

ADDENDUM

TO

OFFICIAL STATEMENT

Dated September 9, 2019

Relating to

\$4,755,000

CITY OF NEW BRAUNFELS, TEXAS

(A political subdivision of the State of Texas located in

Comal and Guadalupe Counties, Texas)

Combination Tax and Revenue Certificates of Obligation, Series 2019

PLEASE BE ADVISED that the referenced Official Statement, dated September 9, 2019, relating to the captioned obligations (the "Certificates") is hereby amended in the following manner as a result of an error on page 2, the maturity schedule.

For maturity 2031 the CUSIP Suffix has been corrected as follows:

Stated				CUSIP	Stated				CUSIP
Maturity	Principal	Interest	Intital	No.	Maturity	Principal	Interest	Intital	No.
<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u>^(a)	<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u>^(a)
2020	\$195,000	3.000%	1.140%	VN4	2030	\$235,000	4.000%	1.750% ^(b)	VY0
2021	175,000	3.000%	1.170%	VP9	2031	245,000	4.000%	1.860% ^(b)	VZ7
2022	180,000	3.000%	1.200%	VQ7	2032	255,000	4.000%	1.960% ^(b)	WA1
2023	185,000	3.000%	1.220%	VR5	2033	265,000	4.000%	2.050% ^(b)	WB9
2024	195,000	3.000%	1.240%	VS3	2034	275,000	3.000%	2.350% ^(b)	WC7
2025	200,000	2.000%	1.280%	VT1	2035	XXX	XXX	XXX	XXX
2026	205,000	3.000%	1.380%	VU8	2036	XXX	XXX	XXX	XXX
2027	210,000	4.000%	1.460%	VV6	2037	300,000	2.500%	2.530%	WF0
2028	220,000	4.000%	1.550%	VW4	2038	305,000	2.500%	2.550%	WG8
2029	225,000	4.000%	1.650% ^(b)	VX2	2039	310,000	2.500%	2.580%	WH6

October 3, 2019

Stickers will be mailed out for the hard copies

OFFICIAL STATEMENT

Dated: September 9, 2019

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

\$4,755,000

CITY OF NEW BRAUNFELS, TEXAS

(A political subdivision of the State of Texas located in Comal and Guadalupe Counties)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

Dated Date: September 1, 2019

Due: February 1, as shown on page 2

The \$4,755,000 City of New Braunfels, Texas Combination Tax and Revenue Certificates of Obligation, Series 2019 (the "Certificates" or "Obligations") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Chapters 1201 and 1502, Texas Government Code, elections held on May 11, 2013 and May 4, 2019, as amended, and, an ordinance (the "Ordinance") adopted by the City Council of the City of New Braunfels, Texas (the "City" or "Issuer") on September 9, 2019. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from 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 Surplus Revenues of the Issuer's solid waste system (the "System") not to exceed \$1,000 as provided in the Ordinance. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Certificates will accrue from September 1, 2019 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2020, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, N.A., Austin, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (i) design, construction, improvement, organization, and equipping of a sports complex to include multi-purpose fields and playing surfaces for softball, baseball and soccer, as well as other sports, and possible facilities, infrastructure or other expenditures connected therewith, and (ii) the payment of professional services in connection therewith including legal, fiscal and engineering the costs of issuing the certificates of obligation. (See "THE CERTIFICATES – Use of Certificate proceeds" herein.)

Concurrently with the sale of the Certificates, the City is issuing its \$19,985,000 General Obligation Bonds, Series 2019.

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

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser (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 McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through DTC on or about September 25, 2019.

\$4,755,000
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019
CITY OF NEW BRAUNFELS, TEXAS
(A political subdivision of the State of Texas located in Comal and Guadalupe Counties)

STATED MATURITY SCHEDULE

CUSIP No. Prefix 642526^(a)

\$4,180,000 Serial Certificates

Stated					CUSIP	Stated					CUSIP
Maturity	Principal	Interest	Intital		No.	Maturity	Principal	Interest	Intital		No.
<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>		<u>Suffix</u> ^(a)	<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>		<u>Suffix</u> ^(a)
2020	\$195,000	3.000%	1.140%		VN4	2030	\$235,000	4.000%	1.750% ^(b)		VY0
2021	175,000	3.000%	1.170%		VP9	2031	245,000	4.000%	1.860% ^(b)		VA7
2022	180,000	3.000%	1.200%		VQ7	2032	255,000	4.000%	1.960% ^(b)		WA1
2023	185,000	3.000%	1.220%		VR5	2033	265,000	4.000%	2.050% ^(b)		WB9
2024	195,000	3.000%	1.240%		VS3	2034	275,000	3.000%	2.350% ^(b)		WC7
2025	200,000	2.000%	1.280%		VT1	2035	XXX	XXX	XXX		XXX
2026	205,000	3.000%	1.380%		VU8	2036	XXX	XXX	XXX		XXX
2027	210,000	4.000%	1.460%		VV6	2037	300,000	2.500%	2.530%		WF0
2028	220,000	4.000%	1.550%		VW4	2038	305,000	2.500%	2.550%		WG8
2029	225,000	4.000%	1.650% ^(b)		VX2	2039	310,000	2.500%	2.580%		WH6

\$575,000 2.500% Term Certificates due on February 1, 2036 and priced to yield 2.500% CUSIP Suffix WE3^(a)

(Interest to accrue from the Dated Date)

The Certificates maturing on or after February 1, 2029 are subject to optional redemption prior to their scheduled maturities at the option of the Issuer, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2028 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described herein. Additionally, the Certificates maturing on February 1, 2036 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)

^(a) 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.

^(b) Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2028, the first optional call date for the Certificates, at a redemption price of par plus accrued interest to the date of redemption.

CITY OF NEW BRAUNFELS TEXAS
550 Landa Street
New Braunfels, Texas 78130
(830) 221-4000 – Phone

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
Barron Casteel Mayor	4	2020	Attorney
Wayne Peters Mayor Pro-Tem	4	2020	Retired
Shane Hines Councilmember, District 1	1	2022	Business owner & General Contractor
Justin Meadows Councilmember, District 2	4	2022	Insurance Agent
Harry Bowers Councilmember, District 3	1	2021	Professor
Matthew E. Hoyt Councilmember, District 4	1	2021	Business owner
Leah A. Garcia Councilmember, District 6	4	2020	Sales

ADMINISTRATION

Name	Position	Length of Service With the City (Years)
Robert Camareno	City Manager	11
Kristi Aday	Assistant City Manager	5
Jordan Matney	Assistant City Manager	1
Jared Werner	Chief Financial Officer	12
Patrick Aten	City Secretary	8
Valerie Acevedo	City Attorney	7

CONSULTANTS AND ADVISORS

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Austin, Texas

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

Auditor Belt Harris Pechacek, LLLP
Houston, Texas

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained is 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 information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

The Financial Advisor has provided the following sentence for inclusion of 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 OBLIGATIONS 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 OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE ISSUER, NOR ITS FINANCIAL ADVISOR, MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM AS SUCH INFORMATION IS PROVIDED BY DTC.

The agreements of the Issuer and others related to the Obligations are contained solely in the contracts described herein. Neither this Official Statement or any other statement made in connection with the offer or sale of the Obligations is to be construed as constituting an agreement with the purchasers of the Obligations. 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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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of New Braunfels, Texas (the "City" or "Issuer") is a municipal corporation, a home rule municipality and a political subdivision of the State of Texas located on Interstate Highway 35, 33 miles northeast of San Antonio. The City operates as a home rule city under the laws of the State of Texas which was last amended on May 7, 2005. The City's 2010 population was 57,740, an increase of 60.36% since 2000. The 2019 approximate population is 85,000. The City serves as the county seat of Comal County. The economy is primarily based on tourism and manufacturing. (See APPENDIX B - "General Information Regarding the City of New Braunfels, Texas and Comal and Guadalupe Counties, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Chapters 1201 and 1502, Texas Government Code, elections held on May 11, 2013 and May 4, 2019, as amended, an ordinance (the "Ordinance") adopted on September 9, 2019 by the City Council, and the City's Home Rule Charter. (see "THE CERTIFICATES – Authority for Issuance").
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is UMB Bank, N.A., Austin, Texas.
Security for the Certificates	The Certificates constitute direct and general obligations of the Issuer payable primarily from 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 Surplus Revenues of the Issuer's solid waste system (the "System") not to exceed \$1,000 as provided in the Ordinance. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)
Redemption Provisions	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on and after February 1, 2029, on February 1, 2028 or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. Additionally, the Certificates maturing on February 1, 2036 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Proceeds of the Certificates	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, to-wit: (i) design, construction, improvement, organization, and equipping of a sports complex to include multi-purpose fields and playing surfaces for softball, baseball and soccer, as well as other sports, and possible facilities, infrastructure or other expenditures connected therewith, and (ii) the payment of professional services in connection therewith including legal, fiscal and engineering the costs of issuing the certificates of obligation. (See "THE CERTIFICATES - Use of Certificate proceeds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Ratings	S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA" to the Certificates. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Concurrent Issues	Concurrently with the sale of the Certificates, the City is issuing its \$19,985,000 General Obligation Bonds, Series 2019.
Payment Record	The City has never defaulted on the payment of its ad valorem tax backed indebtedness.
Delivery	When issued, anticipated on or about September 25, 2019.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas.

OFFICIAL STATEMENT
Relating to

\$4,755,000
CITY OF NEW BRAUNFELS, TEXAS
(A political subdivision of the State of Texas located in Comal and Guadalupe Counties)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of New Braunfels, Texas (the "City" or "Issuer") of its \$4,755,000 Combination Tax and Revenue Certificates of Obligation, Series 2019 (the "Certificates") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates as a home-rule municipality under the statutes and the Constitution of the State of Texas (the "State"). The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Chapters 1201 and 1502, Texas Government Code, as amended, an ordinance (the "Ordinance") adopted on September 9, 2019 by the City Council, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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 from the Issuer or the Financial Advisor noted on page 3 hereof.

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless otherwise specified, references to websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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

THE CERTIFICATES

General Description of the Certificates

The Certificates are dated September 1, 2019 (the "Dated Date"). The Certificates are stated to mature on February 1 in the years and in the principal amounts and will bear interest at per annum rates as set forth on page 2 hereof. The Certificates will be issued only in fully registered form and in denominations of \$5,000 or any integral multiple thereof within a stated maturity. The Certificates shall bear interest from the Dated Date on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Certificates will be payable on February 1 and August 1 of each year commencing February 1, 2020 until stated maturity or prior redemption. Principal is payable at the designated office of the Paying Agent/Registrar, initially UMB Bank, N.A., Austin, Texas.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co. which will distribute the amounts received to the Beneficial Owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment for the Certificates and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Certificates are being issued pursuant to the Certificate of Obligation Act of 1971, Chapter 271, Texas Local Government Code, as amended, Chapters 1201 and 1502, Texas Government Code, elections held on May 11, 2013 and May 4, 2019, as amended, an ordinance (the "Ordinance") adopted on September 9, 2019, the date of sale of the Certificates by the City Council of the City, and the City's Home Rule Charter.

Security for Payment

The Certificates constitute direct and general obligations of the Issuer payable primarily from ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law (See "TAX RATE LIMITATIONS" herein). In addition, the Certificates are further secured by a lien on and pledge of the Surplus Revenues of the Issuer's solid waste system (the "System") not to exceed \$1,000 as provided in the Ordinance.

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, to-wit : (i) design, construction, improvement, organization, and equipping of a sports complex to include multi-purpose fields and playing surfaces for softball, baseball and soccer, as well as other sports, and possible facilities, infrastructure or other expenditures connected therewith, and (ii) the payment of professional services in connection therewith including legal, fiscal and engineering the costs of issuing the certificates of obligation.

Redemption Provisions

Optional Redemption

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2029, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. 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.

Not less than thirty (30) days prior to a redemption date for the Certificates, the City shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners 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 at the close of business on the 45th day prior to the redemption. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. 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 any other condition to redemption satisfied, all as provided above, the Certificates or portion thereof which are to be 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.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

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 Certificates 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 direct participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates the Issuer has called for redemption 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 direct participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Mandatory Sinking Fund Redemption

The Certificates stated to mature on February 1, 2036 are referred to herein as the "Term Certificates". The Term Certificates are also subject to mandatory redemption prior to maturity in part and by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on February 1, in the years and principal amounts shown below:

Term Certificates to Mature on February 1, 2036	
Year	Principal Amount
2035	\$285,000
2036*	290,000

*Payable at Stated Maturity.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable Stated Maturity to be redeemed on the next following February 1 from money set aside for that purpose in the Bond Fund. Any Term Certificates not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice or such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

SOURCES AND USES OF FUNDS

<u>Sources of Funds</u>	<u>The Certificates</u>
Par Amount	\$ 4,755,000.00
Accrued Interest	9,983.33
Net Original Issue Reoffering Premium	<u>352,838.40</u>
Total Sources of Funds	\$ 5,117,821.73
<u>Uses of Funds</u>	
Deposit to Project Fund	\$ 5,000,000.00
Costs of Issuance	69,275.35
Purchaser's Discount	38,563.05
Deposit to Certificate Fund	<u>9,983.33</u>
Total Uses of Funds	\$ 5,117,821.73

Payment Record

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

Legality

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that 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, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance 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 "Defeasance 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 the City authorizes the defeasance of the Certificates, 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 City authorizes the defeasance of the Certificates, 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 obligations hereafter authorized by law to be eligible to effect the defeasance of the Certificates. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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 or redemption of Certificates have been made as described above, all rights of the City to initiate proceedings to call such Certificates for redemption or take any other action amending the terms of such Certificates are extinguished; provided, however, that the right to call such Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of such 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

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal or interest on the Certificates when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought 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 remedy 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 Certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, Certificateholders may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. 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.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

As noted above, the Ordinance provides that Certificateholders 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 Certificateholders 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

Initially, the only registered owner of the Certificates will be Cede & Co., as nominee of DTC. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Certificates.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Certificates is UMB Bank, N.A., Dallas, 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 bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. 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 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 interest payable to the registered owner of a Certificate on any Interest Payment Date means the fifteenth (15th) day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on an Interest 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 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

The Certificates are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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 designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New 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 initially utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer or Exchange of Certificates

The Paying Agent/Registrar shall not be required to transfer or exchange any Certificates or any portion thereof 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.

Replacement Certificates

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and the 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.

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 DTC 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 and the Financial Advisor 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 (the “SEC”), 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 Certificates 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 Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“Beneficial Owner”) is in turn to be recorded on the 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 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 Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive 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 as Certificates are credited, which may or may not be the Beneficial Owners. The 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices for the Certificates 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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).

All 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 the 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 Certificates 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, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment on the Certificates 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 the Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

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

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, 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 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 Investment

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is 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, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (7) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located,

for the account of the City; (iv) 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 (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (9) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and 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, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by SEC Rule 2a-7; (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. In addition, Certificate proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of Certificate proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas 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 includes a list of authorized investments for Issuer funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, and the methods to monitor the market price of investments acquired with public funds and the requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments. All Issuer funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, Issuer 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 shall submit an investment report detailing: (1) the investment position of the Issuer, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Issuer funds without express written authority from the City Council.

Additional Provisions

Under Texas law, the Issuer is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the 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 or requires an interpretation of subjective investment standards), 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 mutual funds in the aggregate to no more than 80% of the Issuer's monthly average fund balance, excluding Certificate proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of Certificate proceeds, reserves and funds held for debt service and to no more than 15% of the Issuer's monthly average fund balance, excluding Certificate proceeds and reserves and other funds held for debt service and further restrict the investment in no-load money market mutual funds of any portion of Certificate proceeds reserves and funds held for debt service to no more than 15% of the entity's monthly average fund balance, excluding Certificate proceeds and reserves and other funds held for debt service; (9) require local government investment pools to confirm to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Issuer.

Current Investments ⁽¹⁾

TABLE 1

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

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
TexPool	\$ 119,323,202	94.77%
Frost Checking	6,591,209	5.23%
Total	<u>\$ 125,914,411</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.

⁽¹⁾ Unaudited.

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Comal Appraisal District and Guadalupe Appraisal District (collectively, the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a 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 homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, 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 ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "– Issuer and Taxpayer Remedies."

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport Exemptions

Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Financing Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located 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 is known as the "Incremental Value", and during the existence of the

TIRZ, all or a portion of the taxes levied by each participating taxing unit 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 such taxing units. See “— City Application of Tax Code” for descriptions of any TIRZ created in the City.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “-- City Application of Tax Code” for descriptions of any of the City's tax abatement agreements.

Chapter 380 Agreements

The City is authorized, pursuant to Chapter 380, Texas Local Government Code (“Chapter 380”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public fund 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.

For a discussion of how the various exemptions described above are applied by the City, see “– City Application of Tax Code” herein.

Public Hearing and Maintenance and Operation Tax Rate Limitations

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

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2020, the terms rollback tax rate and effective tax rate will be replaced, respectively, with the terms “voter-approval tax rate” and “no-new-revenue tax rate”. Beginning with the 2020 tax year, the procedures in this paragraph and the following paragraphs apply. A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance

with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

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

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

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

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

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

Issuer and Taxpayer Remedies

Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See “– Public Hearing and Maintenance and Operation Tax Rate Limitations”). The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the [Issuer], having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. 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 county 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.

Property Assessment and Tax Payment

Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information 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. Taxes become due October 1 of the same year, and become delinquent on February 15 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1.

Penalties and Interest

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

<u>Month</u>	<u>Cumulative Penalty</u>	<u>Cumulative Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action 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.

City Application of Tax Code

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$3,750; the disabled are not granted an additional exemption.

The City has granted an additional exemption of up to 20% of the market value of residential homesteads with a minimum exemption of \$5,000.

The City has taken action to establish a tax limitation on ad valorem taxes levied by the City against the residence homestead of persons 65 years of age or older and their spouses and disabled persons.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and Comal County and Guadalupe County, as applicable, collect taxes for the City.

On May 29, 2007, the City Council authorized an ordinance creating a TIRZ that totaled 497 acres with a taxable "base" value of \$4,985,170 and a current taxable value of \$317,091,869, for a period of 25 years, ending December 31, 2032.

The City currently has no tax abatement agreements in place.

The City currently has Chapter 380 agreements with Investor Grosenbacher Partnership and NB Retail LTD ("Investor Grosenbacher"), associated with its Westpointe Village development in the City (the "Westpointe Village Agreement"); with HD Supply Facilities Maintenance, LTD ("HD Supply"), associated with its development of a customer contact call center in the City (the "HD Supply Agreement"); and with HEB Grocery Company, LP ("HEB"), associated with its HEB Grocery Store development in the City (the "HEB Agreement").

The Westpointe Village Agreement allows for a rebate of 70% of the proceeds of the City's ad-valorem tax levied on improvements on the development after January 1, 2008, and a rebate of 50% of the City's General Fund sales tax revenue collected from the Westpointe Village development. The Westpointe Village agreement shall remain in effect until January 1, 2035, or until the City has rebated \$4,117,000 in combined ad-valorem and sales tax revenue to Investor Grosenbacher, less amounts due to the City under the terms of the Westpointe Village Agreement.

