in the period the amounts become available. The deferred pension related inflows result from differences between expected and actual experiences and differences in between expected and actual investment return.

14. LONG-TERM OBLIGATIONS

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

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

15. PENSIONS

The net pension liability, deferred 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.

16. OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the Total OPEB Liability of the Texas Municipal Retirement System (TMRS) and additions to/deletions from TMRS' Total OPEB Liability have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**17. FUND BALANCES**

In the fund financial statements, governmental funds report the following classifications of fund balance:

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 be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority: City Council Ordinance 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 has delegated the authority to make assignments to the City Administrator.

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.

**18. NET POSITION**

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

**19. OPERATING REVENUES AND EXPENSES**

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

**20. USE OF ESTIMATES**

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

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**21. BUDGET**

An operating budget is adopted each fiscal year for all City funds except the Capital Projects Fund which is adopted by project. The operating budgets are adopted on the GAAP basis of accounting. Additional budgetary information is provided in the required supplementary information section of this report.

**22. ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT**

For the year ending October 31, 2018, the City implemented Government Accounting Standards Board Statement No. 75 related to accounting for postemployment benefits other than pensions (OPEB). This new standard requires that the City's OPEB plan recognize the total OPEB liability (asset) and OPEB related deferred inflows and outflows of resources on the City's government-wide statements. This change required a prior period adjustment to restate prior years in accordance with the change in accounting principle. The prior period adjustment recorded represents the total OPEB liability at October 31, 2017, less associated OPEB related deferred outflows and inflows of resources. The amount of the restatement can be seen in more detail in Note L.

**NOTE B -- CASH AND INVESTMENTS**

**1. Cash and Cash Equivalents**

At October 31, 2018, the amount of the city's cash on hand was \$900 and deposits in bank (including certificates of deposit) was \$13,754,952, and the carrying amount was \$13,354,148. The city's cash and cash equivalents were fully collateralized between pledged securities and FDIC as of October 31, 2018.

**2. Investments**

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City has adhered to the requirements of the Act.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE B -- CASH AND CASH INVESTMENTS (CONT.)**

2. Investments (Cont.)

The City's investments at October 31, 2018 were in short-term certificates of deposit, Texpool and Invesco, which are both AAAM rated, public funds external investment pools. The certificates of deposit are 90 days or less in length and are included in cash and cash equivalents.

The following table summarizes the assets for which fair values are determined on a recurring basis as of October 31, 2018:

Investment	Fair Value	Maturity in Days
TexPool	\$ 1,008	32
Invesco	6,090,415	29
Total Investments	\$ 6,091,423	

The City reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices inactive markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to a concentration of credit risk.

c. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE B -- CASH AND CASH INVESTMENTS (CONT.)**

d. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

e. Foreign Currency Risk

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

4. Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

5. Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE C -- PROPERTY TAXES**

Property Taxes were levied and payable on each October 1 based on assessed valuation of the preceding January 1. Taxes levied on October 1 of each year fund the operations of the City for the following fiscal year. The City has contracted with Guadalupe County to bill and collect property taxes. Actual tax bills are mailed October 1. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

Because the City's property tax levy date (October 1) is prior to the year in which it is intended to fund (the fiscal year starting the following November 1), some collections are received prior to the period in which they are intended to fund. These collections are not available to be used by the City until that future period and are recorded as deferred inflows of resources.

For fiscal year 2018, the assessed tax rate for the City was \$0.2016 per \$100 on a taxable assessed valuation of \$1,043,803,940. The rate is broken out as \$0.0805 per \$100 for general operations and \$0.1211 per \$100 for debt retirement. Total tax levy for fiscal year 2018 after all exemptions and freeze adjustments was \$2,188,421.

**NOTE D -- INTERFUND TRANSACTIONS**

As of October 31, 2018, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Payable from/to</u>	<u></u>	<u>Reason</u>
Proprietary Fund/General Fund	\$ 18,063	reimbursement
General Fund/Debt Service	1,669,527	pooled tax collections
Proprietary Fund/MDD Fund	12,027	reimbursement
Debt Service/ Proprietary Fund	195,686	reimbursement
	<u>\$ 1,895,303</u>	

The following transfers occurred during the year ended October 31, 2018:

<u></u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Reason</u>
<b><u>General Fund</u></b>			
Proprietary Fund	\$ 471,227	\$ -	Transfer in lieu of taxes
Debt Service	-	109,313	In support of debt
<b><u>Debt Service</u></b>			
General Fund	109,313	-	In support of debt
<b><u>Proprietary Fund</u></b>			
General Fund	-	471,227	Transfer in lieu of taxes
	<u>\$ 580,540</u>	<u>\$ 580,540</u>	

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE E – UNEARNED REVENUE – PROPRIETARY FUND**

The unearned revenue represents the amount of \$4,002,718 that Developers have paid to provide for the current and future water rights for the new water users of the City. As the City purchases water rights from the Edwards Aquifer, the unearned revenue will be recognized as revenue.