The HD Supply Agreement allows for a rebate of 50% of all sales tax revenue received from HD Supply in connection with its development for a period of at least 10 but up to 20 years effective as of the earlier of the date the City first receives sales tax revenue from the development described in the HD Supply Agreement or April 1, 2007. HD Supply has agreed, pursuant to the terms of the HD Supply Agreement, to provide at least 390 permanent jobs when the development is complete.

The HEB Agreement allows for a rebate of the 50% of the City's General Fund sales tax revenue received from HEB in connection with the development described in the HEB Agreement for a period of five years, commencing upon the date the development opens to the public, or until the City has rebated \$700,000 to HEB. HEB has agreed, pursuant to the terms of the HEB Agreement, to invest at least \$14,000,000 in the design and construction of the development and employ at least 108 full-time employees by December 31, 2021.

Municipal Sales Tax

The City has adopted the provisions of Property Tax Code § 321.001 et seq., which grants the City the power to impose and levy a one percent (1%) Local Sales and Use Tax within the City. The proceeds of such tax are credited to the General Fund and are not pledged to payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State (the "Comptroller"), who monthly remits the proceeds of the tax, after deduction of a two percent (2%) service fee, to the City.

The Property Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (½%) sales and use tax for the purpose of reducing its ad valorem property taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales and use tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, State law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the state sales and use tax rate of 6¼%).

In addition to the one percent (1%) local sales and use tax referred to above, voters of the City have approved the imposition of an additional three-eighths of one-percent (3/8%) aggregate local sales and use tax for economic development and community development.

TAX RATE LIMITATIONS

Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population: \$2.50 per \$100 assessed valuation. The Issuer has adopted a Home Rule Charter which does not limit the City's maximum tax rate limit beyond the Constitutional limit of \$2.50 per \$100 of assessed valuation for all Issuer purposes. No direct funded debt limitation is imposed on the City under current Texas law.

No direct funded debt limitation is imposed on the City under current Texas law. Article XI, Section 5 of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. As stated above, the City operates under a Home Rule Charter which adopts a limit of \$2.50 per \$100 of assessed valuation. The Texas Attorney General has adopted

an administrative policy that generally prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from \$1.50 of the foregoing \$2.50 maximum tax rate calculated at 90% collection. The issuance of the Certificates does not violate this Constitutional provision or the Texas Attorney General's administrative policy.

Before the later of September 30th or the 60th day after the date the certified appraisal roll is received by the taxing unit, the City Council must adopt a tax rate per \$100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

TAX MATTERS

Opinion

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity certificates" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C -- Form of Opinion of Bond Counsel.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Owner may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased an Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue 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 Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for accrual period and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those

described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE RECENTLY ENACTED LEGISLATION OR PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount certificates" to the extent such gain does not exceed the accrued market discount of such certificates; although for this purpose, a de minimis amount of market discount is ignored. A "market discount certificate" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a certificate issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered owner and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances and in respect to investors who are not United States persons, certification as to foreign status, and other matters may be required to be provided by partners and beneficiaries thereof.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City 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 certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The City will provide annually to the MSRB, (i) within six months after the end of each fiscal year of the City ending in or after 2019, financial information and operating data with respect to the City of the general type included in this Official Statement being the information of the type included in Table 1 hereof and Tables 1 through 10 of Appendix A and the financial statements included in Appendix D if audited financial statements are then available, and (ii) if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in Appendix D and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statement is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The City 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, if the City commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the City will provide unaudited financial statements by the required time and will provide audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the 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; (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 trustee or the change of name of a trustee, if material; and (15) incurrence of a financial obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in item (12) of 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. As used above, the term "Business Day" means a day other than a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the city where the designated office of the Paying Agent/Registrar is located (currently, its Dallas, Texas office) are authorized by law or executive order to close.

Availability of Information from MSRB

The Issuer has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of specified events only as described above. The Issuer 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 Issuer 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 Issuer 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 Issuer to comply with its agreement.

The Issuer may amend its 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 Issuer, 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, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Issuer may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

Due to certain information not being available until the audits were completed, the City timely filed the available information pursuant to its continuing disclosure agreements and then refiled once the audit was available.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for 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 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 provisions.

Litigation

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

Future Debt Issuance

Concurrently with the sale of the Certificates, the City is issuing \$19,985,000 General Obligation Bonds, Series 2019. The City does not anticipate issuing any other tax supported debt within the next 12 months.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real 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. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PFI requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Ratings" 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 capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their fair market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

Legal Opinions

Issuance of the Certificates is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Certificates are valid and binding obligations of the Issuer payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the Issuer. Issuance of the Certificates is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Certificates, to the effect that the Certificates are valid and binding obligations of the Issuer payable from the sources and 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. Bond Counsel's legal opinion will also address the matters described herein under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Certificates. In connection with the issuance of the Certificates, Bond Counsel has been engaged by, and only represents, the Issuer. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are based upon a percentage of Certificates actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Certificates.

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.

No-Litigation Certificate

The Issuer will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Certificates, executed by both the Mayor and City Secretary, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Certificates; restraining or enjoining the issuance, execution or delivery of the Certificates; affecting the provisions made for the payment of or security for the Certificates; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Certificates; or affecting the validity of the Certificates.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Certificates, and of the Issuer to deliver the Certificates, are subject to the condition that, up to the time of delivery of and receipt of payment for the Certificates, there shall have been no material adverse change in the condition (financial or otherwise) of the Issuer from that set forth or contemplated in the Official Statement.

Ratings

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA" to the Certificates. The Issuer currently has an S&P underlying rating of "AA" and a rating of "Aa2" by Moody's on its general obligation debt. An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the views of such company at the time the ratings are given, and the Issuer makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the 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 assisted in drafting 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 Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

Winning Bidder

On September 9, 2019, the Certificates were awarded to UMB Bank, N.A. (the "Purchaser" or "Initial Purchaser"). The initial reoffering yields will be supplied to the City by the Purchaser. The initial reoffering yields shown on the final cover page of the Official Statement will produce compensation to the Purchaser of approximately \$38,563.05.

Certification of the Official Statement

The City, acting by and through its City Council in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the City and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the City, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the City has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the City delivers the Certificates

to the Initial Purchaser at closing, unless extended by the Initial Purchaser. All information with respect to the resale of the Certificates subsequent to the "end of the underwriting period" is the responsibility of the Initial Purchaser.

Updating the Official Statement during Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the City learns or is notified by the Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the City will promptly prepare and supply to the Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Purchaser, unless the Purchaser elects to terminate its obligation to purchase the Certificates as described in the notice of sale accompanying this Official Statement. The obligation of the City to update or change the Official Statement will terminate when the City delivers the Certificates to the Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the

Purchaser provides written notice to 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 to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Certificates have been sold to ultimate customers. In the event the Purchaser provides written notice to the City that less than all of the Certificates have been sold to ultimate customers, the Purchaser agrees to notify the City in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

Forward-Looking Statements Disclaimer

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

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

Concluding Statement

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

This Official Statement was approved by the City Council of the Issuer for distribution in accordance with the provisions of the Rule.

CITY OF NEW BRAUNFELS, TEXAS

ATTEST:

/s/ Patrick Aten
City Secretary
City of New Braunfels, Texas

/s/ Barron Casteel
Mayor
City of New Braunfels, Texas

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APPENDIX A
FINANCIAL INFORMATION
CITY OF NEW BRAUNFELS, 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).....	\$ 10,129,254,902
Less Exemptions:	
Local Optional Over-65 or Disabled Exemption	\$ 21,746,482
Veterans' Exemption	172,948,936
Freeport Exemption	27,963
Productivity Value Loss	185,575,723
Abatement Value Loss	-
Low Income Housing	-
Homestead	802,752,063
Historical/Non Req. Exemption Loss	5,017,733
Solar Exemption	223,871
10% Per Year Cap on Res. Homesteads	76,441,191
TOTAL EXEMPTIONS	<u>1,264,733,962</u>
2019 Preliminary Assessed Value of Taxable Property.....	<u>\$ 8,864,520,940</u> *

Source: *Comal and Guadalupe County Appraisal Districts.*

* Includes Freeze Taxable Value of \$939,179,137.

GENERAL OBLIGATION BONDED DEBT

(as of August 1, 2019)

General Obligation Debt Principal Outstanding

Combination Tax and Airport System Revenue Certificates of Obligation, Series 2006A	\$ 440,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011	12,725,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012	14,100,000
General Obligation Refunding Bonds, Series 2013	2,130,000
General Obligation Refunding Bonds, Series 2013A	1,480,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013	15,210,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014A	5,540,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014B (AMT)	2,810,000
General Obligation Bonds, Series 2014	11,365,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015	4,615,000
General Obligation and Refunding Bonds, Series 2015	26,555,000
Tax Notes, Series 2015	565,000
General Obligation and Refunding Bonds, Series 2016	33,860,000
General Obligation Refunding Bonds, Series 2017	5,135,000
General Obligation Bonds, Series 2018	21,435,000
Tax Notes, Series 2018	2,595,000
Combination Tax and Revenue Certificates of Obligation, Series 2018	7,825,000
Tax Notes, Series 2018A	2,300,000
General Obligation Bonds, Series 2019 (the "Bonds")	19,985,000
Combination Tax and Revenue Certificates of Obligation, Series 2019 (the "Certificates")	4,755,000
Total Gross General Obligation Debt	<u>\$ 195,425,000</u>

Less: Self Supporting Debt

Combination Tax and Airport System Revenue Certificates of Obligation, Series 2006A (100% Airport)	\$ 440,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 (40.04% Sales Tax)	5,645,000
General Obligation Refunding Bonds, Series 2013 (100% Sales Tax)	2,130,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013 (8.38% Sales Tax)	1,275,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014B (AMT)(100% Airport)	2,810,000
General Obligation and Refunding Bonds, Series 2015 (13.14% Hotel Occupancy Tax and 1.49% Solid Waste)	3,885,000
General Obligation and Refunding Bonds, Series 2016 (0.56% Solid Waste)	190,000
Combination Tax and Revenue Certificates of Obligation, Series 2018 (100% Sales Tax)	7,825,000
Total Self-Supporting Debt	<u>\$ 24,200,000</u>

Total Net General Obligation Debt Outstanding \$ 171,225,000

2019 Preliminary Net Assessed Valuation	\$ 8,864,520,940
Ratio of Total Gross General Obligation Debt Principal to 2019 Certified Net Taxable Assessed Valuation	2.20%
Ratio of Net General Obligation Debt to 2019 Certified Net Taxable Assessed Valuation	1.93%

Population: 1990 - 27,334; 2000 - 36,494; 2010 - 57,740; est. 2019 - 85,000
Per Capita Certified Net Taxable Assessed Valuation - \$104,288
Per Capita Gross General Obligation Debt Principal - \$2,299
Per Capita Net General Obligation Debt Principal - \$2,014

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE
(As of September 30, 2018)

None

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

(As of August 1, 2019)

FYE (9/30)	Outstanding Debt ^(a)		The Bonds		The Certificates		Less: Self		Total Net Debt Service
	Debt ^(a)	Total	Principal	Interest ⁽¹⁾	Principal	Interest ⁽¹⁾	Supporting Debt ⁽²⁾	Service	
2019	\$ 17,195,511	\$ 1,470,274	\$ 900,000	\$ 570,274	\$ 195,000	\$ 134,346	\$ 2,729,179	\$ 14,466,332	
2020	18,181,198	1,305,938	715,000	590,938	175,000	141,275	3,078,180	16,902,638	
2021	17,714,643	1,308,188	740,000	568,188	180,000	135,950	3,080,121	16,256,734	
2022	17,562,892	1,305,713	760,000	545,713	185,000	130,475	2,974,106	16,212,923	
2023	17,120,836	1,305,513	790,000	515,513	195,000	124,775	2,990,906	15,751,117	
2024	16,574,877	1,309,888	835,000	474,888	200,000	119,850	2,513,631	15,686,533	
2025	17,099,263	1,307,138	875,000	432,138	205,000	114,775	2,522,488	16,206,513	
2026	15,028,908	1,307,263	920,000	387,263	210,000	107,500	2,522,406	14,133,414	
2027	13,929,716	1,310,013	970,000	340,013	220,000	98,900	1,916,941	13,637,537	
2028	13,252,962	1,305,688	1,005,000	300,688	225,000	90,000	1,922,453	12,959,422	
2029	12,261,219	1,310,263	1,035,000	275,263	235,000	80,800	1,844,675	12,037,232	
2030	11,700,010	1,309,363	1,055,000	254,363	245,000	71,200	1,844,384	11,477,366	
2031	11,696,319	1,308,063	1,075,000	233,063	255,000	61,200	1,845,819	10,132,281	
2032	10,353,838	1,306,363	1,095,000	211,363	265,000	50,800	1,278,556	9,277,631	
2033	8,934,025	1,308,538	1,125,000	183,538	275,000	41,375	1,152,788	7,949,594	
2034	7,477,469	1,308,669	1,155,000	153,669	285,000	33,688	896,225	6,434,988	
2035	5,703,856	1,306,663	1,180,000	126,663	290,000	26,500	890,925	4,997,228	
2036	4,264,991	1,309,350	1,215,000	94,425	300,000	19,125	894,484	3,095,338	
2037	2,361,272	1,307,450	1,250,000	57,450	305,000	11,560	891,800	3,088,075	
2038	2,355,866	1,309,350	1,290,000	19,350	310,000	3,875	313,875	1,309,350	
2039	-	6,334,755	19,985,000	6,334,755	4,755,000	1,597,968	39,952,649	233,489,744	
Total	\$ 240,769,670	\$ 26,319,755	\$ 19,985,000	\$ 6,334,755	\$ 4,755,000	\$ 1,597,968	\$ 6,352,968	\$ 273,442,393	

^(a) Includes self-supporting debt.

⁽¹⁾ Interest calculated at an assumed rate for purposes of illustration.

⁽²⁾ See TABLE 1 - General Obligation Bonded Debt for a detail of the City's self-supported debt outstanding.

TAX ADEQUACY (Includes Self-Supporting Debt)

2019 Preliminary Freeze Adjusted Net Taxable Assessed Valuation	\$	7,925,341,803
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2020)	\$	19,980,818
Indicated Required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service Requirements	\$	0.2573

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 Freeze Adjusted Net Taxable Assessed Valuation	\$	7,925,341,803
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2020)	\$	16,902,638
Indicated Required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service Requirements	\$	0.2176

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

INTEREST AND SINKING FUND MANAGEMENT INDEX

Audited Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2018	\$ 1,876,372
2018 Interest and Sinking Fund Tax Levy at 98% Collections Produce	14,525,068
Plus: Other City Funds	<u>2,729,179</u>
Total Available for General Fund Debt	\$ 19,130,619
Less: General Obligation Debt Service Requirements, Fiscal Year Ended September 30, 2018	<u>17,195,511</u>
Estimated Surplus at Fiscal Year Ending September 30, 2019	<u>\$ 1,935,108</u>

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(As of August 1, 2019)

Fiscal Year Ending 9-30	Principal Repayment Schedule				Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding ^(a)	The Bonds	The Certificates	Total		
2019	\$ 530,000			\$ 530,000	\$ 194,895,000	0.27%
2020	11,535,000	\$ 900,000	\$ 195,000	12,630,000	182,265,000	6.73%
2021	11,470,000	715,000	175,000	12,360,000	169,905,000	13.06%
2022	11,720,000	740,000	180,000	12,640,000	157,265,000	19.53%
2023	11,760,000	760,000	185,000	12,705,000	144,560,000	26.03%
2024	11,710,000	790,000	195,000	12,695,000	131,865,000	32.52%
2025	12,760,000	835,000	200,000	13,795,000	118,070,000	39.58%
2026	11,225,000	875,000	205,000	12,305,000	105,765,000	45.88%
2027	10,590,000	920,000	210,000	11,720,000	94,045,000	51.88%
2028	10,340,000	970,000	220,000	11,530,000	82,515,000	57.78%
2029	9,755,000	1,005,000	225,000	10,985,000	71,530,000	63.40%
2030	9,585,000	1,035,000	235,000	10,855,000	60,675,000	68.95%
2031	9,990,000	1,055,000	245,000	11,290,000	49,385,000	74.73%
2032	9,040,000	1,075,000	255,000	10,370,000	39,015,000	80.04%
2033	7,970,000	1,095,000	265,000	9,330,000	29,685,000	84.81%
2034	6,825,000	1,125,000	275,000	8,225,000	21,460,000	89.02%
2035	5,295,000	1,155,000	285,000	6,735,000	14,725,000	92.47%
2036	4,030,000	1,180,000	290,000	5,500,000	9,225,000	95.28%
2037	2,240,000	1,215,000	300,000	3,755,000	5,470,000	97.20%
2038	2,315,000	1,250,000	305,000	3,870,000	1,600,000	99.18%
2039	-	1,290,000	310,000	1,600,000	-	100.00%
Total	<u>\$ 170,685,000</u>	<u>\$ 19,985,000</u>	<u>\$ 4,755,000</u>	<u>\$ 195,425,000</u>		

^(a) Includes self-supporting debt. See TABLE 1 - General Obligation Bonded Debt for a detail of the City's self-supported debt outstanding.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2010-2019

TABLE 3

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2010-11	\$ 3,939,547,264	---	---
2011-12	3,941,733,272	2,186,008	0.06%
2012-13	4,178,203,307	236,470,035	6.00%
2013-14	4,452,304,694	274,101,387	6.56%
2014-15	5,003,834,374	551,529,680	12.39%
2015-16	5,655,196,350	651,361,976	13.02%
2016-17	6,174,720,505	519,524,155	9.19%
2017-18	6,898,322,770	723,602,265	11.72%
2018-19	7,621,384,608	723,061,838	10.48%
2019-20	8,864,408,480	1,243,023,872	16.31%

Source: Comal and Guadalupe Central Appraisal Districts.

PRINCIPAL TAXPAYERS 2018

TABLE 4

Name	Type of Business/Property	2018 Net Taxable Assessed Valuation	% of Total 2018 Assessed Valuation
Central Texas Corridor Hospital Co LLC	Healthcare	\$ 95,304,080	1.25%
A L 95 Creekside Town Center LP	Commercial Development	85,858,963	1.13%
Rush Enterprises	Truck Leasing	61,257,910	0.80%
Kahlig Enterprises Inc	Used Car Dealership	55,737,900	0.73%
PAC Creekside LLC	Apartments	42,543,900	0.56%
HEB Grocery Co LP	Grocery Chain	39,214,040	0.51%
CGT, US Limited	Manufacturier	34,924,760	0.46%
Continental 306 Fund LLC	Financial Services	30,500,000	0.40%
T4V3 LLC	Commercial Development	28,800,000	0.38%
Grey Forest Development LLC	Apartments	28,560,080	0.37%
		<u>\$ 502,701,633</u>	<u>5.84%</u>

Source: Comal and Guadalupe Central Appraisal Districts.

MUNICIPAL SALES TAX COLLECTIONS

TABLE 5

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 sales tax. The Issuer has an additional 3/8 of 1 cent sales tax for the benefit of the Issuer's 4B Economic Development Corporation. Collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2010	\$ 18,418,526	114.07%	\$ 0.468
2011	19,841,714	112.27%	0.503
2012	20,012,421	102.49%	0.479
2013	24,727,799	111.47%	0.555
2014	26,959,588	108.14%	0.539
2015	27,087,906	96.14%	0.479
2016	28,850,406	93.78%	0.467
2017	30,144,639	89.51%	0.437
2018	31,814,187	85.50%	0.417
2019	21,250,048	(Collections as of August 1, 2019)	

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

CLASSIFICATION OF ASSESSED VALUATION

TABLE 6

	2019*	% of Total	2018	% of Total	2017	% of Total
Real, Residential, Single-Family	\$ 6,187,214,615	61.08%	\$ 5,337,691,100	52.70%	\$ 4,945,189,747	56.43%
Real, Residential, Multi-Family	838,947,728	8.28%	647,164,935	6.39%	528,736,823	6.03%
Real, Vacant Lots/Tracts	262,509,709	2.59%	161,681,436	1.60%	202,477,863	2.31%
Real, Acreage (Land Only)	186,837,204	1.84%	186,088,107	1.84%	169,386,461	1.93%
Real, Farm and Ranch Improvements	72,698,145	0.72%	62,912,334	0.62%	56,957,489	0.65%
Real, Commercial	1,829,221,040	18.06%	1,557,849,886	15.38%	1,280,727,340	14.61%
Real, Industrial	80,268,470	0.79%	70,645,791	0.70%	165,458,259	1.89%
Real & Tangible, Personal Utilities	31,935,367	0.32%	31,933,717	0.32%	31,110,782	0.36%
Tangible Personal, Commercial	454,512,145	4.49%	485,620,705	4.79%	390,093,570	4.45%
Tangible Personal, Industrial	79,332,462	0.78%	79,351,112	0.78%	81,060,537	0.92%
Tangible Personal, Mobile Homes	23,496,704	0.23%	21,179,373	0.21%	21,044,961	0.24%
Residential Inventory	28,087,436	0.28%	84,928,590	0.84%	64,090,035	0.73%
Special Inventory	54,193,877	0.54%	36,546,831	0.36%	49,105,195	0.56%
Total Appraised Value	\$10,129,254,902	100.00%	\$ 8,763,593,917	86.52%	\$ 7,985,439,062	91.12%
Less:						
Local Optional Over-65 or Disabled Exemption	\$ 21,746,482		\$ 21,530,706		\$ 20,474,304	
Veterans' Exemption	172,948,936		141,442,018		82,103,658	
Freeport Exemption	27,963		17,247,768		16,590,003	
Productivity Value Loss	185,575,723		184,901,634		168,546,615	
Abatement Value Loss	-		-		7,743,295	
Low Income Housing	-		-		31,117,621	
Homestead	802,752,063		740,361,545		695,502,149	
Historical/Non Req. Exemption Loss	5,017,733		8,402,118		-	
Solar Exemption	223,871		232,937		232,316	
Pollution Control	112,460		-		-	
10% Per Year Cap on Res. Homesteads	76,441,191		28,090,583		64,806,331	
Net Taxable Assessed Valuation	\$ 8,864,408,480		\$ 7,621,384,608		\$ 6,898,322,770	

Source: Comal and Guadalupe County Appraisal Districts.

* Reflects preliminary values provided by the Comal and Guadalupe Central Appraisal Districts.

TAX DATA

TABLE 7

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2009	\$ 3,948,442,712	\$ 0.409862	\$ 16,183,166	98.06	99.00	9/30/2010
2010	3,939,547,264	0.409862	16,146,707	98.57	101.10	9/30/2011
2011	3,941,733,272	0.448362	17,673,234	98.22	100.10	9/30/2012
2012	4,178,203,307	0.467344	19,526,582	99.92	101.70	9/30/2013
2013	4,452,304,694	0.498230	22,182,718	98.64	99.50	9/30/2014
2014	5,003,834,374	0.498230	24,930,604	99.12	100.30	9/30/2015
2015	5,655,196,350	0.498230	28,175,885	99.13	100.10	9/30/2016
2016	6,174,720,505	0.498230	30,764,310	98.87	101.14	9/30/2017
2017	6,898,322,770	0.488220	33,678,991	99.12	100.88	9/30/2018
2018	7,621,384,608	0.488220	37,209,124	98.24	98.93	9/30/2019
2019	8,864,408,480					9/30/2020

* Collections as of June 30, 2019.

TAX RATE DISTRIBUTION

TABLE 8

	2018	2017	2016	2015	2014
General Fund	\$ 0.278370	\$ 0.288370	\$ 0.278079	\$ 0.278079	\$ 0.278079
I & S Fund	0.209850	0.199850	0.220151	0.220151	0.220151
Total Tax Rate	\$ 0.488220	\$ 0.488220	\$ 0.498230	\$ 0.498230	\$ 0.498230

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Comal and Guadalupe County Appraisal Districts, the Issuer's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2017, and information supplied by the Issuer.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2018 Assessed Valuation	% of Actual	2018 Tax Rate
Comal County	\$ 17,295,201,077	100%	\$ 0.295000
Comal Independent School District	14,130,188,344	100%	1.390000
Guadalupe County	13,262,245,367	100%	0.331000
Navarro Independent School District	1,024,806,717	100%	1.350000
New Braunfels Independent School District	5,366,619,352	100%	1.366000

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

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Purpose	Authorization	Issued to Date*	Unissued
City of New Braunfels	5/11/2013	Streets and Sidewalks	\$ 37,500,000	\$ 37,500,000	\$ -
	5/11/2013	Flood and Drainage	24,500,000	21,955,225	2,544,775
	5/11/2013	Park Improvements	20,000,000	20,000,000	-
	5/11/2013	Municipal Facilities	4,000,000	4,000,000	-
			<u>\$ 86,000,000</u>	<u>\$ 83,455,225</u>	<u>\$ 2,544,775</u>
	5/4/2019	Streets and Roads	\$ 44,512,490	\$ 3,594,775	\$ 40,917,715
	5/5/2019	Parks and Rec	16,547,420	4,805,000	11,742,420
	5/6/2019	Public Safety	50,414,750	9,585,000	40,829,750
	5/7/2019	Library	5,525,340	500,000	5,025,340
			<u>\$ 117,000,000</u>	<u>\$ 18,484,775</u>	<u>\$ 98,515,225</u>
Comal County	None				
Comal Independent School District	None				
Guadalupe County	None				
Navarro Independent School District	None				
New Braunfels Independent School District	11/6/2018	School Building	\$ 118,341,000	\$ 46,450,000	\$ 71,891,000

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

* Includes the issuance of the Bonds.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

TABLE 9

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

	Fiscal Year Ended				
	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Fund Balance - Beginning of Year	\$ 19,067,598	\$ 18,611,703	\$ 20,996,452	\$ 22,619,456	\$ 19,851,597
Revenues	\$ 64,552,994	\$ 59,233,189	\$ 55,246,993	\$ 49,799,765	\$ 46,993,203
Expenditures	63,251,385	59,342,221	56,307,548	51,630,558	45,335,719
Excess (Deficit) of Revenues Over Expenditures	\$ 1,301,609	\$ (109,032)	\$ (1,060,555)	\$ (1,830,793)	\$ 1,657,484
Other Financing Sources (Uses):					
Operating Transfers In	\$ 875,087	\$ 823,729	\$ 764,259	\$ 1,290,127	\$ 784,064
Operating Transfers Out	(320,308)	(715,372)	(2,019,176)	(1,101,138)	(424,994)
Proceeds from the Sale of Capital Assets	6,000	81,635	23,209	18,800	78,243
Proceeds from Loan Payable	-	374,935	(92,486)	-	673,062
Total Other Financing Sources (Uses):	\$ 560,779	\$ 564,927	\$ (1,324,194)	\$ 207,789	\$ 1,110,375
Fund Balance - End of Year	\$ 20,929,986	\$ 19,067,598	\$ 18,611,703	\$ 20,996,452	\$ 22,619,456

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

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's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.org.

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 over of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	<u>2018</u>	<u>2017</u>
Employee Deposit Rate	7%	7%
Matching Ratio (City to Employee):	2 to 1	2 to 1
Years required for vesting	5 years	5 years
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity service credit	70% of CPI	70% of CPI

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	246
Inactive employees entitles to but not yet receiving benefits	278
Active employees	587
	<u>1,111</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% of the employee rate, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.22% and 17.11% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$6,439,837, and were equal to the required contributions.

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

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.

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. In addition, a three percent 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 three percent floor.

Actuarial assumptions were developed primarily for the actuarial investigation of the experience of TMRS over the four-year period December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality rates and annuity purchase rate are based on the Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with the emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary 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 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

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

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 period of projected benefit payments to determine the Total Pension Liability.

	Increase (Decrease)		Net Pension Liability (a) - (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Changes for the year:			
Service Cost	6,602,665	-	\$ 6,602,665
Interest	9,783,894	-	9,783,894
Change in current period benefits	-	-	-
Difference between expected and actual experience	1,216,121	-	1,216,121
Changes in assumptions	-	-	-
Contributions - employer	-	6,162,902	(6,162,902)
Contributions - employee	-	2,546,656	(2,546,656)
Net investment income	-	14,955,206	(14,955,206)
Benefit payments, including refunds of employee contributions	(4,868,903)	(4,868,903)	-
Administrative expense	-	(77,461)	77,461
Other changes	-	(3,925)	3,925
Net changes	12,733,777	18,714,475	(5,980,698)
Balance at 12/31/2016	144,079,694	\$ 107,845,047	\$ 36,234,647
Balance at 12/31/2017	\$ 156,813,471	\$ 126,559,522	\$ 30,253,949

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

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

	1% Decrease in Discount Rate (5.75%)	Current Singe Rate Assumption (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 55,379,956	\$ 30,253,949	\$ 9,922,530

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.tmr.com.

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

For the year ended September 30, 2018, the City recognized pension expense of \$6,811,066.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,787,457	\$ 360,318
Changes in Actuarial Assumptions	-	213,341
Difference Between Projected and Actual Investment Earnings	-	3,351,851
Contributions Subsequent to the Measurement Date	4,992,018	-
Total	\$ 6,779,475	\$ 3,925,510

\$4,992,018 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended December 31:	Net Deferred Outflows (Inflows)
2019	\$ 169,316
2020	(51,642)
2021	(1,197,706)
2022	(1,194,105)
2023	136,084
Thereafter	-
Total	\$ (2,138,053)

Supplemental Death Benefits Fund

The City also participates in an OPEB plan administered by the Texas Municipal Retirement System (TMRS). TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is voluntary program in which participating member cities may elect, 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 member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 GASB 75. As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The City contributes to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

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

Benefits

The death benefits for active employees provides a lump-sum payment approximately equal to the employees annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death) The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2017 is summarized below

Inactive employees or beneficiaries currently receiving benefits	212
Inactive employees entitled to, but not yet receiving, benefits	88
Active employees	587
	887

Total OPEB Liability

The City's total OPEB liability of \$1,484,805 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The Total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.31%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates-service retirees	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates-disabled retirees	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to 3% floor.

*The discount rate is based on the Fidelity Index's "20 Year Municipal GO AA Index" rate as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service Cost	\$ 58,109
Interest	48,695
Changes of assumptions	124,268
Benefit payments*	<u>(10,895)</u>
Net changes	220,177
Beginning Balance	1,264,628
Ending Balance	<u>\$ 1,484,805</u>

*Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB Liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's Total OPEB Liability	\$ 1,809,402	\$ 1,484,805	\$ 1,237,080

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 106,179	\$ -
Contributions subsequent to the measurement date	8,898	-
	<u>\$ 115,078</u>	<u>\$ -</u>

\$8,898 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability for the fiscal year ending September 30, 2019.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	OPEB Expense Amount
September 30	
2019	\$ 18,089
2020	18,089
2021	18,089
2022	18,089
2023	18,089
Thereafter	15,734
	<u>\$ 106,179</u>

APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF NEW BRAUNFELS, TEXAS AND
COMAL AND GUADALUPE COUNTIES, TEXAS**

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GENERAL INFORMATION REGARDING THE CITY OF NEW BRAUNFELS, COMAL AND GUADALUPE COUNTIES, TEXAS

General Information

The City of New Braunfels, Texas (the "City") is a political subdivision of the State of Texas located on Interstate Highway 35, 33 miles northeast of San Antonio. The City operates as a home rule municipality under the laws of the State of Texas. The City's 2010 population was 57,740, and the 2015 population is 66,394. The City's 2019 estimated population is 85,000. The City serves as the county seat of Comal County. A portion of the City also lies within Guadalupe County. Tourists can enjoy local dining, shopping, recreational activities at Landa Park, river activities on Canyon Lake and Schlitterbahn Water Park, and the annual "Wurstfest" celebration.

A new Civic/Convention Center located in downtown New Braunfels has expanded the meetings market providing large and small organizations with a high tech, attractive facility.

Transportation

The City is primarily served by Interstate Highway 35 and State Highway 46. Railroads include the Union Pacific and Missouri Kansas and Texas Lines. The City's airport facility encompasses 1,000 acres and has 3 runways (5,350' x 150'), 4 taxiways (50'W), and a parking ramp (300' x 2,700'). The airport runways are all asphalt with threshold lights and full runway lights. Jet fuel, aviation gas, and car rentals are available during office hours and by appointment at other times. The airport, located approximately 5 miles from the City, is reported to have an average of 71 flights per day. Many large corporations use New Braunfels Airport for corporate flights, including Mission Valley Texas Textiles and Tyson Foods of Seguin. Greyhound/Trailways Bus Lines serve the City as well as several motor freight lines.

Education

Two school districts (Comal Independent School District and New Braunfels Independent School District) enroll more than 33,000 students in 40 schools (K-12). Both school districts are recognized academically acceptable. Less than 15 miles away are three top rated colleges and technical schools: Texas Lutheran, Texas State University and Central Texas Technology Center. Ten more colleges and universities are within a 30 minute commute time.

Economy

The Comal River receives approximately 3.2 million visitors a year. A 2013 economic impact analysis found that the tourism industry accounted for approximately \$531.5 million in 2013 - an increase of 13 percent from 2009. In 2013, the hospitality industry employed 5,662 direct workers and supported another 1,659 indirect workers in spinoff jobs in the community. The tourism and accommodation industry does not, however, provide a majority of the jobs in New Braunfels. Exclusive of government, the City's three largest industries in the value of goods and services provided are manufacturing, health care and social assistance, and retail trade. The governmental (school district, local, state, and federal), retail trade, health care and social assistance, accommodation and food services, and finance and insurance industries, respectively, provide the greatest number of jobs in the community.

Recreation

There are twenty-six parks totaling over 500 acres for outdoor recreation that include nature trails, playgrounds, picnic areas, Olympic and spring-fed pools, recreation center, historical area, soccer and softball fields, "tube" chute, concessions, volleyball, basketball and tennis courts. Nearby Canyon Lake (16 miles), Lake Dunlap and Lake McQueeney (5 miles east) and two rivers (Comal and Guadalupe) make boating, scuba-diving, camping, dining, tubing, rafting, kayaking, swimming, fishing available. The #1 rated waterpark - Schlitterbahn - boasts over 65-acres of water recreation.

Located in the heart of the City are Comal Springs and Landa park, a 300-acre park which includes an 18-golf course, tennis course, large picnic and playground areas, an Olympic-size swimming pool, and the largest spring-fed swimming pool in Texas. The Sundance executive golf course opened in 1995.

Natural Bridge-Caverns, the state's largest caverns, and Natural Bridge Wildlife Park are major tourist attractions located in the southern part of Comal County. Scenic drives and historic sites attract many tourists to the area. Canoeing, tubing, rafting, kayaking, and other white water sports on the Guadalupe and Comal Rivers are popular. Gruene hall, the oldest dancehall in Texas, is also located in the Greater New Braunfels area and attracts many visitors.

Canyon Lake, located twenty miles from the City, is a popular water-resort area for sailing, boating, fishing, water skiing, and scuba diving. Several parks have been established around the Lake.

Annual festivals include: the Comal County Fair and "Wurstfest". The annual "Wurstfest" is a 10-day event begins on the Friday before the first Monday in November. Average annual attendance is estimated to be 110,000 with revenues from admissions and concessions in excess of \$1,000,000.

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 six other cities within Comal County, the City of Garden Ridge, the City of Schertz, the City of Selma, the City of Fair Oaks Ranch and the City of Bulverde.

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

<u>Employer</u>	<u>Number of Employees</u>
Comal ISD	2,895
Schlitterbahn Water Park	2,100
Wal-Mart Distribution Center	1,250
New Braunfels ISD	1,188
City of New Braunfels	812
Sysco	810
Hunter Industries/Colorado Materials, Inc.	730
Comal County	681
HD Supply	538
Rush Enterprises	518

Labor Force Statistics ⁽¹⁾

	2019 ⁽²⁾	2018 ⁽³⁾	2017 ⁽³⁾	2016 ⁽³⁾	2015 ⁽³⁾
Civilian Labor Force	70,662	70,132	66,826	65,377	61,841
Total Employed	66,471	67,378	64,580	63,013	59,574
Total Unemployed	2,191	2,254	2,246	2,364	2,267
%Unemployed	3.1%	3.2%	3.4%	3.6%	3.7%
% Unemployed (Texas)	3.4%	3.9%	4.3%	4.6%	4.4%
% Unemployed (United States)	3.8%	3.9%	4.4%	4.9%	5.3%

(1) Source: Texas Workforce Commission.

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

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

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

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

Labor Force Statistics ⁽¹⁾

	2019 ⁽²⁾	2018 ⁽³⁾	2017 ⁽³⁾	2016 ⁽³⁾	2015 ⁽³⁾
Civilian Labor Force	80,585	79,824	77,510	75,830	72,882
Total Employed	78,139	77,327	74,946	73,109	70,313
Total Unemployed	2,446	2,497	2,564	2,721	2,569
%Unemployed	3.0%	3.1%	3.3%	3.6%	3.5%
% Unemployed (Texas)	3.4%	3.9%	4.3%	4.6%	4.4%
% Unemployed (United States)	3.8%	3.9%	4.4%	4.9%	5.3%

(1) Source: Texas Workforce Commission.

(2) As of June 2019.