**NOTE F -- CAPITAL ASSETS**

Capital asset activity for the year ended October 31, 2018, was as follows:

<b>Governmental Activities</b>	Balances at 11/1/17	Additions	Disposals/ Transfers	Balances at 10/31/18
Land	\$ 1,688,152	\$ -	\$ -	\$ 1,688,152
Buildings	8,126,400	109,320	-	8,235,720
Infrastructure	27,750,631	-	851,000	28,601,631
Construction in Progress	5,254,134	7,109,873	(851,000)	11,513,007
Vehicles and Equipment	5,554,802	334,369	(83,021)	5,806,150
	<u>48,374,119</u>	<u>7,553,562</u>	<u>(83,021)</u>	<u>55,844,660</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(2,869,690)	(284,977)	-	(3,154,667)
Infrastructure	(12,140,951)	(1,011,265)	-	(13,152,216)
Vehicles and Equipment	(4,327,337)	(388,196)	72,936	(4,642,597)
	<u>(19,337,978)</u>	<u>(1,684,438)</u>	<u>72,936</u>	<u>(20,949,480)</u>
Governmental Capital Assets, Net	<u>\$ 29,036,141</u>	<u>\$ 5,869,124</u>	<u>\$ (10,085)</u>	<u>\$ 34,895,180</u>

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 204,865
Police Department	321,253
Fire Department	115,988
Infrastructure	1,023,608
Building Inspection	18,724
Total Depreciation Expense	<u>\$ 1,684,438</u>

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE F -- CAPITAL ASSETS (CONT.)**

<b>Business-Type Activities</b>	Balances at 11/1/17	Additions	Disposals/ Transfers	Balances at 10/31/18
Land	\$ 173,139	\$ -	\$ -	\$ 173,139
Buildings	404,337	-	-	404,337
Water Rights	2,558,666	-	-	2,558,666
Water Sewer Utility Plant	10,399,275	-	-	10,399,275
Construction in Progress	352,346	327,105	-	679,451
Vehicles and Equipment	646,271	60,296	-	706,567
	<u>14,534,034</u>	<u>387,401</u>	<u>-</u>	<u>14,921,435</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(132,185)	(13,943)	-	(146,128)
Water Sewer Utility Plant	(2,548,391)	(300,101)	-	(2,848,492)
Vehicles and Equipment	(495,873)	(46,316)	-	(542,189)
	<u>(3,176,449)</u>	<u>(360,360)</u>	<u>-</u>	<u>(3,536,809)</u>
Business-Type Capital Assets, Net	<u>\$ 11,357,585</u>	<u>\$ 27,041</u>	<u>\$ -</u>	<u>\$ 11,384,626</u>

Land, Construction in Progress and Water Rights are not depreciated.

**NOTE G -- LONG-TERM DEBT**

At October 31, 2018, the City's long-term debt consisted of the following:

	Interest Rates	Original Issue	Outstanding
<b>Governmental Activities</b>			
General Obligation, Series 2010	0.9-3.25%	\$ 1,660,000	\$ 540,000
General Obligation, Series 2012	2-3%	2,210,000	1,135,000
Certificate of Obligation, Series 2012	2-3%	2,435,000	1,590,000
Certificate of Obligation, Series 2008	3.75%	4,000,000	2,375,000
General Obligation, Series 2015	2-3.5%	8,995,000	8,455,000
			<u>\$ 14,095,000</u>
<b>Business-Type Activities</b>			
Certificate of Obligation, Series 2008	3.75%	\$ 4,100,000	\$ 2,430,000
Certificate of Obligation, Series 2016	1.075-1.975%	1,200,000	990,000
			<u>\$ 3,420,000</u>



CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE G -- LONG-TERM DEBT (CONT.)**

Changes in the City's long-term debt during the fiscal year ending October 31, 2018, follows:

	Balance Outstanding 11/1/17	Current Additions	Current Retirements	Balance Outstanding 10/31/18	Due Within One Year
<i>Governmental Activities:</i>					
<i>Certificates of Obligation:</i>					
Series 2008	\$ 2,565,000	\$ -	\$ (190,000)	\$ 2,375,000	\$ 200,000
Series 2012	1,735,000	-	(145,000)	1,590,000	145,000
<i>General Obligation</i>					
Series 2010	710,000	-	(170,000)	540,000	175,000
Series 2012	1,350,000	-	(215,000)	1,135,000	220,000
Series 2015	8,665,000	-	(210,000)	8,455,000	240,000
Premiums	376,880	-	(30,444)	346,436	30,444
Capital Leases	60,061	127,520	(115,029)	72,552	60,269
Totals	<u>\$ 15,461,941</u>	<u>\$ 127,520</u>	<u>\$ (1,075,473)</u>	<u>\$ 14,513,988</u>	<u>\$ 1,070,713</u>
<i>Business-Type Activities:</i>					
Series 2008	\$ 2,625,000	\$ -	\$ (195,000)	\$ 2,430,000	\$ 205,000
Series 2016	1,105,000	-	(115,000)	990,000	115,000
Totals	<u>\$ 3,730,000</u>	<u>\$ -</u>	<u>\$ (310,000)</u>	<u>\$ 3,420,000</u>	<u>\$ 320,000</u>

Future minimum lease payments are as follows:

<u>Year End October 31,</u>	
2019	\$ 60,270
2020	12,282
Total Lease Payments	<u>72,552</u>
Amount Representing Interest	1,865
Total Payments	<u>\$ 74,417</u>

The City leased police vehicles in the amount of \$95,340 and \$95,340 in 2017 and 2018, respectively. Accumulated depreciation on the vehicles was \$36,547 and 15,890, respectively, as of October 31, 2018. The 2018 lease was for 4 vehicles, however one was totaled during the year, causing the difference between asset cost and lease additions.

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE G -- LONG-TERM DEBT (CONT.)**

The annual requirements to amortize all bonded debt outstanding as of October 31, 2018, including interest payments, are as follows:

Year Ending October 31,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 980,000	\$ 410,901	\$ 1,390,901	\$ 320,000	\$ 103,467	\$ 423,467
2020	1,030,000	385,969	1,415,969	330,000	94,104	424,104
2021	1,055,000	359,488	1,414,488	340,000	84,338	424,338
2022	1,075,000	335,132	1,410,132	355,000	74,160	429,160
2023	1,110,000	305,551	1,415,551	365,000	63,410	428,410
2024-2028	4,320,000	1,107,977	5,427,977	1,710,000	142,669	1,852,669
2029-2033	3,205,000	520,050	3,725,050	-	-	-
2034-2035	1,320,000	68,025	1,388,025	-	-	-
Total	<u>\$ 14,095,000</u>	<u>\$ 3,493,093</u>	<u>\$ 17,588,093</u>	<u>\$ 3,420,000</u>	<u>\$ 562,148</u>	<u>\$ 3,982,148</u>

**NOTE H -- PENSION PLAN**

**Plan Description**

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**Benefits Provided**

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

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

CITY OF SELMA, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 OCTOBER 31, 2018

**NOTE H -- PENSION PLAN (CONT.)**

**Benefits Provided (Cont.)**

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

	2017
Inactive Employees or Beneficiaries Currently Receiving Benefits	19
Inactive Employees Entitled to but Not Yet Receiving Benefits	36
Active employees	91
	146

**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 matching rate is 2 to 1. The contribution rates for the City were 14.66% and 14.82% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended October 31, 2018 were \$844,822, 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.

**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

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE H -- PENSION PLAN (CONT.)**

**Actuarial Assumptions (Cont.)**

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

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

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

CITY OF SELMA, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 OCTOBER 31, 2018

**NOTE H -- PENSION PLAN (CONT.)**

**Actuarial Assumptions (CONT.)**

The target allocation and best estimates of 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%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
	<u>100.00%</u>	

**Discount Rate**

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

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE H -- PENSION PLAN (CONT.)**