(3) Average Annual Statistics.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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*[An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Certificates, assuming no material changes in facts or law.]*

**CITY OF NEW BRAUNFELS, TEXAS, COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$4,755,000**

AS BOND COUNSEL FOR THE CITY OF NEW BRAUNFELS, TEXAS (the "City") of the certificates of obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the date specified in the text of the Certificates, until maturity or redemption, at the rates and payable on the date specified in the text of the Certificates and in the ordinance of the City adopted on September 9, 2019 authorizing the issuance of the Certificates (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and certified copies of the pertinent proceedings of the City, and other pertinent documents authorizing and relating to the issuance of the Certificates, including one of the executed Certificates (Certificate Number R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Certificates have been duly authorized, issued and delivered in accordance with law; and that said Certificates, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, on all taxable property within the City and the Certificates are additionally secured by and payable from a limited pledge of surplus revenue of the City's solid waste system all as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the Issuer with certain



covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

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 (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or 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 City, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any



responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of the City and the assessed valuation of taxable property within the City and the sufficiency of the revenues pledged by the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council of the
City of New Braunfels, Texas:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of New Braunfels Utilities, a discretely presented component unit, which financial statements reflect total assets of \$622,016,353 and total revenues of \$169,588,778 for the fiscal year. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for New Braunfels Utilities is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

Change in Accounting Principle

In 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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, schedule of changes in net pension liability and total OPEB liabilities and related ratios, schedule of contributions, and schedule of funding progress, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on 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's basic financial statements. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the financial statements

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 22, 2019

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF NEW BRAUNFELS, TEXAS

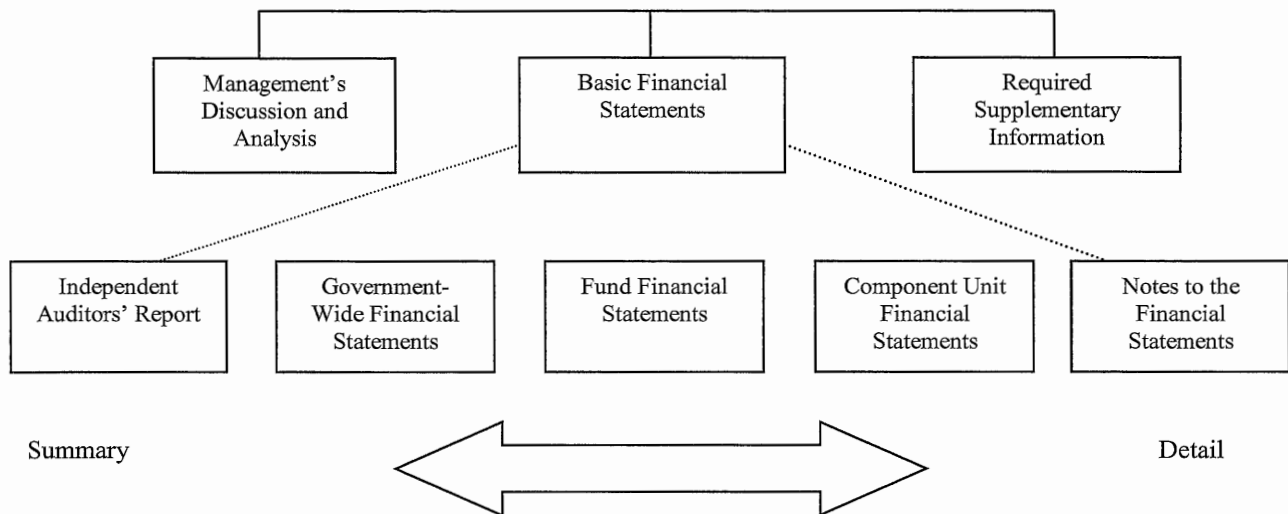
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2018

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of New Braunfels, Texas (the "City") for the year ending September 30, 2018. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF NEW BRAUNFELS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's tax-supported services are reported here including police and fire protection (public safety), streets and drainage (public works), public improvements, parks and recreation, planning and development, and general administrative services (general government). Interest payments on the City's tax-supported debt are also reported here. Property tax, sales tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's airport, solid waste, golf course, and civic/convention center services, as well as interest payments on debt issued for equipment financing.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation and a legally separate utilities entity for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Tax Increment Reinvestment Zone No. 1 (TIRZ) and the New Braunfels Development Authority (NBDA), although legally separate, function for all practical purposes as departments of the City and have been included as an integral part of the primary government.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

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

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

CITY OF NEW BRAUNFELS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

The City maintains 39 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, hotel/motel tax, debt service, and general obligation funds, which are considered to be major funds for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, and select special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its airport, solid waste, golf course, and civic/convention center services. The proprietary fund financial statements provide separate information for the airport, solid waste, golf course, and civic/convention center operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses an internal service fund to account for its self-funded health plan. This internal service fund has been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general and hotel/motel tax funds, a schedule of changes in net pension liability and related ratios for the Texas Municipal Retirement System (TMRS), a schedule of changes in total OPEB liability and related ratios for the TMRS Supplemental Death Benefit Fund (SBDF), schedule of changes in total OPEB liability and related ratios for the Retiree Health Benefits plan, schedule of contributions for TMRS, and schedule of funding progress for post employment healthcare benefits. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$32,943,640 as of September 30, 2018 for the primary government. This compares with \$40,387,811 from the prior fiscal year. The largest portion of the City's net position, \$26,116,434, reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF NEW BRAUNFELS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 95,966,324	\$ 85,349,560	\$ 5,019,478	\$ 3,742,645	\$ 100,985,802	\$ 89,092,205
Capital assets, net	163,917,703	163,479,656	29,514,887	31,206,074	193,432,590	194,685,730
Total Assets	259,884,027	248,829,216	34,534,365	34,948,719	294,418,392	283,777,935
Deferred charge on refunding	1,944,755	2,114,149	-	-	1,944,755	2,114,149
Deferred outflows - pensions	6,160,760	9,083,955	618,715	930,328	6,779,475	10,014,283
Deferred outflows - OPEB	277,074	7,579	27,750	759	304,824	8,338
Total Deferred Outflows of Resources	8,382,589	11,205,683	646,465	931,087	9,029,054	12,136,770
Long-term liabilities	250,785,073	238,817,670	4,205,946	4,784,794	254,991,019	243,602,464
Other liabilities	10,997,911	10,499,128	589,366	609,804	11,587,277	11,108,932
Total Liabilities	261,782,984	249,316,798	4,795,312	5,394,598	266,578,296	254,711,396
Deferred inflows - pensions	3,580,300	736,840	345,210	78,658	3,925,510	815,498
Total Deferred Inflows of Resources	3,580,300	736,840	345,210	78,658	3,925,510	815,498
Net Position:						
Net investment in capital assets	(3,398,453)	5,470,679	29,514,887	31,024,485	26,116,434	36,495,164
Restricted	24,333,055	21,268,918	-	-	24,333,055	21,268,918
Unrestricted	(18,031,270)	(16,758,336)	525,421	(617,935)	(17,505,849)	(17,376,271)
Total Net Position	\$ 2,903,332	\$ 9,981,261	\$ 30,040,308	\$ 30,406,550	\$ 32,943,640	\$ 40,387,811

A portion of the primary government's net position, \$24,333,055, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$17,505,849.

The City's total net position decreased by \$7,444,171 during the current fiscal year. This included a decrease of \$7,077,929 in the governmental activities, which primarily was a result of the implementation of GASB 75. Business-type activities net position decreased by \$366,242, which was primarily a result of decreased capital grants and contributions revenue offset by increases in charges for services.

CITY OF NEW BRAUNFELS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

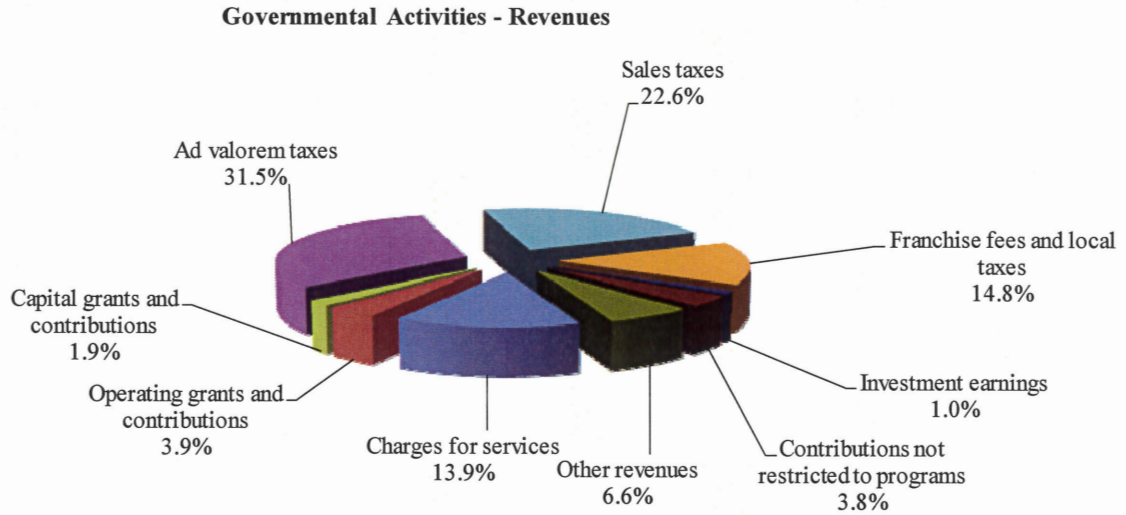
Statement of Activities:

The following table provides a summary of the City's changes in net position:

	Governmental		Business-Type		Total	
	Activities		Activities		Primary	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 13,562,179	\$ 13,152,170	\$ 14,765,116	\$ 12,948,685	\$ 28,327,295	\$ 26,100,855
Operating grants and contributions	3,819,394	1,758,775	-	396,551	3,819,394	2,155,326
Capital grants and contributions	1,831,361	3,459,563	-	-	1,831,361	3,459,563
General revenues:						
Ad valorem taxes	30,659,021	30,499,340	-	-	30,659,021	30,499,340
Sales taxes	21,995,983	21,007,931	-	-	21,995,983	21,007,931
Franchise fees and local taxes	14,403,633	14,099,076	-	-	14,403,633	14,099,076
Investment earnings	965,747	471,299	39,056	17,184	1,004,803	488,483
Contributions not restricted to programs	3,682,713	4,569,922	-	-	3,682,713	4,569,922
Other revenues	6,422,897	3,948,192	1,238,709	320,282	7,661,606	4,268,474
Total Revenues	97,342,928	92,966,268	16,042,881	13,682,702	113,385,809	106,648,970
Expenses						
General government	13,085,159	11,764,095	-	-	13,085,159	11,764,095
Finance and tax	1,574,140	1,268,615	-	-	1,574,140	1,268,615
Planning and environmental development	4,873,594	4,526,748	-	-	4,873,594	4,526,748
Public safety	57,457,403	43,327,850	-	-	57,457,403	43,327,850
Public works	11,911,806	11,857,970	-	-	11,911,806	11,857,970
Parks and recreation	8,018,087	6,356,643	-	-	8,018,087	6,356,643
Civic/convention center	-	-	962,954	979,636	962,954	979,636
Library	3,091,327	2,664,469	-	-	3,091,327	2,664,469
Interest and fiscal agent fees	6,553,237	5,752,596	-	-	6,553,237	5,752,596
Airport	8,512	15,252	3,499,564	3,219,773	3,508,076	3,235,025
Solid waste	-	-	7,896,622	7,720,622	7,896,622	7,720,622
Golf course	-	-	1,897,574	1,838,105	1,897,574	1,838,105
Total Expenses	106,573,266	87,534,238	14,256,714	13,758,136	120,829,980	101,292,374
Increase (Decrease) in Net Position Before Transfers	(9,230,338)	5,432,030	1,786,167	(75,434)	(7,444,171)	5,356,596
Transfers	2,152,409	2,904,979	(2,152,409)	(2,904,979)	-	-
Change in Net Position	(7,077,929)	8,337,009	(366,242)	(2,980,413)	(7,444,171)	5,356,596
Beginning net position	9,981,261	1,644,252	30,406,550	33,386,963	40,387,811	35,031,215
Ending Net Position	\$ 2,903,332	\$ 9,981,261	\$ 30,040,308	\$ 30,406,550	\$ 32,943,640	\$ 40,387,811

CITY OF NEW BRAUNFELS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

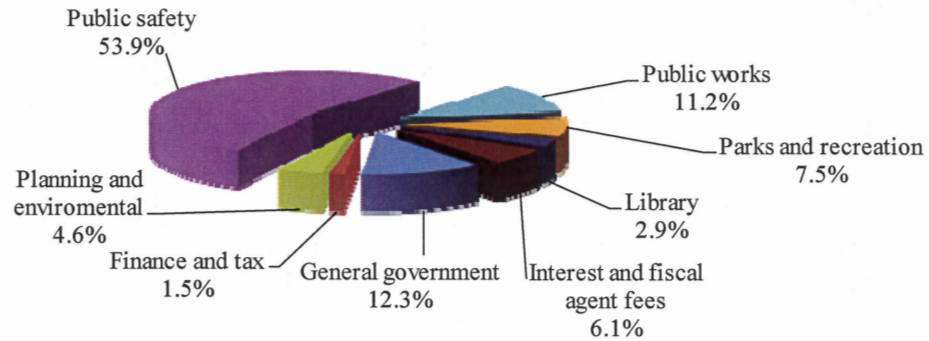


For the year ended September 30, 2018, revenues from governmental activities totaled \$97,342,928. This \$4,376,660 increase from prior year occurred primarily as the result of \$2,474,705 in additional other revenue, \$2,060,619 in additional operating grants & contributions, \$988,052 in additional sales tax revenue and \$159,681 in additional property tax revenue.

Sales tax revenue increased as a result of a boost in sales throughout the City. Property tax revenue increased due to the rise in property valuations.

CITY OF NEW BRAUNFELS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

Governmental Activities - Expenses



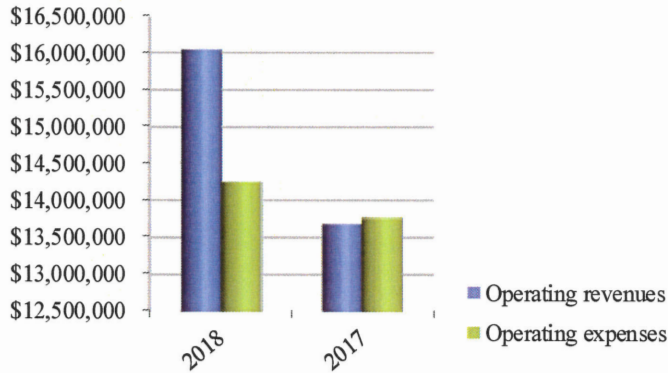
Governmental expenses increased by \$19,039,028, or 22%. This increase is primarily due to increases in expenses related to public safety, general government, and parks and recreation of \$14,129,553, \$1,321,064, and \$1,661,444, respectively.

The increase in public safety expenses can be partially attributed to increases in wages due to more officers and public safety officials, as well as an increase in expenses related to the City's pension and other postemployment benefits (OPEB) plans. The increase in general government is primarily related to increases in personnel costs as well as an increase in expenses related to the City's pension and OPEB plans. Parks and recreation expenses increased primarily due to increase in number of, and activity in, ongoing projects in the City.

CITY OF NEW BRAUNFELS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

Business-type activities are shown comparing operating costs to revenue generated by related services.

Business-Type Activities - Revenues and Expenses



Overall, business-type activity revenues increased by \$2,360,179 from the prior period, primarily due to an increase in charges for services of \$1,816,431, mostly attributed to increase in customers and usage of City facilities.

Business-type activity expenses increased by \$498,578, with increases reflected in Airport, Solid Waste and Golf Course, offset by a decrease in Civic/Convention Center expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$84,581,738. Of this, \$169,717 is nonspendable, \$56,071,011 is restricted for various purposes, \$7,413,139 is committed, \$551,352 is assigned, and \$20,376,519 is unassigned.

There was a increase in the combined fund balance of \$9,633,304 over the prior year. This is largely attributable to two debt issuances during the year.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$20,376,519, while total fund balance reached \$20,929,035. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32 percent of total general fund expenditures, while total fund balance represents 33 percent of that same amount.

It is important to note that this fund balance includes all of the fund balance in the general fund and equipment replacement sub-fund. The equipment replacement sub-fund contributes \$551,352 to this stated fund balance.

CITY OF NEW BRAUNFELS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

It is important to note that this fund balance includes all of the fund balance in the general fund and equipment replacement sub-fund. The equipment replacement sub-fund contributes \$551,352 to this stated fund balance. This fund allows the City to account for equipment replacement and improvements in a separate sub fund and not include these activities in the primary general operating fund

The hotel/motel tax fund experienced a decrease of \$927,498, which was a result of the net effect of an increase in overall one-time expenditures.

Fund balance in the debt service fund experienced a slight decrease of \$816.

The fund balance in the general obligation capital projects fund had a increase in fund balance of \$11,133,887, which was primarily a result of two issuances of debt the City had during the year.

Proprietary Funds – The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The amended budget included a planned decrease in fund balance in the amount of \$652,971. The actual fund balance for the year increased by \$1,861,388. Actual revenues exceeded the amended budget by \$1,056,104 spread across various revenue lines. The largest positive variances were in miscellaneous items and intergovernmental revenues. Actual expenditures were under the amended budget by \$1,088,736. The majority of this positive variance from the amended budget was a result of under runs in projected expenditures across various departments.

CAPITAL ASSETS

At the end of fiscal year 2018, the City's governmental activities had invested \$163,917,703 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$438,047.

Major capital asset events during the year included the following:

- Completion of the Das Rec recreation center for \$6,262,104
- Police station renovation of \$374,827
- Airport taxiway extension of \$837,966

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

CITY OF NEW BRAUNFELS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

LONG-TERM DEBT

At the end of the current year, the City had total general obligation bonds and certificates of obligation outstanding of \$170,100,000. Of this amount, \$111,150,000 was general obligation debt and \$58,950,000 was certificates of obligation. This includes an increase for the series 2018 general obligation bonds in the amount of \$21,620,000 and \$3,000,000 for the series 2018 tax notes.

More detailed information about the City's long-term liabilities is presented in note III. D. to the financial statements.

The City's bonds presently carry an AA rating from Standard and Poor's and an Aa2 rating from Moody's Investor Service.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of the finances of the City. For questions concerning this report, separately issued statements for New Braunfels Utilities or the Housing Authority, or for additional financial information, contact the City's Finance Department, 550 Landa Street, New Braunfels, TX, 78130; telephone 830-221-4000; or for general City information, visit the City's website at www.nbtexas.org.