**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	\$ 17,187,114	\$ 13,627,071	\$ 3,560,043
Changes for the year:			
Service Cost	1,004,049	-	1,004,049
Interest	1,177,599	-	1,177,599
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	17,814	-	17,814
Changes of Assumptions	-	-	-
Contributions - Employer	-	809,202	(809,202)
Contributions - Employee	-	386,385	(386,385)
Net Investment Income	-	1,891,007	(1,891,007)
Benefit Payments, Including Refunds of Employee Contributions	(486,448)	(486,448)	-
Administrative Expense	-	(9,788)	9,788
Other Changes	-	(496)	496
Net Changes	<u>1,713,014</u>	<u>2,589,862</u>	<u>(876,848)</u>
Balance at December 31, 2017	<u>\$ 18,900,128</u>	<u>\$ 16,216,933</u>	<u>\$ 2,683,195</u>

**Discount Rate Sensitivity Analysis**

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	\$ 6,077,967	\$ 2,683,195	\$ (20,480)

**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](http://www.tmrs.com).

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE H -- PENSION PLAN (CONT.)**

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

For the year ended October 31, 2018, the City recognized pension expense of \$958,874. Also as of October 31, 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	\$ 331,745	\$ -
Changes in Actuarial Assumptions	14,842	-
Differences Between Projected and Actual Investment Earnings	334,881	776,944
Contributions Subsequent to the Measurement Date	685,947	-
	\$ 1,367,415	\$ 776,944

Deferred outflows of resources in the amount of \$685,947 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2018. 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	\$ 73,154
2019	47,599
2020	(107,631)
2021	(136,367)
2022	22,096
Thereafter	5,673
	\$ (95,476)

**NOTE I -- OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the 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.

CITY OF SELMA, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 OCTOBER 31, 2018

**NOTE I -- OTHER POST EMPLOYMENT BENEFITS (CONT.)**

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 annual 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	14
Inactive Employees Entitled to but Not Yet Receiving Benefits	7
Active Employees	91
Total	112

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%	0.01%

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:



CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE I -- OTHER POST EMPLOYMENT BENEFITS (CONT.)**

Salary Increases	3.50% to 10.50% Including Inflation
Discount Rate	3.31% (Based on Fidelity's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid thru 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 femal 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 femal 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.
<b>Other Information:</b>	No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

The 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	\$ 94,501
Changes for the year:	
Service Cost	8,280
Interest on Total OPEB Liability	3,718
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	11,414
Benefit Payments	(552)
Net Changes	22,860
Balance at December 31, 2017	\$ 117,361

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:

CITY OF SELMA, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 OCTOBER 31, 2018

**NOTE I -- OTHER POST EMPLOYMENT BENEFITS (CONT.)**

	Discount Rate 2.31%	Discount Rate 3.31%	Discount Rate 4.31%
Total OPEB Liability	\$ 147,211	\$ 117,361	\$ 94,836

For the year ended October 31, 2018, the City recognized OPEB expense of \$13,203 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions and Other Inputs	\$ 10,209	\$ -
Contributions Subsequent to the Measurement Date	462	-
	\$ 10,671	\$ -

Deferred outflows of resources in the amount of \$462 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year ended December 31,	
2018	\$ 1,205
2019	1,205
2020	1,205
2021	1,205
2022	1,205
Thereafter	4,184
	\$ 10,209

**NOTE J -- TAX ABATEMENTS**

The City of Selma promotes economic development within the city with both sales tax rebates and property tax abatement incentives. The guidelines for a sales tax rebate, when offered is to attract new businesses, commercial activity and investment and to retain or expand primary employment within the City. The City's policy is to follow Chapter 380 of the Texas Local Government Code. Stimulation of business and commercial activity and the creation and retention of job opportunities with the City is the highest priority. Tax abatement incentives are generally the same, with the exception of following Chapter 312 of the Texas Tax Code.

Criteria for recapture of the agreements are in effect for each agreement entered into by the City.

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE J -- TAX ABATEMENTS (CONT.)**

The City entered into an agreement with Ben E. Keith Company pursuant to provisions of Chapter 312 of the Texas Tax Code. According to the agreement, Ben E. Keith will receive an abatement of ad valorem taxation for ninety percent (90%) of the certified appraised value of the New Improvements for a ten (10) year period beginning on January 1 of the year following Completion of Construction. There was no tax abated during the year.

The City entered into an agreement with O'Reilly Auto Enterprises, LLC (O'Reilly's) pursuant to provisions of Chapter 312 of the Texas Tax Code. According to the agreement, O'Reilly's will receive an abatement of ad valorem taxation for ninety percent (90%) of the certified appraised value of the New Improvements beginning January 1, 2016 and shall terminate on December 31, 2021. The total amount of tax abated during the 2017 tax year per the agreement was \$69,045.

The City entered into an agreement with Curtis C. Gunn, Ltd (Gunn) pursuant to provisions of Chapter 312 of the Texas Tax Code. According to the agreement, Gunn will receive a ninety percent (90%) abatement of ad valorem tax of the certified appraised value of the New Improvements from January 1, 2013 and shall terminate December 31, 2018. The total amount of tax abated during the 2016 tax year per the agreement was \$32,181.

The City has entered into a Sales Tax Refund Agreement with Costco Wholesale Corporation pursuant to the provisions of Chapter 380.001 to provide economic development grants to promote local economic development and to stimulate business and commercial activity in the City. The agreement calls for a refund of half of the City's 1% sales tax proceeds from retail sales at the Costco Wholesale Corporation over a ten year period: calendar year 2008 through 2017. As of October 31, 2018, all sales tax refunds due to Costco Corporation have been paid.

The City has entered into a Sales Tax Refund Agreement with Ben E. Keith Company pursuant to the provisions of Chapter 380.001 to provide economic development grants to promote local economic development and to stimulate business and commercial activity in the City. The agreement calls for a refund of 75% of the City's 1% sales tax proceeds from retail sales at the Ben E. Keith Company over a ten year period following the year in which Completion of Construction occurs. Although construction has been completed, the company was not expected to be fully operational until the end of 2018, therefore, the City has not accrued any estimated sales tax refunds due to Ben E. Keith.

Tax Increment Financing (the "Zone")

The City is a principal in the Increment Reinvestment Zone #1, pursuant to Chapter 311 of the Texas Tax Code. Under the terms of the Zone agreement, the City of Selma, San Antonio River Authority and Bexar County are partially funding infrastructure improvements through tax increment financing to Retama Partners, Ltd.

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to the property tax base are being used to finance Zone improvement costs. Project costs to date are \$14,087,470. The total projected cost is \$33,695,326. Project costs of the developer will be funded up to 51% of the tax increment generated by the City of Selma. The Zone has a statutory termination date of September 30, 2025. As of October 31, 2018, the City has paid the TIRZ \$2,741,184 and have committed to an additional amount not to exceed \$15,097,034.

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE K -- SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Litigation

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

Commitments

The City has entered into various contracts for engineering and construction of improvements and repairs to City assets. As of October 31, 2018, the City had the following estimated commitments related to these contracts:

	Total Contract Amount	Expended to Date	Estimated Remaining
Lookout Road and Bridge Improvements	\$ 9,733,104	\$ 8,062,308	\$ 1,670,796
Woodcliff Reconstruction	1,620,222	1,537,019	83,203
Evans Road Reconstruction	291,900	121,100	170,800
Ventura Boulevard Reconstruction	3,672,686	849,604	2,823,082
Elevated Water Storage Tank Rehabilitation	122,292	80,635	41,657
Other Professional Services	81,500	12,202	69,298
Total	<u>\$ 15,521,704</u>	<u>\$ 10,662,868</u>	<u>\$ 4,858,836</u>

Risk Management

The City has identified possible risk of losses arising from events such as the following:

1. Torts.
2. Theft of, damage to, or destruction of assets.
3. Errors and omissions.
4. Job-related illnesses or injuries to employees.
5. Acts of God.

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. Annual contributions for the coverage period beginning October 1, 2018, were \$188,979.

CITY OF SELMA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
OCTOBER 31, 2018

**NOTE L -- PRIOR PERIOD ADJUSTMENT**

In accordance with GASB Statement No. 75, the City has recorded a prior period adjustment to recognize the Other Post-Employment Benefit (OPEB) liability as described in Note A22, above. The OPEB liability at October 31, 2017 was allocated between the general fund and the water/sewer fund resulting in a prior period adjustment to restate the beginning fund balances as of October 31, 2017 as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Net Position, previously reported	\$ 32,024,710	\$ 7,003,326	\$ 39,028,036
Recognition of OPEB Liability per GASB 75	(88,933)	(5,124)	(94,057)
Beginning Net Position, restated	\$ 31,935,777	\$ 6,998,202	\$ 38,933,979

**NOTE M -- DEFICIT NET POSITION**

The Proprietary Water Sewer Fund had a deficit net position of \$742,638 as of October 31, 2018. This deficit will be funded through future operations.

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