BASIC FINANCIAL STATEMENTS

CITY OF NEW BRAUNFELS, TEXAS

STATEMENT OF NET POSITION (page 1 of 2)

September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equity in pooled cash and investments	\$ 81,370,510	\$ 4,000,887	\$ 85,371,397
Pooled and temporary investments	5,136,929	-	5,136,929
Receivables, net	8,255,462	951,876	9,207,338
Inventories	1,164	66,715	67,879
Prepaid items	-	-	-
Other current assets	-	-	-
Restricted assets			
Cash and cash equivalents	1,202,259	-	1,202,259
Investments	-	-	-
	95,966,324	5,019,478	100,985,802
Capital assets:			
Nondepreciable	46,916,287	3,378,926	50,295,213
Depreciable, net	117,001,416	26,135,961	143,137,377
Investments:			
Restricted	-	-	-
Unrestricted	-	-	-
Other noncurrent assets	-	-	-
Deposit - Headwaters at the Comal - restricted	-	-	-
	163,917,703	29,514,887	193,432,590
Total Assets	259,884,027	34,534,365	294,418,392
Deferred Outflows of Resources			
Deferred charge on refunding	1,944,755	-	1,944,755
Deferred outflows - pensions	6,160,760	618,715	6,779,475
Deferred outflows - OPEB	277,074	27,750	304,824
Total Deferred Outflows of Resources	8,382,589	646,465	9,029,054
Liabilities			
Accounts payable	8,495,859	351,002	8,846,861
Deposit payable	-	109,149	109,149
Accrued expenses payable	2,502,052	129,215	2,631,267
Internal balances	-	-	-
Unearned revenue	-	-	-
	10,997,911	589,366	11,587,277
Noncurrent liabilities:			
Due within one year:			
Bonds payable	11,385,000	-	11,385,000
Loan payable	63,382	-	63,382
Capital lease payable	433,925	-	433,925
Accrued compensated absences	5,905,233	317,249	6,222,482
Due in more than one year:			
Bonds payable	193,268,146	-	193,268,146
Loan payable	337,343	-	337,343
Capital lease payable	1,351,970	-	1,351,970
Net pension liability	27,400,375	2,853,574	30,253,949
Total OPEB liability - TMRS	1,349,636	135,168	1,484,804
Total OPEB liability	8,633,926	864,705	9,498,631
Accrued compensated absences	656,137	35,250	691,387
Other noncurrent liability	-	-	-
	250,785,073	4,205,946	254,991,019
Total Liabilities	261,782,984	4,795,312	266,578,296

Component Units

Economic Development Corporation	New Braunfels Utilities
\$ 15,396,427	\$ 18,356,133
-	10,123,150
1,946,156	23,933,628
-	3,077,467
-	439,068
2,455	4,895,191
-	23,861,836
-	30,821,160
<u>17,345,038</u>	<u>115,507,633</u>
-	93,605,081
-	383,962,088
-	3,463,458
-	14,608,362
-	10,541,797
-	327,934
-	<u>506,508,720</u>
<u>17,345,038</u>	<u>622,016,353</u>
-	-
-	2,274,979
-	-
-	<u>2,274,979</u>
1,004,771	30,282,624
-	5,893,051
-	4,187,014
-	-
-	-
<u>1,004,771</u>	<u>40,362,689</u>
-	4,915,000
-	-
-	-
-	941,676
-	156,482,916
-	-
-	-
-	12,151,338
-	-
-	577,364
-	469,071
-	<u>175,537,365</u>
<u>1,004,771</u>	<u>215,900,054</u>

CITY OF NEW BRAUNFELS, TEXAS

STATEMENT OF NET POSITION (page 2 of 2)

September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pensions	\$ 3,580,300	\$ 345,210	\$ 3,925,510
<u>Net Position</u>			
Net investment in capital assets	(3,398,453)	29,514,887	26,116,434
Restricted for:			
Debt service	1,876,372	-	1,876,372
Capital projects	13,584,798	-	13,584,798
Cemetery perpetual care (nonexpendable)	168,553	-	168,553
Grants	281,544	-	281,544
Impact fees	-	-	-
Municipal court	300,526	-	300,526
Library	1,546	-	1,546
Public safety	247,369	-	247,369
Governmental programming	400,303	-	400,303
Tourism	1,309,763	-	1,309,763
Other special projects	6,162,281	-	6,162,281
Deposit - Headwaters at the Comal	-	-	-
Unrestricted	(18,031,270)	525,421	(17,505,849)
Total Net Position	\$ 2,903,332	\$ 30,040,308	\$ 32,943,640

See Notes to Financial Statements.

Component Units

<u>Economic Development Corporation</u>	<u>New Braunfels Utilities</u>
\$ -	\$ 2,265,518
-	370,402,366
-	427,076
-	-
-	-
-	462,563
-	-
-	-
-	-
-	-
-	327,934
16,340,267	34,505,821
<u>\$ 16,340,267</u>	<u>\$ 406,125,760</u>

CITY OF NEW BRAUNFELS, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 13,085,159	\$ 150,484	\$ 207,532	\$ 1,831,361
Finance and tax	1,574,140	-	-	-
Planning and environmental	4,873,594	-	267,727	-
Public safety	57,457,403	6,527,681	1,132,739	-
Public works	11,911,806	4,506,895	2,211,396	-
Parks and recreation	8,018,087	2,288,394	-	-
Library	3,091,327	88,725	-	-
Airport	8,512	-	-	-
Interest and fiscal agent fees	6,553,237	-	-	-
Total Governmental Activities	<u>106,573,266</u>	<u>13,562,179</u>	<u>3,819,394</u>	<u>1,831,361</u>
Business-Type Activities				
Airport	3,499,564	2,599,466	-	-
Solid waste	7,896,622	10,168,114	-	-
Golf course	1,897,574	1,577,632	-	-
Civic center	962,954	419,904	-	-
Total Business-Type Activities	<u>14,256,714</u>	<u>14,765,116</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 120,829,980</u>	<u>\$ 28,327,295</u>	<u>\$ 3,819,394</u>	<u>\$ 1,831,361</u>
Component Units				
Economic Development Corporation	\$ 5,158,679	\$ -	\$ -	\$ -
New Braunfels Utilities	153,514,436	144,270,371	-	24,272,251
Total Component Units	<u>\$ 158,673,115</u>	<u>\$ 144,270,371</u>	<u>\$ -</u>	<u>\$ 24,272,251</u>

General Revenues and Transfers:

- Taxes and fees
 - Property
 - Sales
 - Hotel/motel occupancy
 - Franchise
 - Mixed beverages
- Investment income
- Contributions not restricted to programs
- Miscellaneous
- Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	New Braunfels Utilities
\$ (10,895,782)	\$ -	\$ (10,895,782)	\$ -	\$ -
(1,574,140)	-	(1,574,140)	-	-
(4,605,867)	-	(4,605,867)	-	-
(49,796,983)	-	(49,796,983)	-	-
(5,193,515)	-	(5,193,515)	-	-
(5,729,693)	-	(5,729,693)	-	-
(3,002,602)	-	(3,002,602)	-	-
(8,512)	-	(8,512)	-	-
(6,553,237)	-	(6,553,237)	-	-
<u>(87,360,332)</u>	<u>-</u>	<u>(87,360,332)</u>	<u>-</u>	<u>-</u>
-	(900,098)	(900,098)	-	-
-	2,271,492	2,271,492	-	-
-	(319,942)	(319,942)	-	-
-	(543,050)	(543,050)	-	-
<u>-</u>	<u>508,402</u>	<u>508,402</u>	<u>-</u>	<u>-</u>
<u>(87,360,332)</u>	<u>508,402</u>	<u>(86,851,930)</u>	<u>-</u>	<u>-</u>
-	-	-	(5,158,679)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,028,186</u>
-	-	-	(5,158,679)	15,028,186
30,659,021	-	30,659,021	-	-
21,995,983	-	21,995,983	6,452,482	-
4,070,096	-	4,070,096	-	-
9,749,648	-	9,749,648	-	-
583,889	-	583,889	-	-
965,747	39,056	1,004,803	180,189	1,046,156
3,682,713	-	3,682,713	-	-
6,422,897	1,238,709	7,661,606	160,052	-
2,152,409	(2,152,409)	-	-	-
<u>80,282,403</u>	<u>(874,644)</u>	<u>79,407,759</u>	<u>6,792,723</u>	<u>1,046,156</u>
<u>(7,077,929)</u>	<u>(366,242)</u>	<u>(7,444,171)</u>	<u>1,634,044</u>	<u>16,074,342</u>
<u>9,981,261</u>	<u>30,406,550</u>	<u>40,387,811</u>	<u>14,706,223</u>	<u>390,051,418</u>
<u>\$ 2,903,332</u>	<u>\$ 30,040,308</u>	<u>\$ 32,943,640</u>	<u>\$ 16,340,267</u>	<u>\$ 406,125,760</u>

CITY OF NEW BRAUNFELS, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2018

	General	Hotel/Motel Tax	Debt Service	General Obligations
<u>Assets</u>				
Cash and equity in pooled cash and investments	\$ 7,951,483	\$ 2,420,291	\$ 7,073,552	\$ 42,121,781
Investments	-	-	-	4,992,929
Receivables, net of allowance:	7,128,950	309,438	240,587	-
Due from other funds	10,155,424	-	-	2
Inventory	1,164	-	-	-
Restricted cash	-	-	-	-
	-	-	-	-
Total Assets	\$ 25,237,021	\$ 2,729,729	\$ 7,314,139	\$ 47,114,712
<u>Liabilities</u>				
Accounts payable	\$ 3,118,042	\$ 1,419,966	\$ -	\$ 2,753,301
Due to other funds	-	-	5,213,393	9,370,885
Accrued wages payable	882,189	-	-	-
	4,000,231	1,419,966	5,213,393	12,124,186
Total Liabilities	4,000,231	1,419,966	5,213,393	12,124,186
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	307,755	-	224,374	-
	307,755	-	224,374	-
<u>Fund Balances</u>				
Nonspendable	1,164	-	-	-
Restricted	-	1,309,763	1,876,372	34,990,526
Committed	-	-	-	-
Assigned	551,352	-	-	-
Unassigned	20,376,519	-	-	-
	20,376,519	-	-	-
Total Fund Balances	20,929,035	1,309,763	1,876,372	34,990,526
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 25,237,021	\$ 2,729,729	\$ 7,314,139	\$ 47,114,712

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 21,802,967	\$ 81,370,074
-	4,992,929
576,091	8,255,066
12,005,072	22,160,498
-	1,164
<u>1,202,259</u>	<u>1,202,259</u>
<u>\$ 35,586,389</u>	<u>\$ 117,981,990</u>
\$ 1,204,550	\$ 8,495,859
8,905,797	23,490,075
-	882,189
<u>10,110,347</u>	<u>32,868,123</u>
<u>-</u>	<u>532,129</u>
168,553	169,717
17,894,350	56,071,011
7,413,139	7,413,139
-	551,352
-	20,376,519
<u>25,476,042</u>	<u>84,581,738</u>
<u>\$ 35,586,389</u>	<u>\$ 117,981,990</u>

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CITY OF NEW BRAUNFELS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

September 30, 2018

Total fund balances for governmental funds \$ 84,581,738

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - nondepreciable	46,916,287	
Capital assets - depreciable	117,001,416	
	<u>163,917,703</u>	163,917,703

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 532,129

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest	(1,261,099)	
Noncurrent liabilities due in one year	(11,385,000)	
Noncurrent liabilities due in more than one year	(181,770,000)	
	<u>(194,416,099)</u>	(194,416,099)

Premium on bond issuance and deferred loss on bond refunding are recorded as other financing sources and uses in the fund financial statements, but are capitalized and amortized in the government-wide financial statement over the life of the bond.

Premiums	(11,498,146)	
Deferred charge on refunding	1,944,755	
	<u>(9,553,391)</u>	(9,553,391)

Net pension liability and other postemployment benefit (OPEB) obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet

Net pension liability	(27,400,375)	
Total OPEB liability - TMRS	(1,349,636)	
Total OPEB liability	(8,633,926)	
	<u>(37,383,937)</u>	(37,383,937)

Deferred outflows and inflows of resources related to the net pension and total OPEB liability are not reported in the funds.

Deferred outflows - pensions	6,160,760	
Deferred inflows - pensions	(3,580,300)	
Deferred outflows - OPEB	277,074	
	<u>2,857,534</u>	2,857,534

Accrued liabilities for compensated absences are not due and payable in the current period and, therefore, have not been included in the fund financial statements. (6,561,370)

Loans payable and capital leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (2,186,620)

The City uses internal service funds to charge the costs of certain activities to individual funds. Assets and liabilities of the internal service funds are included in governmental activities.

Net Position of Governmental Activities	<u>1,115,645</u>
	<u>\$ 2,903,332</u>

See Notes to Financial Statements.

CITY OF NEW BRAUNFELS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2018

	General	Hotel/Motel Tax	Debt Service	General Obligations
Revenues				
Taxes and fees	\$ 49,288,668	\$ 4,070,096	\$ 12,471,472	\$ -
Licenses and permits	4,170,417	-	-	-
Intergovernmental	207,532	-	-	1,200,000
Fines and forfeitures	1,561,633	-	-	-
Interest	230,448	25,316	73,156	394,873
Parks and recreation	2,098,546	-	-	-
Miscellaneous	2,946,110	-	-	-
Other contributions	-	-	1,384,115	-
Charges for services	4,049,640	-	-	-
Total Revenues	64,552,994	4,095,412	13,928,743	1,594,873
Expenditures				
Current:				
General government	7,147,015	4,013,570	-	-
Finances and tax	1,037,133	-	-	-
Planning and environmental	3,166,765	-	-	-
Public safety	35,811,059	-	-	-
Public works	7,076,997	-	-	19,260,986
Parks and recreation	6,346,212	-	-	-
Library	2,165,962	-	-	-
Debt Service:				
Principal	475,738	-	8,855,000	-
Interest	24,504	-	6,032,307	-
Bond insurance costs and fees	-	-	4,850	-
Total Expenditures	63,251,385	4,013,570	14,892,157	19,260,986
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,301,609	81,842	(963,414)	(17,666,113)
Other Financing Sources (Uses)				
Transfers in	875,087	-	962,598	5,800,000
Transfers (out)	(321,308)	(1,009,340)	-	-
Sale of capital assets	6,000	-	-	-
Long-term debt issuance	-	-	-	21,620,000
Premium received on the issuance of debt	-	-	-	1,593,974
Bond issuance costs	-	-	-	(213,974)
Total Other Financing Sources (Uses)	559,779	(1,009,340)	962,598	28,800,000
Net Change in Fund Balances	1,861,388	(927,498)	(816)	11,133,887
Beginning fund balances	19,067,647	2,237,261	1,877,188	23,856,639
Ending Fund Balances	\$ 20,929,035	\$ 1,309,763	\$ 1,876,372	\$ 34,990,526

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
2,764,307	\$ 68,594,543
7,800	4,178,217
2,411,862	3,819,394
238,280	1,799,913
241,947	965,740
179,575	2,278,121
1,890,811	4,836,921
2,298,598	3,682,713
1,256,287	5,305,927
<u>11,289,467</u>	<u>95,461,489</u>
141,717	11,302,302
-	1,037,133
267,936	3,434,701
2,028,997	37,840,056
7,905,107	34,243,090
135,538	6,481,750
57,555	2,223,517
1,270,000	10,600,738
824,710	6,881,521
-	4,850
<u>12,631,560</u>	<u>114,049,658</u>
<u>(1,342,093)</u>	<u>(18,588,169)</u>
1,803,436	9,441,121
(5,850,000)	(7,180,648)
-	6,000
3,000,000	24,620,000
-	1,593,974
(45,000)	(258,974)
<u>(1,091,564)</u>	<u>28,221,473</u>
(2,433,657)	9,633,304
<u>27,909,699</u>	<u>74,948,434</u>
<u>\$ 25,476,042</u>	<u>\$ 84,581,738</u>

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CITY OF NEW BRAUNFELS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

Net changes in fund balances - total governmental funds \$ 9,633,304

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.

Depreciation	(26,662,074)
Capital outlay	25,376,824
Capital contributions	1,723,297

The City uses internal service funds to charge the costs of certain activities to individual funds. Net change in net position of the internal service funds is reported with governmental activities.

440,606

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

44,071

The issuance of long-term debt (e.g., bonds, leases, and certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

General obligation bonds issued	(24,620,000)
Principal repayments	10,125,000
Amortization of premium on bonds	(832,472)
Capital lease principal payment	(842,261)
Loan principal payment	66,788

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	(518,998)
Change in net pension liability	5,436,248
Change in total OPEB liability - TMRS	(200,133)
Change in total OPEB liability	(581,575)
Change in deferred outflows - pensions	963,876
Change in deferred inflows - pensions	(6,730,531)
Change in deferred outflows -OPEB	269,495

Change in Net Position of Governmental Activities \$ (7,077,929)

See Notes to Financial Statements.

CITY OF NEW BRAUNFELS, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2018

	Business-Type Activities			
	Airport	Solid Waste	Golf Course	Civic/Con. Center
Assets				
Current assets:				
Cash and equity in pooled cash and investments	\$ 329,282	\$ 3,230,123	\$ 277,102	\$ 164,380
Restricted cash	-	-	-	-
Receivables, net	67,200	840,474	44,202	-
Due from other funds	-	-	-	-
Inventories	-	66,715	-	-
Total Current Assets	396,482	4,137,312	321,304	164,380
Noncurrent assets:				
Capital assets:				
Nondepreciable	3,243,926	-	135,000	-
Net depreciable capital assets	11,553,921	2,636,492	5,486,162	6,459,386
Total Capital Assets, Net of Accumulated Depreciation	14,797,847	2,636,492	5,621,162	6,459,386
Total Noncurrent Assets	14,797,847	2,636,492	5,621,162	6,459,386
Total Assets	15,194,329	6,773,804	5,942,466	6,623,766
Deferred Outflows of Resources				
Deferred outflows - pensions	32,920	216,841	56,156	24,230
Deferred outflows - OPEB	2,767	18,906	3,985	2,092
Total Deferred Outflows of Resources	35,687	235,747	60,141	26,322
Liabilities				
Current liabilities:				
Accounts payable	63,334	229,583	35,230	22,855
Deposits payable	32,549	-	-	76,600
Accrued expenses payable	13,602	87,401	18,243	9,969
Current portion of long-term liabilities:				
Accrued compensated absences	8,198	269,031	32,108	7,912
Total Current Liabilities	117,683	586,015	85,581	117,336
Noncurrent liabilities:				
Compensated absences	911	29,892	3,568	879
Net pension liability	286,209	1,890,109	472,634	204,622
Total OPEB liability - TMRS	13,477	92,092	19,410	10,189
Total OPEB liability	86,217	589,136	124,169	65,183
Total Noncurrent Liabilities	386,814	2,601,229	619,781	280,873
Total Liabilities	504,497	3,187,244	705,362	398,209
Deferred Inflows of Resources				
Deferred inflows - pension	5,567	37,283	9,335	4,457
Net Position				
Net investment in capital assets	14,797,847	2,636,492	5,621,162	6,459,386
Unrestricted	(77,895)	1,148,532	(333,252)	(211,964)
Total Net Position	\$ 14,719,952	\$ 3,785,024	\$ 5,287,910	\$ 6,247,422

See Notes to Financial Statements.

<u>Business-Type Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Fund</u>
\$ 4,000,887	\$ 436
-	144,000
951,876	396
-	1,329,577
66,715	-
<u>5,019,478</u>	<u>1,474,409</u>
3,378,926	-
<u>26,135,961</u>	<u>-</u>
29,514,887	-
<u>29,514,887</u>	<u>-</u>
<u>34,534,365</u>	<u>1,474,409</u>
330,147	-
27,750	-
<u>357,897</u>	<u>-</u>
351,002	-
109,149	-
129,215	358,764
317,249	-
<u>906,615</u>	<u>358,764</u>
35,250	-
2,853,574	-
135,168	-
864,705	-
<u>3,888,697</u>	<u>-</u>
<u>4,795,312</u>	<u>358,764</u>
56,642	-
29,514,887	-
525,421	1,115,645
<u>\$ 30,040,308</u>	<u>\$ 1,115,645</u>

CITY OF NEW BRAUNFELS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended September 30, 2018

	Business-Type Activities			
	Airport	Solid Waste	Golf Course	Civic/Con. Center
Operating Revenues				
Charges for services	\$ 2,599,466	\$ 10,168,114	\$ 1,577,632	\$ 419,904
Miscellaneous	998,771	186,651	52,954	333
Total Operating Revenues	<u>3,598,237</u>	<u>10,354,765</u>	<u>1,630,586</u>	<u>420,237</u>
Operating Expenses				
Personnel	546,518	3,649,023	779,296	391,982
Purchased services	301,223	1,904,383	129,855	187,803
Professional services	45,490	90,094	-	-
Supplies	1,404,675	1,091,367	281,219	30,619
Depreciation and amortization	1,201,658	1,161,755	703,409	352,550
Insurance premiums	-	-	-	-
Claims	-	-	-	-
Total Operating Expenses	<u>3,499,564</u>	<u>7,896,622</u>	<u>1,893,779</u>	<u>962,954</u>
Operating Income (Loss)	<u>98,673</u>	<u>2,458,143</u>	<u>(263,193)</u>	<u>(542,717)</u>
Nonoperating Revenues (Expenses)				
Investment earnings	-	39,056	-	-
Interest expense	-	-	(3,795)	-
Total Nonoperating Revenue (Expenses)	<u>-</u>	<u>39,056</u>	<u>(3,795)</u>	<u>-</u>
Income (Loss) Before Transfers	98,673	2,497,199	(266,988)	(542,717)
Transfers in	162,091	-	-	348,240
Transfers (out)	(477,641)	(2,149,680)	(1,943)	(33,476)
Change in Net Position	(216,877)	347,519	(268,931)	(227,953)
Beginning net position	14,936,829	3,437,505	5,556,841	6,475,375
Ending Net Position	<u>\$ 14,719,952</u>	<u>\$ 3,785,024</u>	<u>\$ 5,287,910</u>	<u>\$ 6,247,422</u>

See Notes to Financial Statements.

<u>Business-Type Activites</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Fund</u>
\$ 14,765,116	\$ 7,036,334
1,238,709	9,769
<u>16,003,825</u>	<u>7,046,103</u>
5,366,819	-
2,523,264	-
135,584	82,461
2,807,880	-
3,419,372	-
-	1,070,660
-	5,452,383
<u>14,252,919</u>	<u>6,605,504</u>
<u>1,750,906</u>	<u>440,599</u>
39,056	7
(3,795)	-
<u>35,261</u>	<u>7</u>
1,786,167	440,606
510,331	-
<u>(2,662,740)</u>	<u>-</u>
(366,242)	440,606
<u>30,406,550</u>	<u>675,039</u>
<u>\$ 30,040,308</u>	<u>\$ 1,115,645</u>

CITY OF NEW BRAUNFELS, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2018

	Business-Type Activities			
	Airport	Solid Waste	Golf Course	Civic/Con. Center
<u>Cash Flows from Operating Activities</u>				
Receipts from customers	\$ 3,627,449	\$ 9,537,890	\$ 1,620,323	\$ 441,860
Receipts from interfund services provided and used	-	-	-	-
Payments to suppliers	(1,315,374)	(2,591,060)	(358,670)	(188,788)
Payments for premiums, claims, and administrative charges	-	-	-	-
Payments for personnel services	(558,334)	(3,690,991)	(781,807)	(419,451)
Net Cash Provided (Used) by Operating Activities	1,753,741	3,255,839	479,846	(166,379)
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers in from other funds	162,091	-	-	348,240
Cash contribution received	-	-	-	-
Transfers (out) to other funds	(477,641)	(2,149,680)	(1,943)	(33,476)
Net Cash Provided (Used) by Noncapital Financing Activities	(315,550)	(2,149,680)	(1,943)	314,764
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	(1,108,909)	(451,148)	(21,035)	(147,094)
Principal payments on debt	-	-	(181,589)	-
Interest paid on debt	-	-	(3,795)	-
Net Cash (Used) by Capital and Related Financing Activities	(1,108,909)	(451,148)	(206,419)	(147,094)
<u>Cash Flows from Investing Activities</u>				
Interest on investments	-	39,056	-	-
Net Cash Provided by Investing Activities	-	39,056	-	-
Net Increase in Cash and Equity in Pooled Cash and Investments	329,282	694,067	271,484	1,291
Beginning cash and equity in pooled cash and investments	-	2,536,056	5,618	163,089
Ending Cash and Equity in Pooled Cash and Investments	\$ 329,282	\$ 3,230,123	\$ 277,102	\$ 164,380

<u>Business-Type Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Fund</u>
\$ 15,227,522	\$ -
-	7,098,281
(4,453,892)	-
-	(6,974,274)
<u>(5,450,583)</u>	<u>-</u>
5,323,047	124,007
510,331	-
-	-
<u>(2,662,740)</u>	<u>-</u>
(2,152,409)	-
(1,728,186)	-
(181,589)	-
<u>(3,795)</u>	<u>-</u>
(1,913,570)	-
39,056	7
<u>39,056</u>	<u>7</u>
1,296,124	124,014
<u>2,704,763</u>	<u>20,422</u>
<u>\$ 4,000,887</u>	<u>\$ 144,436</u>

CITY OF NEW BRAUNFELS, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2018

	Business-Type Activities			
	Airport	Solid Waste	Golf Course	Civic/Con. Center
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 98,673	\$ 2,458,143	\$ (263,193)	\$ (542,717)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	1,201,658	1,161,755	703,409	352,550
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	48,392	(816,875)	(10,263)	6,490
Inventories	-	(173)	-	-
Due from other funds	568,570	267,160	-	-
Deferred outflows - pensions	61,200	402,636	96,559	39,786
Increase (Decrease) in:				
Accounts payable	(123,780)	(14,700)	(2,883)	(4,240)
Accrued expenses	13,602	87,401	18,243	-
Due to other funds	(44,010)	-	-	-
Net pension liability	(54,285)	(370,942)	(78,181)	(41,041)
Total OPEB liability - TMRS	21,632	155,096	37,044	33,874
Total OPEB liability	(16,517)	(120,144)	(29,677)	(20,041)
Accrued compensated absences	(19)	61,482	11,949	(4,513)
Customer deposits	(19,180)	-	-	15,133
Deferred inflows - pensions	(2,195)	(15,000)	(3,161)	(1,660)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,753,741</u>	<u>\$ 3,255,839</u>	<u>\$ 479,846</u>	<u>\$ (166,379)</u>

See Notes to Financial Statements.

<u>Business-Type Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Fund</u>
\$ 1,750,906	\$ 440,599
3,419,372	-
(772,256)	52,178
(173)	-
835,730	(330,351)
600,181	-
(145,603)	-
119,246	(38,419)
(44,010)	-
(544,449)	-
247,646	-
(186,379)	-
68,899	-
(4,047)	-
(22,016)	-
<u>\$ 5,323,047</u>	<u>\$ 124,007</u>

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CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of New Braunfels, Texas (the “City”) was founded in 1845. It has adopted a “Home Rule Charter”, which provides for a “Mayor-Council” form of government. A Mayor and seven Council members are elected by voters of the City at large for three-year terms.

The City Council is the principal legislative and administrative body of the City.

The City Manager is the head of the administrative departments of the City and is the supervisor of all administrative officers, employees, directors, and department heads. Departments and agencies of the City submit budget requests to the City Manager.

The City provides the following services: public safety (police, fire, and EMS), public works, parks and recreation, library, airport, solid waste collection, community services, and general government.

The City is an independent political subdivision of the State of Texas governed by an elected Council and a Mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component units, on the following page, although legally separate, are considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

Discretely Presented Component Units

Economic Development Corporation

The New Braunfels Economic Development Corporation (the “Corporation”) is a legally separate nonprofit entity which was organized under the laws of the State of Texas to provide economic development benefits for the City. Prior to fiscal year 2017-2018, the entity was operating as the “Industrial Development Corporation”. On April 9, 2018, City Council amended the bylaws, renaming the Corporation as the New Braunfels Economic Development Corporation. The Corporation is presented as a governmental component unit. City Council appoints the Board of Directors and approves expenditures. Separate financial statements are not prepared.

New Braunfels Utilities

New Braunfels Utilities (NBU) is a legally separate entity which provides waterworks, sanitary sewer, and electric services in the New Braunfels area. City Council appoints the NBU Board of Trustees, and approves utility rates and the issuance of debt. The NBU is presented as an enterprise component unit. Complete financial statements for the NBU may be obtained at the NBU’s administrative offices at 263 Main Plaza, New Braunfels, Texas 78130. The NBU’s financial statements are presented on a July 31 fiscal year end.

Blended Component Units

Tax Increment Reinvestment Zone No. 1

During fiscal year 2007, the City passed a resolution creating a Tax Increment Reinvestment Zone No. 1 (TIRZ), in accordance with Section 311 of the Texas Tax Code, for the purpose of financing public improvements in support of the Creekside Town Center Development. The TIRZ includes participation by a developer and by other governmental entities, the Economic Development Corporation (the “Corporation”) and Comal County, Texas (the “County”). Under this arrangement, a certain percentage of the incremental ad valorem tax revenue collected by the City and the County and one-half cent of sales taxes collected by the City and the Corporation will be utilized to pay for certain infrastructure costs. Such tax revenue is controlled by the Board of Directors managing the TIRZ and is accounted for in a special revenue fund with the City’s financial oversight. The Board of Directors is made up of seven members, five of which are appointed by the City Council.

New Braunfels Development Authority

During fiscal year 2007, the City passed a resolution creating the New Braunfels Development Authority (NBDA) in accordance with Section 394 of the Texas Local Government Code. The NBDA has been included in the reporting entity as a blended component unit. The NBDA was created to assist and act on behalf of the City in the performance of the City’s governmental functions to promote the common good and general welfare of the TIRZ and to promote, develop, encourage, and maintain employment, commerce, and economic development in the City. During fiscal year 2007, the City passed an agreement (the “Agreement”) between the City, the NBDA, and the TIRZ in which the NBDA will facilitate the implementation of the TIRZ plan and assist the City with reimbursement to the developer participating in the TIRZ. Reimbursement to the developer will be made through the issuance of bonds, notes, or other obligations available to the NBDA but only after consent of the City Council. Efforts of the NBDA will be financed using the TIRZ tax increment as outlined in the Agreement. Such taxes and payment of debt service activity

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

are controlled by the Board of Directors managing the NBDA and are accounted for in a special revenue fund with the City's financial oversight. The Board of Directors is made up of seven members, five of which are appointed by the City Council.

Separate financial statements for the TIRZ and NBDA funds are not prepared.

The City also has the following related organization:

The Housing Authority of the City of New Braunfels (the "Authority") is a nonprofit entity, which was organized under the laws of the State of Texas to provide housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development. City Council appoints the Board of Directors of the Authority. However, the City is not financially accountable for the Authority because the Authority's operations are subsidized by the federal government, it sets its own budget subject to federal approval, it sets its rental rate, and it can issue debt in its own name. The City is not responsible for the deficits or liabilities of the Authority. Separately audited financial statements may be obtained at the City's administrative offices at 550 Landa Street, New Braunfels, Texas 78130.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

CITY OF NEW BRAUNFELS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

The City reports the following governmental funds:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund. The principal sources of revenues include local property taxes, sales taxes and franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, parks and recreation, and library. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The special revenue funds are considered nonmajor funds for reporting purposes, except for the hotel/motel tax fund.

Hotel/motel tax fund: This fund accounts for the tax collections of the hotel/motel occupancy taxes and the disbursement of those funds.

The *capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects funds are considered nonmajor funds for reporting purposes, except for the general obligations fund.

General obligations fund: This fund accounts for the expenditures of the proceeds from the June 2014, April 2015, and July 2016 debt series issued for various purposes, including for street improvements, construction of drainage, equipping of parks and a recreations center, and constructing and building the Center Texas Technology Center.

The *permanent fund* is used to account for nonexpendable trust arrangements where the principal may not be spent, and the earnings must be spent for a particular purpose. This fund is used to report the activity of the Cemetery Perpetual Care Fund. It is considered a nonmajor fund for reporting purposes.

The City reports the following proprietary funds:

The *enterprise funds* are used to account for the operations that provide airport, solid waste, golf course, and civic/convention center operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The airport and solid waste funds are considered major funds for reporting purposes. While the golf course and civic/convention center funds did not technically meet the criteria to be presented as major funds, the City has elected to present them as such due to their significance.

Internal service funds account for services provided to other departments or agencies of the primary government, or to other governments, on a cost reimbursement basis. The City's internal service fund is used to account for services for the City's self-funded health plan, which is financed from systematic transfers from general governmental and enterprise funds.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in statewide investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and equity in pooled cash."

2. Investments

Investments, except for certain investment pools and commercial paper, are reported at fair value. The investment pool operates in accordance with appropriate state laws and regulations and is reported at amortized cost. Commercial paper is reported at amortized cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The City is required by the Act to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the City's funds may be invested and the maximum allowable stated maturity of any individual investment owned by the City.

The Act contains specific provisions in the area of investment practices, management reports, and establishment of appropriate policies. Investments are administered by City management under terms of an investment policy and strategy that is updated to conform to the Act as last amended. The preservation of capital is the City's most important investment objective. Other objectives include providing liquidity and maximizing earnings within the constraints of other objectives. The City is in substantial compliance with the requires of the Act and with local policies.

In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government
- Money market mutual funds that meet certain criteria
- Collateralized certificates of deposit
- Municipal securities that meet certain criteria
- Fully collateralized repurchase agreements that meet certain criteria
- Bankers' acceptances
- Commercial paper that meets certain criteria
- Guaranteed investment contracts that meet certain criteria
- Statewide investment pools

CITY OF NEW BRAUNFELS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Streets/Drainage Infrastructure	20 years
Buildings	30 years
Building Improvements	20 years
Equipment	5-7 years
Fleet	5-7 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. Deferred charges have also been recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. A deferred charge has been recognized for employer pension

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

and OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized as a result of differences between the actuarial expectations and the actual economic experience and the changes in actuarial assumptions related to the City's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. On retirement or death of certain employees, the City pays accrued sick leave in a lump sum payment to such employee or his/her estate. Non-civil service employees with 15 or more years of service are eligible to receive one-half of their accumulated sick leave up to 480 hours. These employees are also eligible if they retire with 10 or more years of service. Police and fire personnel covered by civil service receive payment for all accumulated sick leave up to 720 hours for police and fire (non-shift) and 1,080 for fire shift personnel. Police came under civil service in October 2011. Employees are paid for all accrued vacation leave when they leave the City's employment. The City accrues its liability for such accumulated unpaid benefits in the government-wide financial statements and proprietary fund financial statements.

The estimated amount of compensation for services provided 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 when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

7. Long-Term Obligations

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

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

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

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.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of solid waste infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of solid waste revenues.

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

8. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance includes amounts that have not been assigned to other funds or restricted, committed, or assigned to specific purpose within the general fund or deficit balances in other funds.

	General	Hotel/Motel Tax	Debt Service	General Obligations	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ 168,553	\$ 168,553
Inventory	1,164	-	-	-	-	1,164
Total Nonspendable	<u>1,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,553</u>	<u>169,717</u>
Restricted to:						
Tourism	-	1,309,763	-	-	-	1,309,763
Debt service	-	-	1,876,372	-	-	1,876,372
Grants	-	-	-	-	281,544	281,544
Special donation	-	-	-	-	299,236	299,236
Stormwater developmnet	-	-	-	-	314,711	314,711
Library	-	-	-	-	1,546	1,546
Capital projects	-	-	-	34,990,526	9,886,834	44,877,360
Public safety	-	-	-	-	247,369	247,369
Municipal court	-	-	-	-	300,526	300,526
Governmental programming	-	-	-	-	400,303	400,303
Other special projects	-	-	-	-	6,162,281	6,162,281
Total Restricted	<u>-</u>	<u>1,309,763</u>	<u>1,876,372</u>	<u>34,990,526</u>	<u>17,894,350</u>	<u>56,071,011</u>
Committed to:						
Enterprise equipment	-	-	-	-	7,413,139	7,413,139
Assigned						
Equipment replacement	551,352	-	-	-	-	551,352
Unassigned	20,376,519	-	-	-	-	20,376,519
Total Fund Balances	<u>\$ 20,929,035</u>	<u>\$ 1,309,763</u>	<u>\$ 1,876,372</u>	<u>\$ 34,990,526</u>	<u>\$ 25,476,042</u>	<u>\$ 84,581,738</u>

Minimum Fund Balance Policy

The City will maintain an operating reserve for use in the event of unanticipated, extraordinary expenditures and/or the loss of a major revenue source. In the general fund, the operating reserve and specified contingencies shall be established at a minimum of 25 percent of the general fund budgeted expenditures for the current fiscal year. For all other special revenue funds, the operating reserve shall equal 10 percent of the budgeted annual expenditures. The funds can only be appropriated by an affirmative vote of five of the seven Council members.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

Capital project funds' reserves will be established by project, not by fund and will, and in general, reflect 3 percent of the total project costs.

The City will maintain a balance in the debt service fund equal to not less than 10 percent of the principal and interest payments on outstanding debt for each fiscal year.

11. 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

12. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS' fiduciary net position 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. Investments are reported at fair value.

13. Other Postemployment Benefits

The City participates in a single-employer, unfunded, 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 funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total other postemployment (OPEB) liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

The City also provides their own defined benefit group health benefit plan to eligible employees.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *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 or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF NEW BRAUNFELS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

2. Property Taxes

Property taxes are levied by October 1 of each year on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Taxes are due upon receipt of the City's tax bill and become delinquent, with an enforceable lien on property, on February 1 of the following year.

Allowance for uncollectible tax receivables within the general and debt service funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

Two meetings of the City Council are then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.

Prior to the start of the fiscal year, the budget is legally enacted through passage of an ordinance by the City Council.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects funds, which adopt project length budgets. The general obligations fund, a major fund for reporting purposes, is considered a capital projects fund and does not present an annual operating budget. Budgetary legal level of control is set at the fund, departmental, or project level. Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the City Council. During the year, the budget was amended as necessary. Appropriations lapse at the end of the year, excluding capital project budgets.

Encumbrances represent the estimated amount of expenditures ultimately to result when unperformed contracts (in progress at year end) are completed. Such encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

CITY OF NEW BRAUNFELS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating</u>
Primary Government and Component Unit-EDC:			
U.S. agencies:			
Treasury Notes	\$ 4,994,750	0.13	AAA
External investment pools:			
TexPool	90,582,348	0.00	AAAm
Total	<u>\$ 95,577,098</u>		
Portfolio weighted average maturity		0.01	
Component Unit - NBU			
U.S. agency securities	\$ 39,192,589	1.65	AA+
Treasury notes	9,975,780	0.25	AAA
State and local bonds	497,760	0.79	AAA
Certificates of deposit	9,350,000	0.65	
Demand deposit and money market	10,613,365	0.00	
Pooled funds	31,604,603	0.00	AAAm
Total	<u>\$ 101,234,097</u>		
Portfolio weighted average maturity		0.71	

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities.

CITY OF NEW BRAUNFELS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

As of September 30, 2018, the City had the following recurring fair value measurements:

	September 30, 2018	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level		
Primary Government and Component Unit-EDC		
<u>U.S. Government Agency Bonds/Notes</u>		
Treasury notes	\$ 4,994,750	\$ 4,994,750
Total	\$ 4,994,750	\$ 4,994,750
 Component Unit - NBU		
U.S. agency securities	\$ 39,192,589	\$ 39,192,589
Treasury notes	9,975,780	9,975,780
Municipal bonds	497,760	497,760
Total	\$ 49,666,129	\$ 49,666,129

U. S. Government agency bonds and notes are classified in Level 2 of the fair value hierarchy and are valued using the market approach.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City’s policy requires that investment pools must be rated no lower than ‘AAA’ or ‘AAAm’. As of September 30, 2018, the City’s investments in TexPool were rated ‘AAAm’ by Standard & Poor’s. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency. These investments were rated not less than ‘Aaa’ by both Moody’s and Standard & Poor’s.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the City’s deposits may not be returned in the event of a bank failure. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2018, market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The City’s investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

B. Receivables

Amounts are aggregated into a single accounts receivable line (net of allowance for uncollectibles) for certain funds and aggregated columns. Below is the detail of receivables for the general fund, hotel/motel tax fund, debt service fund, the nonmajor governmental funds in the aggregate, and the proprietary funds, including the applicable allowances for uncollectible accounts:

	Governmental Funds				
	General	Hotel/Motel Tax	Debt Service	Nonmajor Funds	Total
	Ad valorem taxes	\$ 375,402	\$ -	\$ 265,315	\$ -
Franchise fees and local taxes	-	-	-	53,628	53,628
Accounts	6,821,195	309,438	16,213	319,570	7,466,416
Intergovernmental	-	-	-	202,893	202,893
Less allowance	(67,647)	-	(40,941)	-	(108,588)
	\$ 7,128,950	\$ 309,438	\$ 240,587	\$ 576,091	\$ 8,255,066
	Proprietary Funds				
	Airport	Solid Waste	Golf Course	Civic/Conv. Center	Total
Accounts	\$ 67,200	\$ 840,474	\$ 5,360	\$ -	\$ 913,034
Other	-	-	38,842	-	38,842
	\$ 67,200	\$ 840,474	\$ 44,202	\$ -	\$ 951,876

CITY OF NEW BRAUNFELS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

C. Capital Assets

A summary of changes in capital assets for the year end is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications (Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 34,893,455	\$ 4,343,412	\$ -	\$ 39,236,867
Construction in progress*	14,046,986	7,672,966	(14,040,532)	7,679,420
Total capital assets not being depreciated	<u>48,940,441</u>	<u>12,016,378</u>	<u>(14,040,532)</u>	<u>46,916,287</u>
Other capital assets				
Road network	103,192,207	4,144,676	-	107,336,883
Infrastructure	25,040,967	-	-	25,040,967
Buildings	64,201,473	20,835,312	-	85,036,785
Improvements other than buildings	43,290,833	2,420,928	-	45,711,761
Machinery and equipment	10,400,222	549,547	-	10,949,769
Fleet	18,267,579	1,218,761	(44,949)	19,441,391
Total other capital assets	<u>264,393,281</u>	<u>29,169,224</u>	<u>(44,949)</u>	<u>293,517,556</u>
Less accumulated depreciation for:				
Road network	(65,746,667)	(4,809,868)	-	(70,556,535)
Infrastructure	(7,925,735)	(834,699)	-	(8,760,434)
Buildings	(34,616,056)	(1,765,405)	-	(36,381,461)
Improvements other than buildings	(18,227,964)	(2,965,610)	-	(21,193,574)
Machinery and equipment	(8,739,984)	(457,964)	-	(9,197,948)
Fleet	(14,597,660)	(15,873,477)	44,949	(30,426,188)
Total accumulated depreciation	<u>(149,854,066)</u>	<u>(26,707,023)</u>	<u>44,949</u>	<u>(176,516,140)</u>
Other capital assets, net	<u>114,539,215</u>	<u>2,462,201</u>	<u>-</u>	<u>117,001,416</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 163,479,656</u>	<u>\$ 14,478,579</u>	<u>\$ (14,040,532)</u>	<u>163,917,703</u>
				Less associated debt (206,839,766)
				Plus deferred charge on refunding 1,944,755
				Plus unspent bond proceeds 37,578,855
				<u>Net Investment in Capital Assets \$ (3,398,453)</u>

*Beginning balance has been restated.

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

Depreciation was charged to governmental functions as follows:

General government	\$	2,296,804
Finance and tax		518,116
Planning and environmental development		1,431,496
Public safety		17,648,001
Public works		2,408,973
Parks and recreation		1,562,361
Library		841,271
Total Governmental Activities Depreciation Expense	\$	<u>26,707,023</u>

The following is a summary of changes in capital assets for business-type activities for the year end:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications (Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,540,961	\$ -	\$ -	\$ 2,540,961
Construction in progress	-	837,965	-	837,965
Total capital assets not being depreciated	<u>2,540,961</u>	<u>837,965</u>	<u>-</u>	<u>3,378,926</u>
Other capital assets				
Buildings	20,963,170	271,880	-	21,235,050
Improvements other than building	19,869,713	147,095	-	20,016,808
Furniture and fixtures	20,190	-	-	20,190
Machinery and equipment	910,910	196,490	-	1,107,400
Fleet	10,482,545	275,689	-	10,758,234
Airspace easement	37,515	-	-	37,515
Total other capital assets	<u>52,284,043</u>	<u>891,154</u>	<u>-</u>	<u>53,175,197</u>
Less accumulated depreciation for:				
Buildings	(9,187,534)	(601,290)	-	(9,788,824)
Improvements other than building	(7,345,445)	(1,329,551)	-	(8,674,996)
Furniture and fixtures	(8,311)	(2,884)	-	(11,195)
Machinery and equipment	(594,442)	(60,664)	-	(655,106)
Fleet	(6,461,201)	(1,424,979)	-	(7,886,180)
Airspace easement	(21,997)	(938)	-	(22,935)
Total accumulated depreciation	<u>(23,618,930)</u>	<u>(3,420,306)</u>	<u>-</u>	<u>(27,039,236)</u>
Other capital assets, net	<u>28,665,113</u>	<u>(2,529,152)</u>	<u>-</u>	<u>26,135,961</u>
Business-Type Activities Capital Assets, Net	<u>\$ 31,206,074</u>	<u>\$ (1,691,187)</u>	<u>\$ -</u>	<u>\$ 29,514,887</u>
		Net Investment in Capital Assets		<u>\$ 29,514,887</u>

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

Depreciation was charged to business-type functions as follows:

Airport	\$	1,202,594
Solid waste		1,161,753
Golf course		703,409
Civic center		352,550
Total Business-Type Activities Depreciation Expense	\$	<u>3,420,306</u>

The following is a summary of changes in capital assets for discretely presented component units for the year end:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications (Decreases)</u>	<u>Ending Balance</u>
Component Units:				
Capital assets not being depreciated:				
Land and improvements	\$ 26,341,588	\$ 296,935	\$ -	\$ 26,638,523
Construction in progress	29,100,251	78,092,681	(40,226,374)	66,966,558
Total capital assets not being depreciated	<u>55,441,839</u>	<u>78,389,616</u>	<u>(40,226,374)</u>	<u>93,605,081</u>
Other capital assets				
Buildings	70,915,568	1,504,531	-	72,420,099
Infrastructure	421,132,757	33,564,426	(10,201,332)	444,495,851
Equipment	91,897,912	4,277,242	-	96,175,154
Wells and springs	613,820	583,243	-	1,197,063
Total other capital assets	<u>584,560,057</u>	<u>39,929,442</u>	<u>(10,201,332)</u>	<u>614,288,167</u>
Less accumulated depreciation for:				
Buildings	(29,845,184)	(1,674,560)	-	(31,519,744)
Infrastructure	(152,468,774)	(13,958,092)	6,073,697	(160,353,169)
Equipment	(34,082,017)	(3,893,874)	-	(37,975,891)
Wells and springs	(466,378)	(10,897)	-	(477,275)
Total accumulated depreciation	<u>(216,862,353)</u>	<u>(19,537,423)</u>	<u>6,073,697</u>	<u>(230,326,079)</u>
Other capital assets, net	<u>367,697,704</u>	<u>20,392,019</u>	<u>(4,127,635)</u>	<u>383,962,088</u>
Component Units Capital Assets, Net	<u>\$ 423,139,543</u>	<u>\$ 98,781,635</u>	<u>\$ (44,354,009)</u>	<u>\$ 477,567,169</u>

Depreciation was charged to the component unit – New Braunfels Utilities as follows:

Electric	\$	8,244,960
Water		4,827,300
Wastewater		6,429,952
Total Business-Type Activities Depreciation Expense	\$	<u>19,502,212</u>

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance*</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes, and other payables:					
General obligation bonds/Notes	\$ 91,205,000	\$ 24,620,000	\$ (4,675,000)	\$ 111,150,000	\$ 6,420,000
Certificates of obligation	63,130,000	-	(4,180,000)	58,950,000	3,650,000
Contract revenue obligations	24,325,000	-	(1,270,000)	23,055,000	1,315,000
Bond premium	10,665,674	1,593,974	(761,502)	11,498,146	-
	<u>189,325,674</u>	<u>26,213,974</u>	<u>(10,886,502)</u>	<u>204,653,146</u>	<u>** 11,385,000</u>
Other liabilities:					
Equipment loan payable	467,513	-	(66,788)	400,725	** 63,382
Capital lease payable	943,634	1,251,211	(408,950)	1,785,895	** 433,925
Net pension liability - TMRS	32,836,623	-	(5,436,248)	27,400,375	-
Total OPEB liability - TMRS	1,149,503	200,133	-	1,349,636	-
Total OPEB liability	8,052,351	581,575	-	8,633,926	-
Compensated absences	6,042,372	5,957,133	(5,438,135)	6,561,370	5,905,233
Total Governmental Activities	<u>\$ 238,817,670</u>	<u>\$ 34,204,026</u>	<u>\$ (22,236,623)</u>	<u>\$ 250,785,073</u>	<u>\$ 17,787,540</u>

Long-term debt due in more than one year \$ 232,997,533

*Beginning balances have been restated.

** Debt associated with capital assets \$ 206,839,766

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Equipment loan payable	\$ 181,589	\$ -	\$ (181,589)	\$ -	\$ -
Net pension liability - TMRS	3,398,024	-	(544,451)	2,853,573	-
Total OPEB liability - TMRS	115,125	20,044	-	135,169	-
Total OPEB liability	806,459	58,246	-	864,705	-
Compensated absences	283,599	324,139	(255,239)	352,499	317,249
Total Business-Type Activities	<u>\$ 4,784,796</u>	<u>\$ 402,429</u>	<u>\$ (981,279)</u>	<u>\$ 4,205,946</u>	<u>\$ 317,249</u>

Long-term debt due in more than one year \$ 3,888,697

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Component Units:					
Bonds payable	\$ 112,700,032	\$ 45,355,798	\$ (2,320,000)	\$ 155,735,830	4,915,000
Bond premium	2,304,893	3,357,192	-	5,662,085	-
Net pension liability	9,295,380	2,855,958	-	12,151,338	-
Compensated absences	1,519,805	795,019	(795,784)	1,519,040	941,676
Total Component Units	<u>\$ 125,820,110</u>	<u>\$ 52,363,967</u>	<u>\$ (3,115,784)</u>	<u>\$ 175,068,293</u>	<u>\$ 5,856,676</u>

Long-term debt due in more than one year \$ 169,211,617

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences, net pension liability, and OPEB obligations are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Long-term debt at year end was comprised of the following debt issues:

Governmental Activities:	Final			
Series	Maturity	Original Issue	Interest Rate	Balance
General Obligation Bonds/Notes				
2013 General Obligation Refunding Bonds	2023	\$ 3,820,000	2.000-3.000%	\$ 2,130,000
2013A General Obligation Refunding Bonds	2020	\$ 7,020,000	2.000-4.000%	2,915,000
2014 General Obligation Bonds	2034	\$ 13,970,000	2.000-5.000%	11,930,000
2015 General Obligation and Refunding Bonds	2035	\$ 29,260,000	2.000-5.000%	27,515,000
2015 Tax Note	2022	\$ 1,285,000	1.630%	745,000
2016 General Obligation Refunding Bonds	2036	\$ 37,360,000	2.000-5.000%	36,095,000
2017 General Obligation Refunding Bonds	2029	\$ 5,255,000	1.910%	5,200,000
2018 General Obligation Bonds	2038	\$ 21,620,000	3.000-5.000%	21,620,000
2018 Tax Note	2025	\$ 3,000,000	2.780%	3,000,000
			Total General Obligation	111,150,000
Certificates of Obligation				
2006A Certificates of Obligation	2021	\$ 1,600,000	3.600-4.500%	440,000
2009 Certificates of Obligation	2019	\$ 9,500,000	2.000-4.500%	475,000
2011 Certificates of Obligation	2031	\$ 18,200,000	4.050%	13,535,000
2012 Certificates of Obligation	2032	\$ 19,470,000	2.000-5.000%	14,940,000
2013 Certificates of Obligation	2033	\$ 19,490,000	3.000-5.000%	15,985,000
2014A Certificates of Obligation	2034	\$ 6,845,000	2.000-5.000%	5,825,000
2014B Certificates of Obligation	2034	\$ 3,280,000	2.000-5.000%	2,920,000
2015 Certificates of Obligation	2035	\$ 5,395,000	2.000-5.000%	4,830,000
			Total Certificates of Obligation	58,950,000
Tax Increment Contract Revenue Obligations				
2012 Tax Increment Contract Revenue				
Improvement and Refunding Obligations	2032	\$ 11,670,000	2.93%	8,990,000
2014 Tax Increment Contract Revenue Notes	2032	\$ 17,000,000	3.68%	14,065,000
			Total Tax Increment Contract Revenue Obligations	23,055,000
			Total Governmental Activities Long-Term Debt	\$ 193,155,000

*After refunding

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

The annual requirements to amortize general obligation bonds, certificates of obligation, and tax increment contract revenue obligations outstanding at year end were as follows:

Year Ending Sep. 30	Governmental Activities						
	General Obligation		Certificates of Obligation		Tax Increment Contract Revenue Obligations		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 6,420,000	\$ 4,254,311	\$ 3,650,000	\$ 2,310,029	\$ 1,315,000	\$ 780,999	\$ 18,730,339
2020	7,710,000	4,065,685	3,270,000	2,194,136	1,360,000	736,545	19,336,366
2021	7,485,000	3,821,006	3,385,000	2,080,776	1,405,000	690,584	18,867,366
2022	7,715,000	3,559,765	3,385,000	1,962,853	1,450,000	643,080	18,715,698
2023	7,605,000	3,227,911	3,515,000	1,833,200	1,500,000	594,033	18,275,144
2024-2028	33,885,000	11,281,146	19,895,000	6,842,838	8,305,000	2,172,973	82,381,957
2029-2033	23,725,000	5,692,323	20,385,000	2,260,516	7,720,000	665,988	60,448,827
2034-2035	16,605,000	1,167,903	1,465,000	47,950	-	-	19,285,853
Total	\$ 111,150,000	\$ 37,070,050	\$ 58,950,000	\$ 19,532,298	\$ 23,055,000	\$ 6,284,202	\$ 256,041,550

General obligation bonds and certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds and certificates of obligation are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

In December 2012 and July 2014, the NBDA issued Tax Increment Contract Revenue and Refunding Obligations, series 2012 and Tax Increment Contract Revenue Obligations, series 2014, respectively, with the authorization and approval of the City. The obligations were issued to reimburse a developer for certain public improvement projects related to the Creekside Town Center Development and pay the costs of issuance. The debt issuances are the limited obligation of the NBDA, payable solely from pledged revenues. The pledged revenues consist of tax increments from the TIRZ payable to the NBDA as specified in the tri-party agreement between the City, the TIRZ, and the NBDA. The City is not obligated to make payments on the series 2012 and series 2014 obligations.

The City entered into a ten-year loan payable of \$1,394,231 with an interest rate of 2.09% with a national bank on May 30, 2014. The proceeds of the loan were used to acquire capital assets by which the loan is secured. The annual requirements to amortize the equipment loan payable outstanding at year end were as follows:

Equipment Loan Payable:

Year Ending Sep. 30	Governmental Activities		
	Principal	Interest	Total
2019	\$ 63,382	\$ 8,375	\$ 71,757
2020	64,707	7,050	71,757
2021	66,059	5,698	71,757
2022	67,440	4,317	71,757
2023	68,849	2,908	71,757
2024-2028	70,288	1,469	71,757
Total	\$ 400,725	\$ 29,817	\$ 430,542

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

The City has entered into various capital lease financing arrangements with interest rates that range from 1.85% to 2.25%. The annual requirements to amortize the capital leases payable outstanding at year end were as follows:

Year Ending Sep. 30	Governmental Activities		
	Principal	Interest	Total
2019	\$ 433,925	\$ 48,460	\$ 482,385
2020	435,851	46,534	482,385
2021	252,288	34,021	286,309
2022	261,875	24,435	286,310
2023	44,260	14,442	58,702
2023-2027	246,329	47,182	293,511
2028-2032	111,367	6,037	117,404
Total	\$ 1,785,895	\$ 221,111	\$ 2,007,006

The annual requirements to amortize NBU bonds outstanding at year end were as follows:

Year Ending Sep. 30	Bonds Payable		
	Principal	Interest	Total
2019	\$ 4,915,000	\$ 5,951,119	\$ 10,866,119
2020	3,562,732	5,816,769	9,379,501
2021	3,836,860	5,704,819	9,541,679
2022	3,870,821	5,582,819	9,453,640
2023	3,015,210	5,451,569	8,466,779
2024-2028	20,000,207	25,284,394	45,284,601
2029-2033	23,535,000	21,162,700	44,697,700
2034-2038	27,160,000	16,677,963	43,837,963
2039-2043	32,970,000	10,820,300	43,790,300
2044-2048	32,870,000	4,137,875	37,007,875
Total	\$ 155,735,830	\$ 106,590,327	\$ 262,326,157

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

E. Interfund Receivables and Payables

Interfund balances at September 30, 2018 consisted of the following:

Receivable Fund	Payable Fund	
General fund	Nonmajor governmental	\$ 10,155,424
Nonmajor governmental	Debt Service	5,213,393
Self insurance	Nonmajor governmental	1,329,577
Nonmajor governmental	Nonmajor capital	6,791,681
		\$ 23,490,075

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

F. Interfund Transfers

Transfers between the primary government funds during the year were as follows:

	Transfers In	Transfers Out	Explanation
General	\$ -	\$ 71,159	From Airport fund for administration services
	-	33,476	From Civic/Convention Center fund for administration services
	-	707,828	From Solid Waste fund for administration services and street impact fees
	-	12,624	From Grant fund for General fund reimbursement
	875,087	50,000	From Recreation Center Improvement fund for aquatic operations support
Total General Fund	875,087	875,087	
Grant	108,828	108,828	From General fund for cash match on grant projects
Total Grant Fund	108,828	108,828	
River Activities	-	137,317	From Solid Waste fund for river litter pick up
	172,061	34,744	From General fund for gap funding river activities
Total River Activities Fund	172,061	172,061	
Enterprise Maintenance	-	106,447	From Airport fund for equipment replacement and loan payoffs
	-	1,943	From Golf Course fund for equipment replacement
	-	1,233,519	From Solid Waste fund for heavy equipment replacement
	1,441,909	100,000	From Hotel/Motel Tax fund for Civic/Convention Center repairs
Total Enterprise Maintenance Fund	1,441,909	1,441,909	
Edwards Aquifer HCP	80,638	80,638	From General fund for administration support for the EAHCP program
Total Edwards Aquifer HCP Fund	80,638	80,638	
Debt Service	-	330,482	From Airport fund for debt service support
	-	71,016	From Solid Waste fund for debt service support
	962,598	561,100	From Hotel/Motel Tax fund for Civic Center debt service support and operating costs
Total Debt Service Fund	962,598	962,598	
Airport	162,091	162,091	From General fund for land lease for the CTTC building
Total Airport Fund	162,091	162,091	
Civic/Convention Center	348,240	348,240	From Hotel/Motel Tax fund for gap funding for Civic/Convention Center expenses
Total Civic/Convention Center Fund	348,240	348,240	
2013 Bond	5,800,000	5,800,000	From 2013 Certificates of Obligation fund for Das Rec construction costs support by the NBEDC
Total Bond 2013 Fund	5,800,000	5,800,000	
	\$ 9,951,452	\$ 9,951,452	

Transfers between funds occur primarily to finance programs accounted for in one fund with resources collected in other funds in accordance with budgetary authorizations.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

G. Restatement of Net Position

The City's net position for government and business-type activities has been restated to adjust for three items. Beginning net position for governmental activities, airport, solid waste, golf course and civic/convention center activities were restated for the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Component unit net position was restated as a result of costs that had been capitalized as assets in the prior year in governmental activities that should be reflected as a note receivable in the component unit. The final restatement is related to a payment made in the prior year that was considered Construction in Progress, but should not have been capitalized.

	Governmental Activities	Airport	Solid Waste	Golf Course	Civic Center	Economic Development Corporation
Beginning net position, as reported	\$ 10,834,107	\$ 14,925,907	\$ 3,355,595	\$ 5,535,221	\$ 6,459,566	\$ 14,136,223
TMRS OPEB liability	(1,149,503)	(11,479)	(78,436)	(16,532)	(8,678)	-
Deferred outflows - OPEB	7,579	76	517	109	57	-
Net OPEB obligation	10,411,429	102,735	709,281	153,848	85,223	-
Total OPEB Liability	(8,052,351)	(80,410)	(549,452)	(115,805)	(60,793)	-
Component unit receivable	(570,000)	-	-	-	-	570,000
CIP reclass	(1,500,000)	-	-	-	-	-
Beginning net position, as restated	\$ 9,981,261	14,936,829	3,437,505	5,556,841	6,475,375	\$ 14,706,223

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City's health insurance program is a self-insured minimum premium cash flow plan (the "Plan"). The City makes pre-determined monthly contributions to the Plan to fully cover the cost of employee-only coverage. The City and each covered employee make a pre-determined monthly contribution to the Plan if they cover one or more dependents. All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the Plan, and the City reimburses the insurance company for the amount of each claim paid. The insurance company charges the City a fee for each claim processed. Funding covers both the cost of claims and administrative expenses. The City paid \$5,571,484 in health claims and paid \$1,136,396 for administrative costs for the year ended September 30, 2018. The City contributed \$5,685,528 and City employees contributed \$1,350,805 to the Plan for the year ended September 30, 2018.

The transactions of the Plan are reported in the City's internal service fund. The City pays a specified monthly amount for each employee and a portion of an employee's dependent coverage which averages to approximately \$793. The largest portion of this amount is dedicated to the direct payment of claims. The remaining part of the monthly amount is dedicated to the payments of administrative

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

fees and commercial insurance for excess claims. The commercial insurance coverage becomes effective when the claims exceed the maximum amount per employee.

Estimated health claims that have been incurred but not reported are accrued at year end. The estimated liability for health claims is \$358,764 at September 30, 2018. The estimated liability for health claims is based upon historical claims experience.

The change in the claim liability for the years ended September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Claims payable, beginning of year	\$ 397,183	\$ 333,906
Plus: incurred claims	5,452,383	5,444,117
Less: claims paid	<u>(5,490,802)</u>	<u>(5,380,840)</u>
Claims Payable, End of Year	<u>\$ 358,764</u>	<u>\$ 397,183</u>

B. Contingent Liabilities

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

At September 30, 2018, the City is involved in various lawsuits. These lawsuits generally involve claims relating to general liability, automobile liability, civil rights actions, and various contractual matters. In the opinion of management, any liability resulting from such litigation would not have a material adverse effect on the City's financial statements.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. With the exception of health claims, no other claim liabilities are reported at year end.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by 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 TMRS with a six-member Board of Trustees (the "Board"). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

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 percent of the member's deposits and interest.

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

	2018	2017
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/ yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	246
Inactive employees entitled to, but not yet receiving, benefits	278
Active employees	587
Total	1,111

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, 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 seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.22 percent and 17.11 percent in

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were \$6,439,837, which 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 NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL 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%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were 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 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, TMRS adopted the EAN actuarial cost method and a one-time change to the amortization policy. 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, the actuary 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 are summarized in the following table:

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	100.00%	

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. 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 TPL.

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(A)	(B)	(A) - (B)
Changes for the year:			
Service cost	\$ 6,602,665	\$ -	\$ 6,602,665
Interest	9,783,894	-	9,783,894
Changes in current period benefits	-	-	-
Difference between expected and actual experience	1,216,121	-	1,216,121
Changes in assumptions	-	-	-
Contributions - employer	-	6,162,902	(6,162,902)
Contributions - employee	-	2,546,656	(2,546,656)
Net investment income	-	14,955,206	(14,955,206)
Benefit payments, including refunds of employee contributions	(4,868,903)	(4,868,903)	-
Administrative expense	-	(77,461)	77,461
Other changes	-	(3,925)	3,925
Net Changes	12,733,777	18,714,475	(5,980,698)
Balance at December 31, 2016	144,079,694	107,845,047	36,234,647
Balance at December 31, 2017	\$ 156,813,471	\$ 126,559,522	\$ 30,253,949

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 55,379,956	\$ 30,253,949	\$ 9,922,530

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$6,811,066.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual economic experience	\$ 1,787,457	\$ 360,318
Changes in actuarial assumptions	-	213,341
Difference between projected and actual investment earnings	-	3,351,851
Contributions subsequent to the measurement date	4,992,018	-
Total	\$ 6,779,475	\$ 3,925,510

\$4,992,018 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2019	\$ 169,316
2020	(51,642)
2021	(1,197,706)
2022	(1,194,105)
2023	136,084
Thereafter	-
Total	\$ (2,138,053)

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

D. Other Postemployment Benefits

1. TMRS Supplemental Death Benefits

Plan Description

The City participates an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 GASB 75. As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2017 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	212
Inactive employees entitled to, but not yet receiving, benefits	88
Active employees	587
Total	<u><u>887</u></u>

Total OPEB Liability

The City's total OPEB liability of \$1,484,805 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

CITY OF NEW BRAUNFELS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.31%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. The rate are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 58,109
Interest	48,695
Changes of assumptions	124,268
Benefit payments*	(10,895)
Net Changes	220,177
Beginning balance	1,264,628
Ending Balance	\$ 1,484,805

* Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

CITY OF NEW BRAUNFELS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's Total OPEB Liability	\$ 1,809,402	\$ 1,484,805	\$ 1,237,080

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 106,179	\$ -
Contributions subsequent to the measurement date	8,898	-
Total	\$ 115,078	\$ -

\$8,898 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction the of total OPEB liability for the fiscal year ending September 30, 2019.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense Amount
2019	\$ 18,089
2020	18,089
2021	18,089
2022	18,089
2023	18,089
Thereafter	15,734
Total	\$ 106,179

2. Retiree Health Plan

Plan Description

The City provides post-retirement medical, dental, vision, and life insurance benefits on behalf of its eligible retirees. GASB adopted statement No. 75 to replace GASB 45. GASB 75 requires public employers to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statements of the employer.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

Benefits

The City maintains self-funded medical and prescription drug coverage administered by Aetna for eligible employees and retired employees and their dependents (prior to attaining Medicare eligibility). Employees and retirees are also eligible for the City's fully-insured dental and vision plan options. In addition, retirees eligible for Medicare can remain with the City but are moved to a fully-insured Medicare Advantage plan. The dental, vision, and Medicare Advantage plans are 100% funded through retiree contributions. Since the retiree has to pay the full premium and there is not a material implicit subsidy for these benefits, there is no liability for the City. Therefore, the dental, vision, and Medicare Advantage plans were excluded from this valuation.

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to, but not yet receiving, benefits	-
Active employees	<u>571</u>
Total	<u>583</u>

Total OPEB Liability

The City's total OPEB liability of \$9,498,631 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Salary increases	3.00%
Discount rate	3.73%

The discount rate was based on an average of the 9/30/18 S&P Municipal Bond 20-Year High Grade Rate Index and the Fidelity General Obligation AA 20-Year Yield.

Mortality rates for active employees were based on the RPH-2014 Employee Mortality Table, Generational with Projection Scale MP-2018 for males or females, as appropriate.

Mortality rates for retirees/disabled employees were based on the RPH-2014 Healthy Annuitant and Disabled Retiree Mortality Table, Generational with Projection Scale MP-2018 for males or females, as appropriate.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period September 30, 2016 to September 30, 2018.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

Changes in the Total OPEB Liability

		<u>Total OPEB Liability</u>
Changes for the year:		
Service cost	\$	431,371
Interest		363,757
Changes of assumptions		237,182
Benefit payments		<u>(392,489)</u>
Net Changes		639,821
Beginning balance		<u>8,858,810</u>
Ending Balance	\$	<u>9,498,631</u>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (2.73%)</u>	<u>Discount Rate (3.73%)</u>	<u>1% Increase in Discount Rate (4.73%)</u>
City's Total OPEB Liability	<u>\$ 11,014,791</u>	<u>\$ 9,498,631</u>	<u>\$ 8,219,615</u>

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
City's Total OPEB Liability	<u>\$ 8,095,073</u>	<u>\$ 9,498,631</u>	<u>\$ 11,199,624</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

At September 30, 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>
Changes in actuarial assumptions	<u>\$ 189,746</u>	<u>\$ -</u>
Total	<u>\$ 189,746</u>	<u>\$ -</u>

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>September 30</u>	<u>OPEB Expense</u> <u>Amount</u>
2019	\$ 47,436
2020	47,436
2021	47,436
2022	47,436
2023	-
Thereafter	-
Total	\$ 189,744

E. Operating Lease

NBU has an operating lease (the "Lease") with Lower Colorado River Authority (LCRA) to lease certain transmission assets to LCRA. Payments for the lease facilities are based on the original cost of the facilities, adjusted for depreciation, and are updated annually to reflect additions, retirements, and depreciation. The terms of the Leases are perpetual, but may be terminated by either party upon five years written notice. On March 30, 2017, LCRA and NBU executed a Memorandum of Agreement (MOA) to terminate the Lease effective March 31, 2022. The MOA outlines a lease payment freeze that reverts the Lease payments to the Lease asset value as of NBU's Transmission Cost of Service (TCOS) rate case dated July 7, 2014. The compensable Lease asset value at the time was \$10,992,460, which equates to Lease revenue of \$855,667 per year. Lease revenues were \$855,667 and \$797,793 in fiscal year 2018 and fiscal year 2017, respectively. The receipts for fiscal year 2019 are expected to be \$855,667.

F. Tax Abatements

1. Chapter 378 Neighborhood Empowerment Zone Agreement

Chapter 378 of the Texas Local Government Code, *Neighborhood Empowerment Zone*, provides the authority to the governing body of a municipality to create a Neighborhood Empowerment Zone that would promote an increase in economic development in the municipality. The City has entered into a property tax abatement agreement (the "Agreement") with a company (the "Company") as authorized by Chapter 378 of the Texas Local Government Code. Under the Agreement, the Company agrees to establish a customer contact center that will employ 120 people by the end of the first year of operation and will employ at least 343 people by the end of the tenth year of operation. In exchange, the City will pay the Company 50 percent of the sales tax revenue received by the City which is connected to the Company's business activities within the City starting on the date outlined in the Agreement for a period of 10 years. The Agreement provides for recapture of sales taxes in the event of material breach. For the year ended September 30, 2018, the total amount of taxes abated were \$1,951,611 for the City and \$650,537 for the EDC.

2. Chapter 380 Economic Development Agreement

Chapter 380 of the Texas Local Government Code, *Miscellaneous Provisions Relating to Municipal Planning and Development*, provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs to promote state or local economic development and to stimulate business and commercial activity in the municipality.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

Sales Taxes

The City has entered into sales tax abatement agreements (the “Agreements”) with several developers (the “Developers”) as authorized by Chapter 380 of the Texas Local Government Code.

Under each Agreement, the Developers must meet certain commercial/retail development and/or employment requirements in order to have a portion of their sales taxes abated. The minimum limitation value varies by Agreement. Each Agreement provides for recapture in the event of material breach. The following summarizes the current Agreements:

- A Developer constructed a commercial and mixed-use development of approximately 160.56 acres of land for the purpose of promoting economic development in the City and stimulating business and commercial activity. The improvements were to be completed based on the terms of the Agreement. The Agreement expires 25 years after the effective date of the Agreement. The City will make payments to the Developer from sales tax revenues at an amount equal to 50 percent of sales tax revenue collected by the City and generated by the project. For the year ended September 30, 2018, the total amount of taxes abated were \$220,092 for the City.
- A Developer will construct a new grocery retail store with approximately 120,000 square feet for the purpose of creating and/or retaining at least 108 full-time equivalent (FTE) employees. The City has granted the Developer a tax limitation of \$1.5 million for a period of 5 years. In order to be eligible to receive the limitation, the Developer must have invested at least \$14 million during the time period beginning October 1, 2015 and ending December 31, 2016. The City will make quarterly payments to the Developer from sales tax revenues at an amount equal to 50 percent of sales taxes generated not to exceed a cumulative amount of \$700,000 paid by the City and \$800,000 paid by the EDCinning after the grocery store opens to the public. For the year ended September 30, 2018, the total amount of taxes abated were \$188,516 for the City.

A reconciliation of gross sales tax collections for these tax abatement agreements and the Creekside Town Center TIRZ is disclosed below:

	Sales Tax Reconciliation			
	General Fund	Creekside Town Center TIRZ	Economic Dev. Corporation	Total
Payments from Comptroller	\$ 23,593,104	1,016,049	\$ 7,864,037	\$ 32,473,190
Direct from City taxable services/commodities	2,063	-	1,019	3,082
Gross Sales Tax Collected	23,595,167	1,016,049	7,865,056	32,476,272
Creekside Town Center - Chapter 380 Abatement Payments	(2,614,233)	-	(1,412,574)	(4,026,807)
Net Sales Tax Collected	\$ 20,980,934	1,016,049	\$ 6,452,482	\$ 28,449,465

Property Taxes

The City has entered into property tax abatement agreements (the “Agreements”) with several developers (the “Developers”) as authorized by Chapter 380 of the Texas Local Government Code.

Under each Agreement, the Developers must meet certain commercial/retail development and/or employment requirements in order to have a portion of their property taxes abated. The minimum limitation value varies by Agreement.

CITY OF NEW BRAUNFELS, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2018

Each Agreement provides for recapture in the event of material breach. The following summarizes the current Agreements:

- The Developer constructed a commercial and mixed-use development of approximately 160.56 acres of land for the purpose of promoting economic development in the City and stimulating business and commercial activity. In exchange, the City will pay the company an amount annually equal to 70 percent of all property taxes received by the City related to the property in each tax year starting the first tax year following a transition period as outlined in the Agreement for a period of 25 years or until \$4,117,000 of the economic development grant is paid. For the year ended September 30, 2018, the total amount of taxes abated were \$279,748 for the City.

- The Developer agrees to construct a manufacturing facility of approximately 240,000 square-foot for the purpose of promoting economic development in the City and stimulating business and commercial activity. The City has granted the Developer a tax limitation for a period of 15 years. In order to be eligible to receive the limitation, the Developer agrees to make an investment of \$80 million that increases total taxable assessed value of at least \$35 million by January 2017 and \$50 million by January 2018. In addition, the Developer must meet certain employment conditions. The City will make annual payments to the Developer from property tax revenues at an amount equal to 80 percent, 60 percent, and 50 percent of total taxable assessed value for years one through five, six through eight, and nine through fifteen, respectively.

A reconciliation of gross property tax collections for these tax abatement agreements and the Creekside Town Center TIRZ is disclosed below:

	Maintenance and Operations	Interest and Sinking	Total
General fund	\$ 18,299,631	\$ 12,595,092	\$ 30,894,723
Creekside Town Center TIRZ	881,785	698,192	1,579,977
Gross Property Taxes Collected	19,181,416	13,293,284	32,474,700
Creekside Town Center - Chapter 380 Abatement Payments	(1,037,940)	(821,784)	(1,859,724)
Deferred revenue adjustment for governmental activities	44,045	-	44,045
Net Property Taxes Collected	\$ 18,187,521	12,471,500	30,659,021

Financial Advisory Services
Provided By:

