

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

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

**\$7,705,000\*  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020  
(THE “BONDS”)**

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

**Bids due  
Tuesday, October 27, 2020  
at  
11:00 A.M. Central Time**

\*Preliminary, subject to change. See “THE BONDS – Adjustment of Principal Amount and Maturity Schedule for the BONDS” in the Official Notice of Sale.

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

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

**OFFICIAL NOTICE OF SALE**

**\$7,705,000\***

**CITY OF SCHERTZ, TEXAS**

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

**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020**

**BONDS OFFERED FOR SALE AT COMPETITIVE BID:** The City Council (the “City Council”) of the City of Schertz, Texas (the “City” or the “Issuer”) is offering for sale at competitive bid it’s \$7,705,000\* General Obligation Refunding Bonds, Series 2020 (the “Bonds”).

**BIDS BY INTERNET:** Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on October 27, 2020. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System (“PARITY”) and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on October 27, 2020 indicating their intent to submit a bid by internet.

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

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

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

**OPENING OF BIDS:** Bids will be opened and publicly read at 11:00 A.M. Central Time, on Tuesday, October 27, 2020, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the “Financial Advisor”) and the City Council shall provide final approval of the award at a City Council meeting later that evening. The Mayor of the City or his representative shall award the Bonds as described in the section entitled “AWARD AND SALE OF THE BONDS” below.

**AWARD AND SALE OF THE BONDS:** By 12:00 P.M. (noon) Central Time, on the date set for receipt of bids, the Mayor of the City or his representative shall award the Bonds to the **low qualified bidder (the “Winning Bidder”)**, as described in the section entitled “CONDITIONS OF SALE – Basis of Award” herein subject to final approval of the City Council which will take action to adopt an ordinance (the “Ordinance”) authorizing the issuance and awarding sale of the Bonds or will reject all bids promptly at a scheduled meeting to commence at 6:00 P.M. Central Time on Tuesday, October 27, 2020. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

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\*Preliminary, subject to change based on bid structures. See “THE BONDS – Adjustment of Principal Amount and Maturity Schedule for the Bonds” herein.

**THE BONDS**

**DESCRIPTION OF CERTAIN TERMS OF THE BONDS:** The Bonds will be dated November 15, 2020 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on August 1, 2021, and semiannually on each February 1 and August 1 thereafter until the earlier of stated maturity or prior redemption. The Bonds will be issued as fully registered Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds (“Beneficial Owners”) will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by 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 Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” in the Official Statement.) The Bonds will be stated to mature on February 1 in each of the following years in the following amounts:

MATURITY SCHEDULE  
(Due February 1)

Stated Maturity	Principal Amount*	Stated Maturity	Principal Amount*
2022	\$970,000	2030	\$395,000
2023	990,000	2031	400,000
2024	990,000	2032	415,000
2025	340,000	2033	420,000
2026	355,000	2034	425,000
2027	365,000	2035	435,000
2028	375,000	2036	445,000
2029	385,000		

**ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS:** The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Bonds shall not exceed \$7,705,000\*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriting spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

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

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

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

**SECURITY FOR PAYMENT:** The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including Chapter 1207 as amended, Texas Government Code, the City’s Home Rule Charter, and an ordinance (the “Ordinance”) to be adopted by the City Council on October 27, 2020, the date of sale of the Bonds, and are payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City. (See “THE BONDS - Security for Payment of the Bonds” in the Preliminary Official Statement.)

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

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

\*Preliminary, subject to change

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

#### CONDITIONS OF SALE

**TYPES OF BIDS AND INTEREST RATES:** The Bonds will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Bonds from the Dated Date of the Bonds to the date of Initial Delivery (defined herein) of the Bonds. **No bid producing a cash premium on the Bonds that results in a dollar price of less than 107% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "THE BONDS - ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Bonds (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Bonds of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

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

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

#### **ESTABLISHMENT OF ISSUE PRICE:**

(a) The Winning Bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City by the Delivery Date an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the City, and Norton Rose Fulbright US LLP, the City's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Bonds under applicable federal regulations). All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's Financial Advisor and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the City shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

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

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the Winning Bidder. In such event, the City intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"). The City shall promptly advise the Winning Bidder, at or before the time of award of the Bonds, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Bonds. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies. In the event that the competitive sale requirements are

not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

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

(e) The City acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled “ESTABLISHMENT OF ISSUE PRICE”:

- (1) “public” means any person other than an underwriter or a related party,
- (2) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if

one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (4) "sale date" means the date that the Bonds are awarded by the City to the Winning Bidder.

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** See "THE BONDS – Adjustment of Principal Amounts and Maturity Schedule for the Bonds" for a description of the City's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities.

**GOOD FAITH DEPOSIT:** A bank cashier's check payable to the order of "City of Schertz, Texas" in the amount of \$154,100, which is 2% of the par value of the Bonds (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the City until the Bonds are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Bonds; however, should the Purchaser fail or refuse to take up and pay for the Bonds, said Good Faith Deposit is to be cashed by the City and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

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

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

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Schertz, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Schertz GOR2020 – Bid Form) and description of the goods or services (Purchase of the City of Schertz, Texas General Obligation Refunding Bonds, Series 2020). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/filinginfo/1295>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City. The executed Disclosure Form must be sent by email to the City's financial advisor at [mmcliney@samcocapital.com](mailto:mmcliney@samcocapital.com), as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Jeff Kuhn, c/o Norton Rose Fulbright US LLP, 111 West Houston Street, Suite 1800, San Antonio, Texas 78205, along with a PDF executed version sent to [w.jeffrey.kuhn@nortonrosefulbright.com](mailto:w.jeffrey.kuhn@nortonrosefulbright.com).

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Bonds until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed

Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at <https://www.ethics.state.tx.us/filinginfo/1295>.

**ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE:** Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

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

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

#### **OFFICIAL STATEMENT**

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

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

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

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

**FINAL OFFICIAL STATEMENT:** In addition to delivering the Official Statement in a "designated electronic format", the City will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Bonds, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Bonds. The Purchaser will be responsible for providing information concerning the City and the Bonds to subsequent purchasers of the Bonds, and the City will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The City agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The City consents to the distribution of such documents in a "designated electronic format". Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The City's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Bonds to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Bonds have been sold to ultimate customers.

**CHANGES TO OFFICIAL STATEMENT:** If, subsequent to the date of the Official Statement, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - Conditions to Delivery", the City will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the City to do so will terminate when the City delivers the Bonds to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Bonds have been sold to ultimate

customers, in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

**CERTIFICATION OF THE OFFICIAL STATEMENT:** At the time of payment for and delivery of the herein after defined Initial Bonds (the "Delivery Date"), the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the initial delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last financial statements of the City appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the City Council of the City on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the City.

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

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

The City's audits for fiscal years ending 2013, 2014, 2016, and 2017 were timely filed; however, they were not linked to the CUSIP associated with the Schertz/Seguin Local Government Corporation. A corrective filing was made on October 2, 2018 to properly link the CUSIPs.

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

**INITIAL DELIVERY OF INITIAL BOND:** The initial delivery of the Bonds to the Purchasers on the "Delivery Date" (identified below), will be accomplished by the issuance of either (i) a single fully registered Bond in the total principal amount of \$7,705,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Bond for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Bond(s)"), signed by manual or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Bonds will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Bond(s), they shall be immediately canceled and one Bond for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Bond(s) must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery of the Initial Bonds can be made on or about November 18, 2020, but if for any reason the City is unable to make delivery by November 18, 2020, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Bonds. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the City's reasonable control.

**EXCHANGE OF INITIAL BONDS FOR DEFINITIVE BONDS:** Upon payment for the Initial Bond(s) at the time of such delivery, the Initial Bond(s) are to be canceled by the Paying Agent/Registrar and registered definitive Bonds delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Bonds shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Bond(s), final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Bond(s) and delivery of registered definitive Bonds may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

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

**CONDITIONS TO DELIVERY:** The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Bond, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "No Material Adverse Change", all as described below. In addition, if the City fails to comply with its obligations described under



"OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the City within five (5) days thereafter.

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

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

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

#### GENERAL CONSIDERATIONS

**FUTURE REGISTRATION:** The Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and interest rate as the Bonds surrendered for exchange or transfer.

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

**RATING:** A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchasers as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the view of S&P at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

**REGISTRATION AND QUALIFICATION OF BONDS FOR SALE:** No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Bonds are offered for sale.

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

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

/s/ Ralph Gutierrez  
Mayor,  
City of Schertz, Texas

ATTEST:

/s/ Brenda Dennis  
City Secretary,  
City of Schertz, Texas

October 20, 2020

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# CERTIFICATE OF INTERESTED PARTIES

# FORM 1295

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

### OFFICE USE ONLY

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

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

City of Schertz, Texas

**3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the goods or services to be provided under the contract.**  
 Contract Number: Schertz GOR2020 - Bid Form  
 Purchase of the City of Schertz, Texas General Obligation Refunding Bonds, Series 2020

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

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

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

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

AFFIX NOTARY STAMP / SEAL ABOVE

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

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

**ADD ADDITIONAL PAGES AS NECESSARY**

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**OFFICIAL BID FORM**

Honorable Mayor and City Council  
 City of Schertz  
 1400 Schertz Parkway  
 Schertz, Texas 78154

October 27, 2020

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated October 20, 2020, which terms are incorporated by reference to this proposal, we hereby submit the following bid for \$7,705,000 (preliminary, subject to change) CITY OF SCHERTZ, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020, dated November 15, 2020 (the "Bonds").

For said legally issued Bonds, we will pay you \$\_\_\_\_\_ (being a price of no less than 107% par value) plus accrued interest from their date to the date of delivery to us for Bonds maturing on February 1, in each of the following years, and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2022	\$970,000		2030*	\$395,000	
2023	990,000		2031*	400,000	
2024	990,000		2032*	415,000	
2025	340,000		2033*	420,000	
2026	355,000		2034*	425,000	
2027	365,000		2035*	435,000	
2028	375,000		2036*	445,000	
2029*	385,000				

*\*Maturities available for Term Bonds*

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

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** As a condition to our submittal of this bid for the Bonds, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Bonds shall not exceed \$7,705,000\*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

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

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

\*Preliminary, subject to change.

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

Cashier's Check of the \_\_\_\_\_ Bank, \_\_\_\_\_, Texas, in the amount of \$154,100, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Bonds utilizing the Book-Entry-Only System through DTC and make payment for the Initial Bonds in immediately available funds at the Corporate Trust Division, UMB Bank, N.A., Austin, Texas, not later than 10:00 A.M., Central Time, on Tuesday, November 18, 2020, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Bonds to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the City. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

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

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

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

By: \_\_\_\_\_  
Authorized Representative  
\_\_\_\_\_  
Telephone Number  
\_\_\_\_\_  
E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Schertz, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 27<sup>th</sup> day of October 2020.

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

ATTEST:

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

**\$7,705,000\***  
**CITY OF SCHERTZ, TEXAS**  
**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020**

ISSUE PRICE CERTIFICATE

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

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

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

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

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

**2. Defined Terms.**

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

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

(c) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is October 27, 2020.

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

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

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

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

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

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

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

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SCHEDULE A  
EXPECTED OFFERING PRICES

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SCHEDULE B  
COPY OF UNDERWRITER'S BID

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

NEW ISSUE BOOK-ENTRY-ONLY

Rating: S&P "Applied for"  
(See "OTHER PERTINENT INFORMATION – Rating" herein)

**PRELIMINARY OFFICIAL STATEMENT**  
**Dated: October 20, 2020**

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

**The City will designate the Bonds as "Qualified Tax Exempt Obligations" for financial institutions.**

**\$7,705,000\***

**CITY OF SCHERTZ, TEXAS**

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

**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020**

**Dated Date: November 15, 2020**

**Due: February 1, as shown on page 2**

The \$7,705,000\* City of Schertz, Texas General Obligation Refunding Bonds, Series 2020 (the "Bonds") are being issued by the City of Schertz, Texas (the "Issuer" or the "City") in accordance with the Constitution and laws of the State of Texas (the "State"), particularly Chapter 1207, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council on October 27, 2020. (See "THE BONDS - Authority for Issuance" herein.)

The Bonds are direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Bonds will accrue from November 15, 2020 (the "Dated Date") and will be payable on February 1 and August 1 of each year, commencing August 1, 2021 until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by UMB Bank, N.A., Austin, Texas, as initial 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 Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used (1) to refund certain of the City's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (2) to pay costs of issuance and expenses relating to the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)

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

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*The Bonds are offered for delivery, when, as and if issued and received by the initial purchasers thereof at a competitive sale (the "Purchasers") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. (See "LEGAL MATTERS – Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.) It is expected that the Bonds will be available for delivery through DTC on or about November 18, 2020.*

**BIDS DUE TUESDAY, OCTOBER 27, 2020, 11:00 A.M. CENTRAL TIME**

\*Preliminary, subject to change.

\$7,705,000\*  
 CITY OF SCHERTZ, TEXAS  
 (A political subdivision of the State of Texas located in Guadalupe, Comal and Bexar Counties)  
 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

STATED MATURITY SCHEDULE\*

CUSIP No. Prefix <sup>(1)</sup> 806645

Stated Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix <sup>(1)</sup>	Stated Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix <sup>(1)</sup>
2022	\$ 970,000				2030	\$ 395,000			
2023	990,000				2031	400,000			
2024	990,000				2032	415,000			
2025	340,000				2033	420,000			
2026	355,000				2034	425,000			
2027	365,000				2035	435,000			
2028	375,000				2036	445,000			
2029	385,000								

(Interest to accrue from the Dated Date)

The Bonds maturing on or after February 1, 2030 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, 2029 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described herein. Additionally, the Purchasers may select certain maturities of the Bonds to be grouped together as a "term bond" and such term bonds would be subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions " herein.)

\* Preliminary, subject to change.

<sup>(1)</sup> CUSIP numbers are included solely for the convenience of the owner of the Bonds. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global 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 Purchasers are responsible for the selection or correctness of the CUSIP numbers set forth herein.

**CITY OF SCHERTZ TEXAS**  
**1400 Schertz Parkway**  
**Schertz, Texas 78154**  
**Telephone: (210) 619-1000**

**ELECTED OFFICIALS**

Name	Years Served	Term Expires (November)	Occupation
Ralph Gutierrez Mayor	2	2022	Retired
David L. Scagliola Mayor Pro-Tem, Place 5	10	2020	Adjunct Professor
Mark Davis Councilmember, Place 1	4	2022	Operations Analyst
Rosemary Scott Councilmember, Place 2	1	2022	High School Teacher
Scott Larson Councilmember, Place 3	3	2020	Insurance Rater
Michael Dahle Councilmember, Place 4	1	2020	Facility Manager
Allison Heyward Councilmember, Place 6	2	2021	PT Substitute Teacher
Tim Brown Councilmember, Place 7	2	2021	Real Estate Broker

**ADMINISTRATION**

Name	Position	Length of Service (Years)
Mark Browne	City Manager	1
Brian James	Assistant City Manager	8
Charles Kelm	Assistant Manager	1
James Walters	Director of Finance	10
Brenda Dennis	City Secretary	12
Charlie Zech	City Attorney	6

**CONSULTANTS AND ADVISORS**

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

**Certified Public Accountants**..... Patillo, Brown & Hill, L.L.P.  
Waco, Texas

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

**For Additional Information Please Contact:**

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afriedman@samcocapital.com

**USE OF INFORMATION IN THE OFFICIAL STATEMENT**

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

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained 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 Purchasers have provided the following statement for inclusion in this Official Statement. The Purchasers have reviewed the information in this Official Statement in accordance with, and a part of, their responsibilities to investors under the federal securities laws applied to the facts and circumstances of this transaction, but the Purchasers do not guarantee the accuracy or completeness of such information.

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

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

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

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

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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 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

<b>The Issuer</b>	The City of Schertz, Texas (the "Issuer" or the "City"), is located between the cities of San Antonio, Texas and New Braunfels, Texas, on Interstate 35 and FM 78 and on Interstate 10 between the cities of San Antonio, Texas and Seguin, Texas and in the area between IH-35 and IH-10. The corporate limits extend into the counties of Bexar, Guadalupe and Comal, with the largest portion of the City being located within Guadalupe County. The City was incorporated in December 1958 and is a home rule municipality operating under its own Home Rule Charter since 1974. The Home-Rule Charter was most recently amended November 3, 2015. The City operates under the Council/Manager form of government pursuant to the Constitution and the general laws of the State of Texas. The City Manager, appointed by the Mayor and the seven-member elected City Council (the "City Council"), is the chief administrative officer of the City. (See "APPENDIX B –General Information Regarding the City of Schertz, Texas and Guadalupe, Comal, and Bexar Counties, Texas" herein.)
<b>The Bonds</b>	The \$7,705,000* City of Schertz, Texas General Obligation Refunding Bonds, Series 2020 (the "Bonds") are being issued by the City of Schertz, Texas (the "Issuer" or the "City") in accordance with the Constitution and laws of the State of Texas (the "State"), particularly Chapter 1207, as amended, Texas Government Code, the City's Home Rule Charter, and an ordinance (the "Ordinance") to be adopted by the City Council on October 27, 2020.
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar for the Bonds is UMB Bank, N.A., Austin, Texas.
<b>Security for the Bonds</b>	The Bonds constitute direct and general obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)
<b>Redemption Provisions</b>	The Bonds maturing on or after February 1, 2030 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, 2029 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchasers may select certain consecutive maturities of the Bonds to be grouped together as one or more term bonds and such term bonds would be subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.)
<b>Qualified Tax-Exempt Obligations</b>	The City will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations").
<b>Use of Bond Proceeds</b>	Proceeds from the sale of the Bonds will be used (1) to refund certain of the City's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (2) to pay costs of issuance and expenses relating to the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)
<b>Rating</b>	A municipal bond rating application for the Bonds has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings")
<b>Book-Entry-Only System</b>	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
<b>Payment Record</b>	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
<b>Future Debt Issues</b>	The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2020.
<b>Delivery</b>	When issued, anticipated to occur on or about November 18, 2020.
<b>Legality</b>	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel.

\*Preliminary, subject to change.

**OFFICIAL STATEMENT**

Relating to

**\$7,705,000\***

**CITY OF SCHERTZ, TEXAS**

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

**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020**

**INTRODUCTORY STATEMENT**

This Official Statement, including Schedule I and the appendices hereto, provides certain information in connection with the issuance by the City of Schertz, Texas (the "City" or "Issuer") of its \$7,705,000\* General Obligation Refunding Bonds, Series 2020 (the "Bonds") identified on page 2 hereof.

The Issuer is a political subdivision of the State of Texas and a home-rule municipal corporation organized and existing under the laws of the State of Texas. The Bonds are being issued by the City of Schertz, Texas in accordance with the Constitution and laws of the State of Texas (the "State"), particularly Chapter 1207, as amended, Texas Government Code, the City's Home Rule Charter, and an ordinance (the "Ordinance") to be adopted by the City Council on October 27, 2020.

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 Bonds and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

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

**INFECTIOUS DISEASE OUTBREAK – COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas (the "State"). On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID- 19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic which has been subsequently extended and remains in effect. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include executive orders which have, among other things, imposed limitations on social gatherings and established occupancy limits for most businesses in Texas. Business establishments including restaurants, retail establishments, manufacturers, and office buildings are subject to a 75 percent occupancy limit. Additionally, such orders required every person in Texas to wear a face covering over the nose and mouth while inside a commercial entity, building, or space open to the public, or in an outdoor public space when it is not feasible to maintain six feet of social distance, subject to certain exceptions. In a separate order, the Governor has required that every hospital reserve at least 10 percent of its hospital capacity for treatment of COVID- 19 patients, and further imposed a moratorium on elective surgeries in any "Trauma Service Area" that has had seven consecutive days in which the number of COVID- 19 hospitalized patients as a percentage of all hospitalized patients exceeds 15 percent. The Governor retains the authority to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

\*Preliminary, subject to change.

In addition to the actions by the State and federal officials, certain local officials, including the City and Guadalupe, Comal and Bexar Counties, Texas, have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Bonds. The City, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the City.

The City collects a sales and use tax on all taxable transactions within the City's boundaries, revenue from the sale of water and the collection of sewage, franchise fees based on private utility sales, and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes, utility system revenue, and utility franchise and other fees and charges may negatively impact the City's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

## **THE BONDS**

### **Purpose of Bonds**

Proceeds from the sale of the Bonds will be used (1) to refund certain of the City's currently outstanding Bonds, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (2) to pay costs of issuance and expenses relating to the Bonds.

### **Refunded Obligations**

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with UMB Bank, N.A., Austin, Texas, a national banking association (the "Escrow Agent") pursuant to an Escrow Deposit Letter dated as of October 27, 2020 (the "Escrow Agreement") between the City and the Escrow Agent.

The Ordinance provides that the City will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the City (if any), with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled date of early redemption (the "Redemption Date"). Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the City, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Obligations, when due, on the Redemption Date (the "Sufficiency Certificate"). Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose, be (i) held uninvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Ordinance was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA". Cash and investments, if any, held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

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

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate provided by SAMCO Capital Markets, Inc., that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt. The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payment.

## General Description

The Bonds will be dated November 15, 2020 (the "Dated Date"), will be issued in denominations of \$5,000 principal or any integral multiple thereof within a stated maturity, and will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. Interest on the Bonds will accrue from the Dated Date, with such interest payable on February 1 and August 1 of each year, commencing August 1, 2021, until stated maturity or prior redemption. Principal and interest on the Bonds are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM." In the event the Book-Entry-Only System is discontinued, the interest on the Bonds will be payable to the registered owner as shown on the security register maintained by UMB Bank, N.A., Austin, Texas, as the initial Paying Agent/Registrar, as of the Record Date (defined herein) by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Bonds will be payable at Stated Maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

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

## Authority for Issuance

The Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including Chapter 1207, as amended, Texas Government Code, the Ordinance, and the City's Home Rule Charter.

## Security for Payment

The Bonds are direct obligations payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

## Redemption Provisions

The Issuer reserves the right to redeem Bonds stated to mature February 1, 2030, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar) on February 1, 2029 or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. Two or more consecutive maturities of the Bonds may be grouped together as a term bond by the Purchasers, and such term bonds would be subject to mandatory sinking fund redemption in accordance with the Ordinance. If less than all of the Bonds within a stated maturity are to be redeemed, the particular Bonds to be redeemed will be selected by lot or by other customary random method by the Paying Agent/Registrar.

## Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the City shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

## Notice of Redemption

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

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than \$5,000.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System,

a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer or the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

**Sources and Uses**

<u>Sources of Funds</u>	<u>The Bonds</u>
Par Amount	\$ _____
Accrued Interest	_____
[Net] Reoffering Premium	_____
City Cash Contribution	_____
<b>Total Sources of Funds</b>	<b>\$ _____</b>
<u>Uses of Funds</u>	
Deposit to Escrow Fund	\$ _____
Costs of Issuance	_____
Purchasers' Discount	_____
Deposit to Bond Fund	_____
<b>Total Uses of Funds</b>	<b>\$ _____</b>

**Payment Record**

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

**Legality**

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas ("Bond Counsel"). The legal opinion of Bond Counsel will accompany the Bonds to be deposited with DTC or will be printed on the Bonds should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

**Defeasance**

The Ordinance provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, (2) Government Securities (defined below) to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. City officials may restrict the use of such Government Securities as deemed appropriate. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

### **Amendments**

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, change the redemption price or amount, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

### **Default and Remedies**

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

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

In *Wasson Interests, Ltd., v. City of Jacksonville*, No. 14-0645 at 18, (Tex. April 1, 2016), ("*Wasson*") the Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary at the time of conception of the contractual relationship.

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

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. As noted above, the Ordinance provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("*Chapter 9*"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not

specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors or general principles of equity which permit the exercise of judicial discretion.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking institution, shall be an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. 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 earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

### **Record Date**

The record date ("Record Date") for determining the person entitled to the receipt of the interest payable on a Bond on any interest payment date means the fifteenth (15<sup>th</sup>) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "Special Record Date for Interest Payment" herein.)

### **Special Record Date for Interest Payment**

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

### **Future Registration**

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

### **Limitation on Transfer of Bonds**

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

## Replacement Bonds

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

## BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Purchasers believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City, the Financial Advisor, and the Purchasers cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or any 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 applicable series of Bonds), or any 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 Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. 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 S&P Global Ratings 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](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("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 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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



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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Purchasers believe to be reliable, but the Issuer, the Financial Advisors and the Purchasers take no responsibility for the accuracy thereof.

#### **Use of Certain Terms in Other Sections of this Official Statement**

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

#### **Effect of Termination of Book-Entry-Only System**

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

### **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 and subject to certain limitations, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The Issuer may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the Issuer may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the Issuer may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the Issuer is not required to liquidate the investment unless it no longer carries a required rating, in which case the Issuer is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

#### **Investment Policies**

Under State law, the Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of

authorized investments for Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

**TABLE 1**

As of August 20, 2020 the City held investments as follows:

<u>Type of Security</u>	<u>Market Value</u>	<u>Percentage of Total</u>
Operations	\$ 7,548,182	8.50%
Logic	17,009,531	19.16%
Lonestar	28,760,269	32.40%
Texas Class	27,767,569	31.27%
Hancock Whitney	3,297,099	3.71%
Certificates of Deposit	4,406,480	4.96%
	<u>\$ 88,789,130</u>	<u>100.00%</u>

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

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

**AD VALOREM PROPERTY TAXATION**

*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. Prospective investors are encouraged to review 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 (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The Guadalupe Appraisal District (the "Appraisal District") is primarily responsible for appraising property within the City generally as of January 1 of each year. Small portions of the City are also located in Bexar and Comal Counties, Texas. Except as generally 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 (3) 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.

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. 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 "AD VALOREM PROPERTY TAXATION – City 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 appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (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. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

### **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 and Goods-In-Transit Exemptions**

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are 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 taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment 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 Reinvestment Zones**

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. 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 “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other

overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

### **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. For a discussion of how the various exemptions described above are applied by the City, see "CITY'S APPLICATION OF PROPERTY TAX CODE" herein.

### **City and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the City, 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.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing 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.

### **Levy and Collection of Taxes**

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

### **City's Rights in the Event of Tax Delinquencies**

Taxes levied by the City are a personal obligation of the owner of the property. 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 each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

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.

### **Public Hearing and Maintenance and Operations 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.

“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).

“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.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate 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 Bonds.**

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.

### **Debt Tax Rate Limitations**

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by 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 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

### **CITY'S APPLICATION OF THE PROPERTY TAX CODE**

See Table 1 in APPENDIX A for a listing of the amounts of the exemptions described below.

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older of \$10,000.00.

The City grants an exemption to the appraised value of the residence homestead of disabled persons of \$3,000.00.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

Ad valorem taxes may be levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not permit split payments, but does allow discounts for early payments.

The City does tax Goods-in-Transit.

The City does not tax Freeport Property.

The City does not collect an additional one-half of one percent sales tax for reduction of ad valorem taxes.

Pursuant to the City's Chapter 380 Agreement Policy, the City has entered into a Chapter 380 Agreement (the "Agreement") with Caterpillar Inc. ("Caterpillar"). Under the terms of the Agreement, the City will provide Caterpillar a rebate of not more than 75% of the ad valorem taxes levied on Caterpillar's personal property for a period of eight years beginning in the year following (and conditioned upon) the timely completion and operation of four distinct phases of construction. Under the Agreement, Caterpillar is obligated: (i) for Phase 1, by no later than December 31, 2011, to construct and maintain a manufacturing facility of at least 200,000 square feet; create, staff, and maintain at least 60 full-time employees with a combined minimum monthly payroll of \$225,000 for the full term of the Agreement; (ii) for Phase 2, by no later than December 31, 2014, construct an additional 200,000 square-feet of manufacturing facility; and create, staff, and maintain an additional 20 full-time employees (80 total) with a combined minimum monthly payroll of \$300,000 for the full term of the Agreement; (iii) for Phase 3, by no later than December 31, 2018, construct an additional 200,000 square-feet of manufacturing facility; and create, staff, and maintain an additional 20 full-time employees (100 total) with a combined minimum monthly payroll of \$375,000 for the full term of the Agreement; and (iv) for Phase 4, by no later than December 31, 2020, construct an additional 200,000 square-feet of manufacturing facility; and create, staff, and maintain an additional 20 full-time employees (120 total) with a combined minimum monthly payroll of \$450,000 for the full term of the Agreement. The tax credit on personal property granted by the City to Caterpillar will be reduced by 25% for each 10% reduction in personal property held by Caterpillar within the City less than (i) \$25,000,000 for Phase 1, (ii) \$20,000,000 for Phase 2, (iii) \$20,000,000 for Phase 3, and (iv) \$20,000,000 for Phase 4. Caterpillar's personal property in year one of the Agreement in Phase 1 was

\$19,447,711, and so in December 2013 the parties entered into an amendment to the Agreement allowing Caterpillar to add the value of any personal property in year two above \$25,000,000 to the calculated value for year one for the purposes of calculating the tax credit for that year. If Caterpillar should discontinue operations at the construction site or otherwise fails to meet the conditions required for each respective phase of construction, the City may, after providing notice and reasonable time to cure such default, terminate the Agreement and recapture the ad valorem tax benefit given to Caterpillar for such phase for the prior five tax years as liquidated damages. The total tax impact on the City through the term of the Agreement is expected to be approximately \$2,600,000.

The City may enter into additional Chapter 380 Agreements in the future with business entities existing or to be constructed within the City. Any such Chapter 380 Agreements will provide benefits and impose requirements pursuant to the City's Chapter 380 Agreement Policy.

The City currently has one TIRZ/TIF Zone. The City is a principal in the City of Schertz Tax Increment Reinvestment Zone #2 (the "Zone"), pursuant to Chapter 311 of the Texas Tax Code, as amended. Under the terms of the agreement, the City, Bexar County, and the San Antonio River Authority ("the "Parties") are funding infrastructure improvements through tax increment financing to the Sedona Development Project, an 825 acre development designed to include up to 2,200 residential units. Project costs of the developer will be funded by a portion of the tax increment generated by the Parties, including 100% of the City's tax rate, 58% of Bexar County's maintenance and operations tax rate, and 55% of the San Antonio River Authority's tax rate, above the property's base year value of \$3,127,500. The costs of the infrastructure financed by the Zone are estimated at \$41,801,420, and the Parties' combined exposure is capped at \$45,000,000, of which Bexar County's portion is capped at \$12,123,000. The City has reserved the right to issue tax increment financed bonds to finance infrastructure in the Zone, but has not done so to date. The Zone has a statutory termination date of December 31, 2027. The total tax impact on the City through the term of the Agreement is expected to be \$32,186,700.

The City may create additional TIRZ/TIF Zones in the future with business entities existing or to be constructed within the City. Any such zones will provide benefits and impose requirements pursuant to the City's TIRZ/TIF policy.

## **TAX MATTERS**

### **Tax Exemption**

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

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

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

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

### **Tax Changes**

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

## **Ancillary Tax Consequences**

Prospective purchaser of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations” herein), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (“FASIT”), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchaser should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

## **Tax Accounting Treatment of Discount Bonds**

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the “Discount Bonds”). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

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

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

## **Tax Accounting Treatment of Premium on Certain Bonds**

The initial public offering price to be paid for certain Bonds (the “Premium Bonds”) may be greater than the stated redemption price on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable certificate premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity.

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

## **Qualified Tax-Exempt Obligations**

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



501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

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

### **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 Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under these agreements, 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”). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal market Access (“EMMA”) system through an internet website accessible at [www.emma.msrb.org](http://www.emma.msrb.org) as described below under “Availability of Information”.

#### **Annual Reports**

Under State law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must maintain each audit report within 180 days after the close of the City’s fiscal year. The City’s fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City’s audit reports to any bondholder or other member of the public within a reasonable time on request to City Secretary, 1400 Schertz Parkway, Schertz, Texas, 78154 and upon payment of charges prescribed by the Texas General Services Commission.

The City will file certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general obligation type included in Table 1 of the Official Statement and in Tables 1 through 20 of APPENDIX A to this Official Statement, and in APPENDIX D. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2020. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission’s 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 available by the required time, the City will provide unaudited financial statements by the required time, and will provide audited financial statements when and if the audit report becomes 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 the last day of March 31 in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of such change with the MSRB through EMMA.

#### **Notice of Certain Events**

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports.” Neither the Bonds nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction

over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

#### **Availability of Information**

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

#### **Limitations and Amendments**

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

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

#### **Compliance with Prior Undertakings**

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

## **LEGAL MATTERS**

#### **Legal Opinions and No-Litigation Certificate**

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

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

#### **Litigation**

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

## **Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "OTHER PERTINENT INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

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

### **FORWARD LOOKING STATEMENTS**

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

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

### **OTHER PERTINENT INFORMATION**

#### **Registration and Qualification of Bonds for Sale**

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; or have the Bonds been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

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

#### **Rating**

A municipal bond rating application for the Bonds has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available as soon as possible. An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflect only the views of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revisions or withdrawals of the rating may have an adverse effect on the market price of the Bonds.

#### **Authenticity of Financial Information**

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

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

**Financial Advisor**

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds 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 the Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

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

**Winning Bidder**

After requesting competitive bids for the Bonds, the City accepted the bid of \_\_\_\_\_ (the "Purchasers") to purchase the Bonds at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a net reoffering premium of \$\_\_\_\_\_, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchasers. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchasers.

**Certification of the Official Statement**

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

**Authorization of the Official Statement**

The Official Statement will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the City Council, and the Purchasers will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorize its further use in the reoffering of the Bonds by the Purchasers.

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

ATTEST:

CITY OF SCHERTZ, TEXAS

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

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

**SCHEDULE I**

**SCHEDULE OF REFUNDED OBLIGATIONS**

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## SCHEDULE I

### Schedule of Refunded Obligations\*

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City of Schertz, Texas General Obligation Refunding Bonds, Series 2011A

<b>Maturity Date (2/1)</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Redemption Date</b>
2022	\$ 670,000	2.33%	2/1/2021
2023	675,000	2.33%	2/1/2021
2024	660,000	2.33%	2/1/2021
	<u>\$ 2,005,000</u>		

City of Schertz, Texas General Obligation Bonds, Series 2011

<b>Maturity Date (2/1)</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Redemption Date</b>
2022	\$ 285,000	5.500%	2/1/2021
2023	300,000	5.500%	2/1/2021
2024	315,000	4.000%	2/1/2021
2025	330,000	4.125%	2/1/2021
2026	345,000	4.250%	2/1/2021
2027	360,000	4.375%	2/1/2021
2028	375,000	4.500%	2/1/2021
2029	390,000	4.625%	2/1/2021
2030	410,000	4.750%	2/1/2021
2031	430,000	5.000%	2/1/2021
2032	455,000	5.000%	2/1/2021
2033	475,000	5.000%	2/1/2021
2034	500,000	5.000%	2/1/2021
2035	525,000	5.000%	2/1/2021
2036	555,000	5.000%	2/1/2021
	<u>\$ 6,050,000</u>		

\* Preliminary, subject to change.

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**APPENDIX A**  
**FINANCIAL INFORMATION**  
**CITY OF SCHERTZ, TEXAS**

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION**

**TABLE 1**

2020 Certified Market Value of Taxable Property (100% of Market Value).....	\$ 5,417,276,099
Less Exemptions:	
Optional Over-65 or Disabled.....	\$ 28,127,801
Veterans' Exemptions.....	464,467,652
Freeport Exemptions.....	167,855,436
Open-Space Land and Timberland.....	190,979,141
Prorations/Partial Required Exemptions.....	-
Pollution Control.....	758,960
Tax Abatement Act.....	968,658
Solar/Wind Exemption.....	712,588
Loss to 10% HO Cap.....	11,679,577
<b>TOTAL EXEMPTIONS</b> .....	<u>865,549,813</u>
2020 Assessed Value of Taxable Property <sup>(1)</sup> .....	\$ <u>4,551,726,286</u>

<sup>(1)</sup> Includes a Freeze Taxable Value of \$498,955,440.

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

**GENERAL OBLIGATION BONDED DEBT**

*(as of October 1, 2020)*

**General Obligation Debt (Principal Outstanding)**

General Obligation Bonds, Series 2007	\$ 2,590,000
General Obligation Bonds, Series 2011	270,000 <sup>(1) *</sup>
General Obligation Refunding Bonds, Series 2011	240,000
General Obligation Refunding Bonds, Series 2011A	485,000 <sup>(1) *</sup>
General Obligation Bonds, Series 2012	5,085,000
General Obligation Refunding Bonds, Series 2013	1,040,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013	2,690,000
General Obligation Refunding Bonds, Series 2014	7,900,000
Tax Notes, Series 2015	190,000
Tax Notes, Series 2015A	305,000
General Obligation Refunding Bonds, Series 2015	1,830,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016A	1,685,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Taxable Series 2016B	1,250,000
General Obligation Bonds, Series 2016	4,830,000
General Obligation Bonds, Series 2017	3,495,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017	4,345,000
General Obligation Refunding Bonds, Series 2018	4,925,000
General Obligation and Refunding Bonds, Series 2018	7,560,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	9,650,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019	7,120,000
The Bonds	<u>7,705,000 *</u>
Total Gross General Obligation Debt	\$ <u>75,190,000</u>

**Less: Self Supporting Debt**

General Obligation Refunding Bonds, Series 2011 (100.00% W&S)	\$ 240,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013 (100.00% W&S)	2,690,000
General Obligation Refunding Bonds, Series 2013 (100.00% W&S)	1,040,000
Tax Notes, Series 2015 (15.79% W&S, 63.16% Drainage)	150,000
General Obligation and Refunding Bonds, Series 2018 (31.81% W&S)	2,405,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (54.25% W&S)	5,825,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (47.12% W&S)	3,355,000
Total Self-Supporting Debt	\$ <u>15,705,000</u>

    Total Net General Obligation Debt Outstanding \$ 59,485,000

2020 Certified Net Assessed Valuation	\$ 4,551,726,286
Ratio of Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation	1.65%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation	1.31%

Population: 1990 - 10,555; 2000 - 18,695; 2010 - 31,465; est. 2020 - 42,000  
Per Capita Preliminary Net Taxable Assessed Valuation - \$108,374.44  
Per Capita Gross General Obligation Debt Principal - \$1,790.24  
Per Capita Net General Obligation Debt Principal - \$1,483.71

<sup>(1)</sup> Excludes Refunded Obligations.

\* Preliminary, subject to change.

**CITY OBLIGATIONS - CAPITAL LEASES AND NOTES PAYABLE****TABLE 2***(As of September 30, 2019)***Operating Leases**

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

<u>FYE</u>	<u>Total</u>
2020	\$ 276,693
2021	290,528
2022	305,054
2023	320,307
2024	336,322
2025-2029	<u>1,522,069</u>
	<u>\$ 3,050,973</u>

**Capital Lease**

The City enters into various lease agreements to finance machinery and equipment; they are classified as capital leases due to bargain-purchase options. Therefore, capital assets and related capital lease obligation have been recorded at the present value of the future minimum lease payments at the inception date. The lease obligations are secured by the purchased equipment. The assets acquired through capital lease are reported in capital assets with the following accumulated depreciation at September 30, 2019:

Assets:	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equipment	\$ 42,825	\$ 680,671
Less: Accumulated Depreciation	<u>(8,565)</u>	<u>(414,297)</u>
Total	<u>\$ 34,260</u>	<u>\$ 266,374</u>

Future minimum lease payments are as follows:

Year Ending September 30,	<u>Governmental Activities</u>	<u>Business Activities</u>
2020	\$ 8,565	\$ 67,313
2021	8,565	67,313
2022	8,569	<u>65,875</u>
Total Payments	<u>\$ 25,699</u>	<u>\$ 200,501</u>
Less: Amount Representing Interest	<u>-</u>	<u>(1,080)</u>
Present Value of Minimum Lease Payments	<u>\$ 25,699</u>	<u>\$ 199,421</u>

Source: *The Issuer's Annual Financial Report for the fiscal year ended September 30, 2019.*

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt <sup>(1)</sup>	Less: Refunded Obligations*	The Bonds*			Combined Debt Service <sup>(1)</sup>	Less: Self- Supporting Debt	Total Net Debt Service*
			Principal	Interest <sup>(2)</sup>	Total			
2021	\$ 9,273,909	\$ 336,904		\$ 143,502	\$ 143,502	\$ 9,080,508	\$ 2,229,052	\$ 6,851,456
2022	8,314,762	1,276,261	\$ 970,000	187,250	1,157,250	8,195,751	1,558,553	6,637,199
2023	8,047,653	1,264,504	990,000	157,850	1,147,850	7,930,999	1,555,064	6,375,935
2024	7,899,937	1,234,402	990,000	128,150	1,118,150	7,783,685	1,557,833	6,225,852
2025	7,059,677	568,606	340,000	108,200	448,200	6,939,271	1,552,399	5,386,872
2026	6,728,938	569,469	355,000	97,775	452,775	6,612,244	1,333,338	5,278,906
2027	6,081,093	569,263	365,000	86,975	451,975	5,963,806	871,275	5,092,531
2028	5,945,477	567,950	375,000	75,875	450,875	5,828,402	868,900	4,959,502
2029	5,173,434	565,494	385,000	64,475	449,475	5,057,416	871,550	4,185,866
2030	5,175,144	566,738	395,000	54,750	449,750	5,058,156	865,450	4,192,706
2031	5,278,604	566,250	400,000	46,800	446,800	5,159,154	866,075	4,293,079
2032	4,128,679	569,125	415,000	38,650	453,650	4,013,204	867,350	3,145,854
2033	3,618,781	565,875	420,000	30,300	450,300	3,503,206	867,594	2,635,613
2034	2,794,819	566,500	425,000	21,850	446,850	2,675,169	631,388	2,043,781
2035	2,805,675	565,875	435,000	13,250	448,250	2,688,050	634,019	2,054,031
2036	2,802,619	568,875	445,000	4,450	449,450	2,683,194	630,866	2,052,328
2037	1,659,369	-	-	-	-	1,659,369	631,928	1,027,441
2038	1,120,650	-	-	-	-	1,120,650	632,100	488,550
2039	426,300	-	-	-	-	426,300	233,450	192,850
Total	<u>\$ 94,335,519</u>	<u>\$ 10,922,090</u>	<u>\$ 7,705,000</u>	<u>\$ 1,260,102</u>	<u>\$ 8,965,102</u>	<u>\$ 92,378,532</u>	<u>\$ 19,258,181</u>	<u>\$ 73,120,351</u>

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

<sup>(2)</sup> Interest calculated at an assumed rate for illustrative purposes only.

\* Preliminary, subject to change.

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

2020 Freeze Adjusted Net Taxable Assessed Valuation	\$ 4,052,770,846
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)	9,080,508 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.2286 *

\* Includes the Refunding Bonds and excludes the Refunded Obligations.

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)**

2020 Freeze Adjusted Net Taxable Assessed Valuation	\$ 4,052,770,846
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2021)	6,851,456 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.17251 *

\* Includes the Refunding Bonds and excludes the Refunded Obligations.

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, 2019	\$ 1,002,226
2019 Interest and Sinking Fund Tax Levy at 98% Collections Produce	6,988,480
Plus: Other City Funds	<u>2,392,709</u>
Total Available for General Obligation Debt	<u>\$ 10,383,415</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/20 <sup>(1)</sup>	<u>9,487,324</u>
Estimated Surplus at Fiscal Year Ending 9/30/20 <sup>(2)</sup>	<u>\$ 896,091</u>

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

<sup>(2)</sup> Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

(as of October 1, 2020)

Fiscal Year Ending 9-30	Principal Repayment Schedule				Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding <sup>(a)</sup>	Less: Refunded Obligations*	The Bonds*	Total		
2021	\$ 6,745,000			\$ 6,745,000	\$ 68,445,000	8.97%
2022	6,005,000	\$ 955,000	\$ 970,000	6,020,000	62,425,000	16.98%
2023	5,940,000	975,000	990,000	5,955,000	56,470,000	24.90%
2024	6,000,000	975,000	990,000	6,015,000	50,455,000	32.90%
2025	5,365,000	330,000	340,000	5,375,000	45,080,000	40.05%
2026	5,230,000	345,000	355,000	5,240,000	39,840,000	47.01%
2027	4,765,000	360,000	365,000	4,770,000	35,070,000	53.36%
2028	4,800,000	375,000	375,000	4,800,000	30,270,000	59.74%
2029	4,190,000	390,000	385,000	4,185,000	26,085,000	65.31%
2030	4,345,000	410,000	395,000	4,330,000	21,755,000	71.07%
2031	4,600,000	430,000	400,000	4,570,000	17,185,000	77.14%
2032	3,585,000	455,000	415,000	3,545,000	13,640,000	81.86%
2033	3,190,000	475,000	420,000	3,135,000	10,505,000	86.03%
2034	2,465,000	500,000	425,000	2,390,000	8,115,000	89.21%
2035	2,565,000	525,000	435,000	2,475,000	5,640,000	92.50%
2036	2,655,000	555,000	445,000	2,545,000	3,095,000	95.88%
2037	1,585,000	-	-	1,585,000	1,510,000	97.99%
2038	1,090,000	-	-	1,090,000	420,000	99.44%
2039	420,000	-	-	420,000	-	100.00%
<b>Total</b>	<b>\$ 75,540,000</b>	<b>\$ 8,055,000</b>	<b>\$ 7,705,000</b>	<b>\$ 75,190,000</b>		

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

\* Preliminary, subject to change.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2011-2020**

**TABLE 3**

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2011-12	\$ 2,390,893,877	---	---
2012-13	2,589,622,413	198,728,536	8.31%
2013-14	2,769,188,746	179,566,333	6.93%
2014-15	3,068,012,356	298,823,610	10.79%
2015-16	3,400,613,988	332,601,632	10.84%
2016-17	3,683,394,908	282,780,920	8.32%
2017-18	3,813,920,281	130,525,373	3.54%
2018-19	4,055,582,301	241,662,020	6.34%
2019-20	4,321,880,021	266,297,720	6.57%
2020-21	4,551,726,286	229,846,265	5.32%

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

**PRINCIPAL TAXPAYERS 2019-2020**

**TABLE 4**

Name	Type of Business/Property	2020 Net Taxable Assessed Valuation	% of Total 2020 Assessed Valuation
Amazon	Fulfillment Center	\$ 83,888,434	1.84%
Texas Circle 161 LLC	Retail Strip Center	58,777,703	1.29%
SAWFR Partners LLC	Lodging	23,400,000	0.51%
1290 Entertainment LLC	Entertainment Complex	19,923,909	0.44%
H E Butt Grocery Co	Grocery	18,099,778	0.40%
EM Limited Partnership	Retail Strip Center	17,800,000	0.39%
Cellco Partnership	Telecommunications	15,700,218	0.34%
Schertz Holdings LTD	Investment Management	11,900,000	0.26%
Capital Group Companies Inc	Investment Management	11,600,000	0.25%
Wal-Mart Real Estate Business Trust	Retailer	11,400,000	0.25%
		<u>\$ 272,490,042</u>	<u>5.99%</u>

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 5**

	2020	% of Total	2019	% of Total	2018	% of Total
Real, Residential, Single-Family	\$ 3,146,211,129	58.08%	\$ 2,938,385,573	58.24%	\$ 2,728,951,408	50.37%
Real, Residential, Multi-Family	65,381,689	1.21%	78,298,986	1.55%	68,879,326	1.27%
Real, Vacant Lots/Tracts	51,076,164	0.94%	55,611,079	1.10%	55,195,912	1.02%
Real, Acreage (Land Only)	193,071,437	3.56%	162,024,347	3.21%	151,267,564	2.79%
Real, Farm and Ranch Improvements	61,076,513	1.13%	53,359,154	1.06%	50,527,759	0.93%
Real, Commercial and Industrial	980,042,380	18.09%	896,801,600	17.78%	797,337,649	14.72%
Real & Tangible, Personal Utilities	20,045,421	0.37%	18,026,206	0.36%	18,060,090	0.33%
Tangible Personal, Commercial & Industrial	831,402,903	15.35%	784,062,992	15.54%	839,287,989	15.49%
Tangible Personal, Mobile Homes	13,317,553	0.25%	12,846,611	0.25%	12,178,556	0.22%
Residential Inventory	50,849,826	0.94%	40,575,244	0.80%	49,904,362	0.92%
Real Property, Inventory	4,801,084	0.09%	5,186,835	0.10%	3,579,400	0.07%
<b>Total Appraised Value</b>	<b>\$ 5,417,276,099</b>	<b>100.00%</b>	<b>\$ 5,045,178,627</b>	<b>100.00%</b>	<b>\$ 4,775,170,015</b>	<b>88.15%</b>
<b>Less:</b>						
Optional Over-65 or Disabled	\$ 28,127,801		\$ 26,913,139		\$ 26,023,251	
Veterans' Exemptions	464,467,652		380,802,584		311,480,342	
Freeport Exemptions	167,855,436		139,738,714		210,790,808	
Open-Space Land and Timberland	190,979,141		159,998,692		149,042,269	
Prorations/Partial Required Exemptions	-		-		-	
Pollution Control	758,960		789,819		655,122	
Tax Abatement Act	968,658		1,121,227		902,273	
Solar/Wind Exemption	712,588		677,387		612,722	
Loss to 10% HO Cap	11,679,577		13,257,044		20,080,927	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 4,551,726,286</b>		<b>\$ 4,321,880,021</b>		<b>\$ 4,055,582,301</b>	
<b>Freeze Taxable</b>	<b>498,955,440</b>		<b>475,924,142</b>		<b>433,584,141</b>	
<b>Freeze Adjusted Taxable</b>	<b>\$ 4,052,770,846</b>		<b>\$ 3,845,955,879</b>		<b>\$ 3,621,998,160</b>	

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

**TAX DATA**

**TABLE 6**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2009	\$ 2,317,194,810	\$ 0.434200	\$10,061,260	99.17	100.16	9/30/2010
2010	2,362,900,159	0.449300	10,616,510	96.01	96.46	9/30/2011
2011	2,390,893,877	0.484300	11,579,099	96.64	97.39	9/30/2012
2012	2,589,622,413	0.499900	12,945,522	96.70	97.08	9/30/2013
2013	2,769,188,746	0.497400	13,773,945	96.43	99.35	9/30/2014
2014	3,068,012,356	0.499900	15,336,994	96.08	99.61	9/30/2015
2015	3,400,613,988	0.491100	16,700,415	96.92	99.92	9/30/2016
2016	3,683,394,908	0.491100	18,089,152	99.01	101.00	9/30/2017
2017	3,813,920,281	0.491000	18,726,349	98.90	99.95	9/30/2018
2018	4,055,582,301	0.514600	20,870,027	99.46	99.89	9/30/2019
2019	4,321,880,021	0.514600	22,240,395	98.30	98.60	9/30/2020
2020	4,551,726,286	0.514600	23,423,183	(In process of collection)		9/30/2021

**TAX RATE DISTRIBUTION**

**TABLE 7**

	2020	2019	2018	2017	2016
General Fund	\$ 0.349600	\$ 0.349600	\$ 0.349700	\$ 0.324800	\$ 0.316800
I & S Fund	0.165000	0.165000	0.164900	0.166200	0.174300
<b>Total Tax Rate</b>	<b>\$ 0.514600</b>	<b>\$ 0.514600</b>	<b>\$ 0.514600</b>	<b>\$ 0.491000</b>	<b>\$ 0.491100</b>

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

**MUNICIPAL SALES TAX COLLECTIONS**

**TABLE 8**

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

Calendar Year	Total Collected	% of Ad Valorem Tax Levy <sup>(1)</sup>	Equivalent of Ad Valorem Tax Rate
2010	\$ 6,297,600	39.08%	\$ 0.38
2011	7,002,410	40.32%	0.34
2012	8,130,275	41.94%	0.32
2013	9,716,196	47.03%	0.29
2014	10,445,078	45.40%	0.29
2015	10,303,430	41.13%	0.33
2016	10,992,746	40.51%	0.34
2017	10,849,278	38.62%	0.35
2018	12,631,750	40.35%	0.32
2019	12,584,391	37.72%	0.34
2020	10,837,195	(as of September 2020)	

<sup>(1)</sup> Calculated to reflect only the sales tax revenues collected by the City from its 1.00% sales tax.

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

**OVERLAPPING DEBT INFORMATION**

(as of October 1, 2020)

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

Taxing Body	Gross Debt (As of 10/1/20)	% Overlapping	Amount Overlapping
Alamo Community College District	\$ 437,790,000	0.30%	\$ 1,313,370
Bexar County	1,944,900,000	0.30%	5,834,700
Bexar County Hospital District	932,030,000	0.30%	2,796,090
Comal County	140,350,000	4.31%	6,049,085
Comal ISD	722,510,179	4.42%	31,934,950
Guadalupe County	9,405,000	20.03%	1,883,822
Schertz-Cibolo-Universal City ISD	397,644,650	48.57%	193,136,007
Total Gross Overlapping Debt			<u>\$ 242,948,023</u>
Schertz, City of			\$ 75,190,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 318,138,023 *</u>
Ratio of Gross Direct Debt and Overlapping Debt			6.99%
Per Capita Gross Direct Debt and Overlapping Debt			\$7,574.71

Note: The above figures show Gross General Obligation Debt for the City of Schertz, Texas. The Issuer's Net General Obligation Debt is \$59,485,000\*. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	\$ 302,433,023
Ratio of Net Direct and Overlapping Debt to 2018 Net Assessed Valuation	6.64%
Per Capita Net Direct and Overlapping Debt	\$7,200.79

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

\* Preliminary, subject to change.



**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS**

Governmental Subdivision	2020 Assessed Valuation	% of Actual	2019 Tax Rate
Alamo Community College District	\$ 186,455,022,211	100%	\$ 0.149000
Bexar County	182,629,182,936	100%	0.290000
Bexar County Hospital District	188,459,827,861	100%	0.276000
Comal County	22,060,232,710	100%	0.322000
Comal ISD	17,829,870,757	100%	1.320000
Guadalupe County	1,487,648,663	100%	0.332000
Schertz-Cibolo-Universal City ISD	5,889,017,224	100%	1.420000

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

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Alamo Community College District	5/6/2017	College Facility	\$ 450,000,000	\$ 173,000,000	\$ 277,000,000
Bexar County	11/4/2003	Jail	\$ 47,990,000	\$ 8,112,500	\$ 39,877,500
		Parks and Recreation	5,925,000	975,000	4,950,000
		Public Safety	4,750,000	312,500	4,437,500
		Road and Bridge	40,581,000	40,581,000	-
			\$ 99,246,000	\$ 49,981,000	\$ 49,265,000
Bexar County Hospital District	None				
Comal County	None				
Comal ISD	None				
Guadalupe County	None				
San Antonio River Authority	None				
Schertz-Cibolo-Universal City ISD	None				
Schertz, City of	11/03/2015	Streets and Bridges	\$ 7,000,000	\$ 2,605,000	\$ 4,395,000

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

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES**

**TABLE 9**

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

	Fiscal Year Ended				
	9/30/2019*	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Fund Balance - Beginning of Year	\$ 15,630,453	\$ 12,969,618	\$ 11,428,778	\$ 9,616,487	\$ 7,722,034
<b>Revenues</b>					
Taxes	\$ 23,488,223	\$ 21,741,184	\$ 19,450,338	\$ 18,850,031	\$ 17,926,685
Licenses and Permits	1,605,299	2,317,534	2,367,929	1,234,048	1,447,814
Charges for Services	1,909,300	2,139,574	2,107,844	1,610,940	1,609,917
Fines and Forfeitures	926,657	868,875	1,021,965	1,343,236	1,498,887
Intergovernmental	965,768	530,122	307,809	293,727	233,959
Investment Earnings	489,051	252,397	128,158	58,724	24,369
Grants	-	-	603,477	599,791	-
Other Sources	684,882	690,810	-	-	571,416
<b>Total Revenues</b>	<b>\$ 30,069,180</b>	<b>\$ 28,540,496</b>	<b>\$ 25,987,520</b>	<b>\$ 23,990,497</b>	<b>\$ 23,313,047</b>
<b>Expenditures</b>					
General Government	\$ 5,389,701	\$ 5,544,155	\$ 5,171,635	\$ 5,187,489	\$ 5,187,335
Public Safety	13,926,364	12,718,070	11,846,184	11,010,802	10,037,830
Streets and Parks	1,112,041	1,136,052	1,128,979	1,007,326	952,663
Health	498,871	628,054	1,682,955	1,173,070	404,008
Recreation	2,350,370	1,672,789	901,992	843,643	1,182,906
Cultural	998,445	939,095	672,934	480,175	795,436
Capital Outlay	649,055	1,083,044	2,395,926	1,692,977	637,800
Administration	3,231,294	2,478,964	644,773	498,251	1,638,429
Bond Issue Costs	-	-	33,174	-	-
Principal	-	24,116	36,513	33,175	31,875
Interest and Fiscal Charges	-	3,056	-	38,214	8,341
<b>Total Expenses</b>	<b>\$ 28,156,141</b>	<b>\$ 26,227,395</b>	<b>\$ 24,515,065</b>	<b>\$ 21,965,122</b>	<b>\$ 20,876,623</b>
Excess (Deficit) of Revenues Over Expenditures	\$ 1,913,039	\$ 2,313,101	\$ 1,472,455	\$ 2,025,375	\$ 2,436,424
<b>Other Financing Sources (Uses):</b>					
Issuance of Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Lease	-	42,829	-	-	-
Operating Transfers In	-	351,219	68,385	3,019	-
Operating Transfers Out	(4,463)	(46,314)	-	(216,103)	(541,971)
<b>Total Other Financing Sources (Uses):</b>	<b>\$ (4,463)</b>	<b>\$ 347,734</b>	<b>\$ 68,385</b>	<b>\$ (213,084)</b>	<b>\$ (541,971)</b>
Prior Year End Adjustment	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<b>\$ 17,539,029</b>	<b>\$ 15,630,453</b>	<b>\$ 12,969,618</b>	<b>\$ 11,428,778</b>	<b>\$ 9,616,487</b>

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

\* The City expects to end the fiscal year ending September 30, 2020 with a general fund balance of approximately \$16,500,000 (unaudited).

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

**TABLE 10**

Information regarding the City's pension plan can be found in the City's CAFR under "NOTE I: Net Pension and Total OPEB Liabilities and Expenses".

**UTILITY SYSTEM OUTSTANDING DEBT SERVICE**

**TABLE 11**

*[as of October 1, 2020]*

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

City's General Obligation Refunding Bonds, Series 2011	240,000
City's Combination Tax and Limited Pledge Certificates of Obligation, Series 2013	2,690,000
City's General Obligation Refunding Bonds, Series 2013	1,040,000
City's Tax Notes, Series 2015	150,000
City's Combination Tax and Limited Pledge Certificates of Obligation, Series 2018	2,405,000
City's General Obligation and Refunding Bonds, Series 2018	5,825,000
City's Combination Tax and Limited Pledge Certificates of Obligation, Series 2019	3,355,000
<b>Total</b>	<b>\$ 15,705,000</b>

<b>FYE (9/30)</b>	<b>City's Self-Supporting General Obligation Debt</b>
2021	\$ 2,106,952
2022	1,558,553
2023	1,555,064
2024	1,557,833
2025	1,552,399
2026	1,333,338
2027	871,275
2028	868,900
2029	871,550
2030	865,450
2031	866,075
2032	867,350
2033	867,594
2034	631,388
2035	634,019
2036	630,866
2037	631,928
2038	632,100
2039	233,450
<b>Total</b>	<b>\$ 19,136,081</b>

**CITY WATERWORKS AND SEWER SYSTEM PLANT IN OPERATION****TABLE 12***(As of September 30, 2019)*

Land	\$	1,696,942
Water Rights		70,245
Buildings and Improvements		5,489,184
Machinery, Equipment and Vehicles		6,007,550
Infrastructure		100,295,885
Construction in Progress		<u>9,248,439</u>
Total	\$	122,808,245
Less: Accumulated Depreciation		<u>(35,998,689)</u>
Net Waterworks and Sewer System in Service	\$	<u>86,809,556</u>

**CITY WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT****TABLE 13**

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

	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Revenues	\$ 28,311,467	\$ 28,016,064	\$ 25,831,284	\$ 22,105,622	\$ 21,007,823
Expenditures	<u>22,620,644</u>	<u>20,802,263</u>	<u>18,697,162</u>	<u>19,740,518</u>	<u>16,376,259</u>
Schertz/Seguin LGC Payment	<u>2,906,068</u>	<u>2,906,068</u>	<u>2,242,314</u>	<u>2,160,309</u>	<u>1,378,081</u>
Net Revenues Available					
Available for Debt Service	<u>\$ 2,784,755</u>	<u>\$ 4,307,733</u>	<u>\$ 4,891,808</u>	<u>\$ 204,795</u>	<u>\$ 3,253,483</u>
Connections:					
Water	16,434	14,678	14,124	13,877	13,570
Sewer	12,853	12,866	12,398	12,282	11,413

Source: The City's Comprehensive Annual Financial Reports for Fiscal Year Ending September 30, 2019.

**PRINCIPAL SEWER CUSTOMERS****TABLE 14**

<u>Name of Customer</u>	<u>Consumption</u>	
	<u>(gallons)</u>	<u>Amount (\$)</u>
1 SA WFR Partners, LLC	8,126,700	\$ 78,484
2 Pecan Grove TX LLC	8,083,100	81,851
3 Sycamore Creek Apartments	7,372,600	75,397
4 IPT San Antonio Logistics CTR	6,740,000	62,241
5 Sebastian Apartments	5,835,300	54,162
6 Caterpillar, Inc.	5,704,100	56,225
7 Val Verde 6561	5,694,200	49,126
8 Legacy Oaks Apartments	5,594,300	54,406
9 Fairfield Inn & Suites	5,592,500	55,884
10 DDC Ashton, LTD	<u>5,200,700</u>	<u>53,332</u>
Total	63,943,500	\$ 621,108

**CITY WATER SUPPLY**

**TABLE 15**

The City's primary water source is from the Carrizo Aquifer which is pumped and treated by the Schertz/Seguin Local Government Corporation ("SSLGC" or the "Corporation). SSLGC has water leases totaling 19,363 acre feet and leases 840 acre feet to Springs Hill and of the remainder 50% are dedicated to the City of Schertz. The City's water system has 9 water storage tanks which can hold 15,500,000 gallons. The city maintains 225 miles of water lines. Schertz's total water usage for fiscal year September 30, 2019 was 1,622,930,000 gallons.

Schertz's secondary source of water is a lease from the Edwards Aquifer Authority for 1,768 acre-feet (or 576,104,568 gallons) per year. Of this amount, 700 acre feet is leased for additional revenue. This water source is used only during emergency situations or when the City Utility System demand is at peak levels. Schertz has 2 wells which can produce up to 4,180,000 gallons per day from the Edwards Aquifer. Although the City still maintains its permits (and ownership) to draw water from the Edwards Aquifer, for fiscal year ending September 30, 2019 the City obtained 99% of its water from the Schertz/Seguin Local Government Corporation. The City leased its excess Edwards Aquifer water to other entities that did not have water capacity. The revenue from leases is included in the City's Utility System Revenues.

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

**Schertz/Seguin Local Government Corporation.** Pursuant to the regional water supply contract dated November 15, 1999, the Corporation issued Contract Revenue Bonds to finance the development of a well field and collection system and transmission and treatment facilities, including the acquisition of related water rights and rights-of-way (the "SSLGC Project"). The SSLGC Project transports groundwater from the Carrizo Aquifer in southwestern Gonzales County to the Schertz Live Oak Tank and the Seguin Water Treatment Plant. The SSLGC Project provides the necessary water, coupled with water from the Edwards Aquifer, to address the City's needs. The payments by the cities of Schertz and Seguin constitute an operating expense of their respective utility systems. The City of Schertz is obligated to pay 50% of the debt service, operation and maintenance and overhead payments. SSLGC Bonds outstanding as of September 30, 2020 are \$133,660,000. Water began to flow from the SSLGC Project to the City of Schertz on February 20, 2003.

**HISTORICAL WATER CONSUMPTION**

**TABLE 16**

FYE (9/30)	Estimated Population	Number of Customers	Water Usage (in Gallons)				Water Sales
			Daily Average	Peak Day	Peak Month	Total Usage	
2010	32,523	10,134	3,560,416	7,040,000	180,345,000	1,182,179,600	6,361,401
2011	33,544	12,234	4,667,789	11,000,000	227,186,000	1,612,610,500	7,816,710
2012	34,499	12,557	5,224,301	9,290,000	224,192,000	1,613,141,500	7,657,695
2013	35,929	12,757	4,935,155	9,483,000	204,492,000	1,550,045,200	7,660,165
2014	36,477	13,324	4,245,772	10,089,000	213,349,000	1,549,707,100	7,960,763
2015	37,865	13,570	4,043,050	8,385,000	218,644,000	1,475,713,400	7,943,694
2016	37,938	13,877	4,113,553	8,587,000	214,546,000	1,501,446,900	8,543,050
2017	39,453	14,124	4,335,480	9,478,000	218,181,000	1,582,450,300	9,741,286
2018	41,182	14,678	4,532,352	9,083,000	230,144,000	1,519,008,100	10,271,113
2019	41,948	16,434	4,822,500	11,094,000	257,809,000	1,622,930,500	11,089,576

**PRINCIPAL WATER CUSTOMERS**

**TABLE 17**

Name of Customer	Average Monthly Consumption	% of Total
	(In Gallons)	Water Sales
1 Caterpillar, Inc.	21,614,000	1.34%
2 Beck Readymix Concrete	13,419,600	0.83%
3 Sycamore Creek Apartments	6,462,900	0.40%
4 IPT San Antonio Logistics Center	6,623,900	0.41%
5 Sebastian Apartments	5,633,200	0.35%
6 Val Verde 6561	4,893,200	0.30%
7 Sysco Cooling Tower	4,426,700	0.27%
8 Legacy Oaks Apartments	4,763,400	0.30%
9 Pecan Grove TX LLC	4,106,200	0.26%
10 Wal-Mart Supermarket	4,880,500	0.30%
Total	76,823,600	4.77%

<sup>(1)</sup> Through September 30, 2019.

**WATER RATES**

**TABLE 18**

**New Rates for 2020-21 GALLONS SOLD BY METER SIZE (RESIDENTIAL AND SMALL COMMERCIAL)**

Meter	Block Gallons	Inside City		Outside City	
		Block Rate	Rate 1000	Block Rate	Rate 1000
5/8 IN CODE 1	0	24.61	3.04	29.81	6.08
	6,000	42.85	3.09	66.29	6.15
	9,000	52.12	3.34	84.74	6.71
	12,000	62.14	3.61	104.87	7.21
	15,000	72.97	3.82	126.50	7.64
	18,000	84.43	4.81	149.42	9.61
	30,000	142.15	5.46	264.74	10.94
	45,000	224.05	5.81	428.84	11.64
	60,000	311.20	6.03	603.44	12.04
75,000+	401.65	6.15	784.04	12.31	
3/4 IN CODE 2	0	36.89	3.04	44.69	6.08
	6,000	55.13	3.09	81.17	6.15
	9,000	64.40	3.34	99.62	6.71
	12,000	74.42	3.61	119.75	7.21
	15,000	85.25	3.82	141.38	7.64
	18,000	96.71	4.81	164.30	9.61
	30,000	154.43	5.46	279.62	10.94
	45,000	236.33	5.81	443.72	11.64
	60,000	323.48	6.03	618.32	12.04
75,000+	413.93	6.15	798.92	12.31	
1.0 IN CODE 3	0	61.49	3.04	74.48	6.08
	6,000	79.79	3.09	110.96	6.15
	9,000	89.00	3.34	129.41	6.71
	12,000	99.02	3.61	149.54	7.21
	15,000	9.85	3.82	171.17	7.64
	18,000	121.31	4.81	194.09	9.61
	30,000	179.03	5.46	309.41	10.94
	45,000	260.93	5.81	473.51	11.64
	60,000	348.08	6.03	648.11	12.04
75,000+	438.53	6.15	828.71	12.31	

**WATER RATES**

**(Cont.)**

Meter	Block Gallons	Inside City		Outside City	
		Block Rate	Rate 1000	Block Rate	Rate 1000
1 1/2 IN CODE 4	0	122.99	3.04	148.96	6.08
	15,000	168.59	3.09	240.16	6.15
	30,000	214.94	3.34	332.42	6.71
	45,000	265.04	3.61	433.06	7.21
	60,000	319.19	3.82	541.21	7.64
	75,000	376.49	4.81	655.81	9.61
	100,000	496.74	5.46	896.06	10.94
	125,000	633.24	5.81	1169.56	11.64
	150,000	778.49	6.03	1,460.56	12.04
	175,000+	929.24	6.15	1,761.56	12.31
2 IN SIMPLE COMPOUND CODE 5	0	196.78	3.04	238.33	6.08
	24,000	269.74	3.09	384.25	6.15
	48,000	343.9	3.34	531.85	6.71
	72,000	424.06	3.61	692.89	7.21
	96,000	510.7	3.82	865.93	7.64
	120,000	602.38	4.81	1049.29	9.61
	160,000	794.78	5.46	1,433.69	10.94
	200,000	1013.18	5.81	1,871.29	11.64
	240,000	1245.58	6.03	2,336.89	12.04
	280,000+	1,486.78	6.15	2,818.49	12.31
2 IN CODE 6	0	245.96	3.04	297.92	6.08
	30,000	337.06	3.09	480.32	6.15
	60,000	429.86	3.34	664.82	6.71
	90,000	530.06	3.61	866.12	7.21
	120,000	638.36	3.82	1082.42	7.64
	150,000	752.96	4.81	1,311.62	9.61
	200,000	993.46	5.46	1,792.12	10.94
	250,000	1,266.46	5.81	2,339.12	11.64
	300,000	1,556.96	6.03	2,921.12	12.04
350,000+	1,858.46	6.15	3,523.12	12.31	

**WATER RATES**

**(Cont.)**

Meter	Block Gallons	Inside City		Outside City	
		Block Rate	Rate 1000	Block Rate	Rate 1000
3 IN	0	393.55	3.04	476.66	6.08
COMPOUND	48,000	539.47	3.09	768.5	6.15
CODE 7	96,000	687.79	3.34	1063.7	6.71
	144,000	848.11	3.61	1,385.78	7.21
	192,000	1021.39	3.82	1,731.86	7.64
	240,000	1204.75	4.81	2,098.58	9.61
	320,000	1,589.55	5.46	2,867.38	10.94
	400,000	2,026.35	5.81	3,742.58	11.64
	480,000	2,491.15	6.03	4,673.78	12.04
	560,000+	2,973.55	6.15	5,636.98	12.31
3 IN	0	590.33	3.04	715.01	6.08
TURBINE	72,000	809.21	3.09	1152.77	6.15
CODE 8	144,000	1031.69	3.34	1,595.57	6.71
	2,160,000	1,272.17	3.61	2,078.69	7.21
	288,000	1,532.09	3.82	2,597.81	7.64
	408,000	1,990.49	4.81	3,514.61	9.61
	528,000	2,567.69	5.46	4,667.81	10.94
	648,000	3,222.89	5.81	5,980.61	11.64
	768,000	3,920.09	6.03	7,377.41	12.04
	888,000+	4,643.69	6.15	8,822.21	12.31
4 IN	0	614.93	3.04	744.79	6.08
COMPOUND	75,000	842.93	3.09	1200.79	6.15
CODE 9	150,000	1074.68	3.34	1,662.04	6.71
	225,000	1,325.18	3.61	2,165.29	7.21
	300,000	1,595.93	3.82	2,706.04	7.64
	425,000	2,073.43	4.81	3,661.04	9.61
	550,000	2,674.68	5.46	4,862.29	10.94
	675,000	3,357.18	5.81	6,229.79	11.64
	800,000	4,083.43	6.03	7,684.79	12.04
	925,000+	4,837.18	6.15	9,189.79	12.31



**WATER RATES**

**(Cont.)**

Meter	Block Gallons	Inside City		Outside City	
		Block Rate	Rate 1000	Block Rate	Rate 1000
4 IN	0	1,033.08	3.04	1,251.24	6.08
TURBINE	126,000	1,416.12	3.09	2,017.32	6.15
CODE 10	252,000	1,805.46	3.34	2,792.22	6.71
	378,000	2,226.30	3.61	3,637.68	7.21
	504,000	2,681.16	3.82	4,546.14	7.64
	630,000	3,162.48	4.81	5,508.78	9.61
	840,000	4,172.58	5.46	7,526.88	10.94
	1,050,000	5,319.18	5.81	9,824.28	11.64
	1,260,000	6,539.28	6.03	12,268.68	12.04
	1,470,000+	7,805.58	6.15	14,797.08	12.31
6 IN	0	1,229.86	3.04	1,489.60	6.08
COMPOUND	150,000	1,685.86	3.09	2,401.60	6.15
CODE 11	300,000	2,149.36	3.34	3,324.10	6.71
	450,000	2,650.36	3.61	4,330.60	7.21
	600,000	3,191.86	3.82	5,412.10	7.64
	750,000	3,764.86	4.81	6,558.10	9.61
	1,000,000	4,967.36	5.46	8,960.60	10.94
	1,250,000	6,332.36	5.81	11,695.60	11.64
	1,500,000	7,784.86	6.03	14,605.60	12.04
	1,750,000+	9,292.36	6.15	17,615.60	12.31
6 IN	0	2,262.93	3.04	2,740.85	6.08
TURBINE	276,000	3,101.97	3.09	4,418.93	6.15
CODE 12	552,000	3,954.81	3.34	6,116.33	6.71
	828,000	4,876.65	3.61	7,968.29	7.21
	1,104,000	5,793.03	3.82	9,958.25	7.64
	1,380,000	6,927.33	4.81	12,066.89	9.61
	1,840,000	9,139.93	5.46	16,478.49	10.94
	2,300,000	11,651.53	5.81	21,519.89	11.64
	2,760,000	14,324.13	6.03	26,874.29	12.04
	3,220,000+	17,097.93	6.15	32,412.69	12.31

**WATER RATES**

**(Cont.)**

Meter	Block Gallons	Inside City		Outside City	
		Block Rate	Rate 1000	Block Rate	Rate 1000
8 IN	0	1,987.74	3.04	2,407.27	6.08
COMPOUND	240,000	2,717.34	3.09	3,866.47	6.15
CODE 13	480,000	3,458.94	3.34	5,342.47	6.71
	720,000	4,260.54	3.61	6,952.87	7.21
	960,000	5,126.96	3.82	8,683.27	7.64
	1,200,000	6,043.74	4.81	10,516.87	9.61
	1,600,000	7,967.74	5.46	14,360.87	10.94
	2,000,000	10,151.74	5.81	18,736.87	11.64
	240,000	12,475.74	6.03	23,392.87	12.04
	2,800,000+	14,887.74	6.15	28,208.87	12.31
8 IN	0	3,975.48	3.04	4,814.54	6.08
TURBINE	480,000	5,434.68	3.09	7,732.94	6.15
CODE 14	960,000	6,917.88	3.34	10,684.94	6.71
	1,440,000	8,521.08	3.61	13,905.74	7.21
	1,920,000	10,253.88	3.82	17,366.54	7.64
	2,400,000	12,087.48	4.81	21,033.74	9.61
	3,200,000	15,935.48	5.46	28,721.74	10.94
	4,000,000	20,303.48	5.81	37,473.74	11.64
	4,800,000	24,951.48	6.03	46,785.74	12.04
	5,600,000+	32,187.48	6.15	61,233.74	12.31
10 IN	0	2,857.37	3.04	3,460.46	6.08
COMPOUND	345,000	3,906.17	3.09	5,558.06	6.15
CODE 15	690,000	4,972.22	3.34	7,679.81	6.71
	1,035,000	6,124.52	3.61	9,994.76	7.21
	1,380,000	7,369.97	3.82	12,482.21	7.64
	1,725,000	8,687.87	4.81	15,118.01	9.61
	2,300,000	11,453.62	5.46	20,643.76	10.94
	2,875,000	14,593.12	5.81	26,934.26	11.64
	3,450,000	17,933.87	6.03	33,627.26	12.04
	4,025,000+	21,401.12	6.15	40,550.26	12.31
10 IN	0	6,211.67	3.04	7,182.34	6.08
TURBINE	750,000	8,491.67	3.09	1,172.34	6.15
CODE 16	1,500,000	10,809.17	3.34	16,354.84	6.71
	2,250,000	13,314.17	3.61	21,387.34	7.21
	3,000,000	16,021.67	3.82	26,794.84	7.64
	3,750,000	18,886.67	4.81	32,524.84	9.61
	5,000,000	24,899.17	5.46	44,537.34	10.94
	6,250,000	31,724.17	5.81	58,212.34	11.64
	7,500,000	38,986.67	6.03	72,762.34	12.04
	8,750,000+	46,524.17	6.15	87,812.34	12.31
12 IN	0	8,199.42	3.04	9,929.99	6.08
TURBINE	990,000	11,209.02	3.09	15,949.19	6.15
CODE 17	1,980,000	14,268.12	3.34	22,037.69	6.71
	2,970,000	17,574.72	3.61	28,680.59	7.21
	3,960,000	21,148.62	3.82	35,818.49	7.64
	4,950,000	24,930.42	4.81	43,382.09	9.61
	6,600,000	32,866.92	5.46	59,238.59	10.94
	8,250,000	41,875.92	5.81	77,289.59	11.64
	9,900,000	51,462.42	6.03	96,495.59	12.04
	11,550,000+	61,411.92	6.15	116,361.59	12.31

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

**WASTEWATER SYSTEM**

**TABLE 19**

Schertz's Wastewater System consists of a 116 mile wastewater collection system. The collection system is owned and operated by the City. Schertz contracts with the Cibolo Creek Municipal Authority, created in 1971 as a conservation and reclamation district, for the purpose of providing a regional sewer system for an area which includes Schertz, the City of Selma, the City of Cibolo, and parts of the cities of Live Oak, Universal City and San Antonio, and the Randolph Air Force Base (the "Member Cities") for the treatment of effluent. In 2016, Schertz began developing in areas that are serviced by San Antonio River Authority who are currently servicing 53 resident accounts.

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

**SEWER RATES**

**TABLE 20**

*(New rates effective October 1, 2020)*

	2019-20	2019-20
<b><u>Residential Rates (Single Family)</u></b>		
<b>Base Rate-per month</b>	\$ 13.54	\$ 13.54
<b>Per 1,000 gal Charge, Per Month</b>		
City line Maintenance fee plus Franchise fee	\$ 0.53	\$ 0.53
User Charge based on 100% of avg consumption mo.	\$ 3.93	\$ 3.93
User avg. based on Nov, Dec, and Jan, min. 500 gals.		
Per 1,000 gal charge Total- 12,000 gallons or less	\$ 4.46	\$ 4.46
greater than 12,000 gallons	\$ 10.12	\$ 10.12
<b><u>Business and Multi-family Dwelling Units:</u></b>		
<b>Base Rate per month</b>	\$ 17.07	\$ 17.03
<b>Per 1,000 gal Charge, Per Month</b>		
Line Maintenance-Commercial/Industrial users plus Franchise fee	\$ 0.64	\$ 0.64
User Charge-based on 100% of water consumed	\$ 3.93	\$ 3.93
Per 1,000 gal charge Total- 12,000 gallons or less	\$ 4.57	\$ 4.57
greater than 12,000 gallons	\$ 10.22	\$ 10.22
<b><u>Public Schools</u></b>		
<b>Base Rate per month</b>	\$ 17.03	\$ 17.03
Base Rate-each public school shall be assessed a base rate per connection equivalent determined as in Business and Multi-family dwelling units above. (per month)		
<b>Per 1,000 gal Charge, Per Month</b>		
Line Maintenance-Commercial/Industrial users	\$ 0.64	\$ 0.64
User Charge-based on 100% of all water consumed	\$ 3.93	\$ 3.93
Per 1,000 gal charge Total- 12,000 gallons or less	\$ 4.57	\$ 4.57
greater than 12,000 gallons	\$ 10.22	\$ 10.22
<b><u>For Information Purposes Only:</u></b>		
Cibolo Creek Municipal Authority (CCMA), Per 1,000 gallons includes 5% franchise fee	\$ 3.93	\$ 3.93

*Details of the City of Schertz's sewer rate history can be found on the City's website: [www.schertz.com](http://www.schertz.com) under 'FINANCIAL TRANSPARENCY', 'Traditional Finances' and a link to "Fee Schedules"*

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**APPENDIX B**

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

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

**The City of Schertz**

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

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

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

**Economy**

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

Businesses with headquarters or divisions located within the city or in close proximity include Vision Works, Brandt Engineering, Cal-Tex Protective Coatings, Inc., CST Distribution which was formerly Valero, FedEx Freight, Marshall Shredding Company, Kraft Nabisco, Republic National Distributing Company, Caterpillar, Wal-Mart, and H.E.B.

**PRINCIPAL 2019 EMPLOYERS**

Employer	Employees	% of Total City
Schertz/Cibolo/UC ISD	1,992	10.93%
Amazon.com	900	4.94%
Sysco Central Texas	806	4.42%
Visionworks	593	3.25%
Fedex Ground	580	3.18%
The Brandt Companies, LLC	537	2.95%
H.E.B. Grocery Co.	500	2.74%
Republic National Distributing Company	413	2.27%
City of Schertz	392	2.15%
FedEx Freight	325	1.78%

**Medical**

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

## Education

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

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

	<u>2020 <sup>(2)</sup></u>	<u>2019 <sup>(3)</sup></u>	<u>2018 <sup>(3)</sup></u>	<u>2017 <sup>(3)</sup></u>
Civilian Labor Force	19,811	19,622	19,322	18,899
Total Employed	18,772	19,017	18,709	18,257
Total Unemployed	1,039	605	613	642
% Unemployment	5.2%	3.1%	3.2%	3.4%
Texas Unemployment	7.0%	3.5%	3.8%	4.3%

(1) Source: Texas Workforce Commission.

(2) As of August 2020

(3) Average Annual Statistics.

### Guadalupe County, Texas

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

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

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

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

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

	<u>2020 <sup>(2)</sup></u>	<u>2019 <sup>(3)</sup></u>	<u>2018 <sup>(3)</sup></u>	<u>2017 <sup>(3)</sup></u>
Civilian Labor Force	82,501	81,486	80,305	78,444
Total Employed	80,029	79,087	77,802	75,830
Total Unemployed	24,72	2,399	2,503	2,614
% Unemployment	3.0%	3.1%	3.1%	3.3%
Texas Unemployment	7.0%	3.5%	3.8%	4.0%

(4) Source: Texas Workforce Commission.

(5) As of August 2020

(6) Average Annual Statistics.



## Comal County, Texas

### General Information

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

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

### Commercial

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

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

### Major Employers

<u>Employer</u>	<u>Number of Employees</u>
Comal ISD	3,006
Schlitterbahn Water Park	2,300
Wal-Mart Distribution Center	1,215
New Braunfels ISD	1,044
Comal County	792
Sysco	780
Hunter Industries/Colorado Materials, Inc.	765
City of New Braunfels	646
HD Supply Call Center	538
Rush Enterprises	521

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

	<u>2020 <sup>(2)</sup></u>	<u>2019 <sup>(3)</sup></u>	<u>2018 <sup>(3)</sup></u>	<u>2017<sup>(3)</sup></u>
Civilian Labor Force	74,413	73,333	72,381	68,795
Total Employed	70,375	71,149	70,087	66,483
Total Unemployed	4,038	2,184	2,294	2,312
% Unemployment	5.4%	3.0%	3.2%	3.4%
Texas Unemployment	7.0%	3.5%	3.8%	4.0%

(1) Source: Texas Workforce Commission.

(2) As of August 2020.

(3) Average Annual Statistics.

## Bexar County

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

### Economic Factors

The County has a diversified economic base which is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. Support for these economic activities is demonstrated by the County’s ongoing commitment to economic development projects along with ongoing infrastructure improvements to support the County’s growing population. Despite the economic implications induced by the COVID-19 shutdowns, Bexar County has also fared slightly better than the nation in regard to current unemployment. Bexar County’s unemployment rate in May 2020 was 13.1%, compared to the national unemployment rate in May 2020 of 13.3%.<sup>2</sup> A continuing economic factor attracting companies and families to the San Antonio area is the low cost of living. For metropolitan areas, San Antonio is ranked among the lowest in cost of living with a composite score of 89.9, 11.1% below the national average.<sup>3</sup>

With one of the lowest cost workforces of any major cities in the United States, Bexar County is continually positioned to increase employment across various industries.

### Education

The County encompasses 19 independent school districts which include over 400 schools. Enrollment ranges anywhere from nearly 900 in Lackland ISD to over 106,000 in Northside ISD, the fourth largest independent school district in Texas. Students attend school districts in which they reside with no busing in effect. In addition, San Antonio has over 150 private and parochial schools at all education levels. San Antonio has 20 institutions of higher learning offering degrees in all major fields of study, many at the graduate level. Among universities, the University of Texas at San Antonio (UTSA) has over 32,000 students enrolled and has represented many first-time college students within their family. Texas A&M University San Antonio represents the newest four-year college in San Antonio with enrollment of 6,460 students. Among junior colleges, Alamo Colleges includes five colleges, San Antonio, Palo Alto, St. Philips, Northeast Lakeview, and Northwest Vista totaling over 98,000 students enrolled.

### Electric and Gas Services

Electric and gas services to the Bexar County area are provided by CPS Energy (“CPS”), an electric and gas utility owned by the City of San Antonio (the “City”) that maintains and operates certain utilities infrastructure. This infrastructure includes a 16 generating unit electric system and the gas system that serves the Bexar County area. CPS also owns a 40% interest in the South Texas Project (“STP”), two existing nuclear generating Units 1 and 2 which generates 1,350 megawatts of power for CPS Energy customers. CPS operations and debt service requirements for capital improvements are paid from revenues received from charges to its customers.

### Water Supply

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

Employers	Total Number of Employees
Joint Base San Antonio <sup>(1)</sup>	86,497
H.E.B. Grocery Company	25,241
USAA	19,660
Northside Independent School District	14,023
City of San Antonio	11,787
Methodist Healthcare System	9,851
University Health System	9,213
Northeast Independent School District	8,947
San Antonio Independent School District	7,358
Baptist Health System	6,371

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

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

	<u>2020</u> <sup>(2)</sup>	<u>2019</u> <sup>(3)</sup>	<u>2018</u> <sup>(3)</sup>	<u>2017</u> <sup>(3)</sup>
Civilian Labor Force	975,097	949,380	936,251	924,257
Total Employed	908,057	919,763	905,106	891,563
Total Unemployed	67,040	29,617	31,145	32,694
% Unemployment	6.9%	3.1%	3.3%	3.5%
Texas Unemployment	7.0%	3.5%	3.8%	4.0%

(1) Source: Texas Workforce Commission.

(2) As of August 2020.

(3) Average Annual Statistics.

**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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**DRAFT**

IN REGARD to the authorization and issuance of the “City of Schertz, Texas General Obligation Refunding Bonds, Series 2020” (the *Bonds*), dated November 15, 2020, in the aggregate principal amount of \$\_\_\_\_\_ we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Schertz, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2022 through 2036, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

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

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Bonds, including the Ordinance, the Escrow Deposit Letter (the *Escrow Agreement*) between the Issuer and UMB Bank, N.A., Austin, Texas (the *Escrow Agent*), and the certification (the *Sufficiency Certificate*) by SAMCO Capital Markets, Inc., as Financial Advisor to the Issuer, concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bonds executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all

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**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF SCHERTZ, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020”**

documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

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

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

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

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations

**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF SCHERTZ, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020”**

such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Norton Rose Fulbright US LLP

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**APPENDIX D**

**EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

**(Not intended to be a complete statement of the Issuer's financial condition.  
Reference is made to the complete Annual Financial Report for further information.)**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Schertz, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Schertz, Texas' basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Schertz-Seguin Local Government Corporation or the Cibolo Valley Local Government Corporation, which collectively represent 8.3 percent 10.0 percent, respectively, of the assets and net position of the Water and Sewer Fund, and 8.0 percent and 9.9 percent, respectively, of the assets and net position of the business-type activities. 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 Schertz-Seguin Local Government Corporation and Cibolo Valley Local Government Corporation, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the reports 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, each major fund, and the aggregate remaining fund information of the City of Schertz, Texas, as of September 30, 2019, 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.

## **Report on Summarized Comparative Information**

The City of Schertz, Texas' fiscal year 2018 financial statements were previously audited by another auditor, and an unmodified audit opinion was expressed on those audited financial statements in a report dated March 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Schertz, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial 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 and individual nonmajor fund financial statements and schedules 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 18, 2020, on our consideration of the City of Schertz, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Schertz, Texas' internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 18, 2020

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Schertz, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Schertz for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### Financial Highlights

The assets and deferred outflows of the City of Schertz exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$235,636,559 (net position). Of this amount, \$36,174,725 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by \$22,258,565. The primary reason for this increase was due to a prior period adjustment in the business-type activities recognizing the City's equity interest in joint ventures. Of the remaining increase, a significant portion, 30.4%, is attributable to capital contributions from developers.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$56,834,378, an increase of \$857,191 in comparison with the prior year. The primary cause of this increase was an increase of \$1.7 million in property tax revenues compared to the prior year. This increase in revenue was caused by an increase in assessed values due to the City's continued population growth.

At the end of the fiscal year, the combined total of the General Fund assigned and unassigned fund balances was \$10,119,933 which is 35.94% of the general fund expenditures not including capital outlay. The fund balance policy is to reserve at least a 26% balance.

During the fiscal year, the City issued \$16,065,000 in general obligation bonds and certificates of obligation, of which \$6.2 million is allocated to the proprietary funds. The debt was issued primarily to fund certain capital projects and to refund existing obligations with a present value savings.

### Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's general fund budgetary schedule. The City of Schertz adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. The economic development corporation also adopts an annual budget, and a comparison schedule for it also is provided in the required supplementary information.

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

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Schertz, assets exceeded liabilities by \$235,636,559 at the close of the most recent fiscal year. The largest portion of the City's total net position (67%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding, plus bond proceeds that have not yet been signed. The City of Schertz uses these capital assets to provide services to citizens; consequently, these assets are not available for operational type of future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's total net position (17.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$36,174,725, may be used to meet the government's ongoing obligations to citizens and creditors.

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

**City of Schertz's Net Position  
Government-Wide**

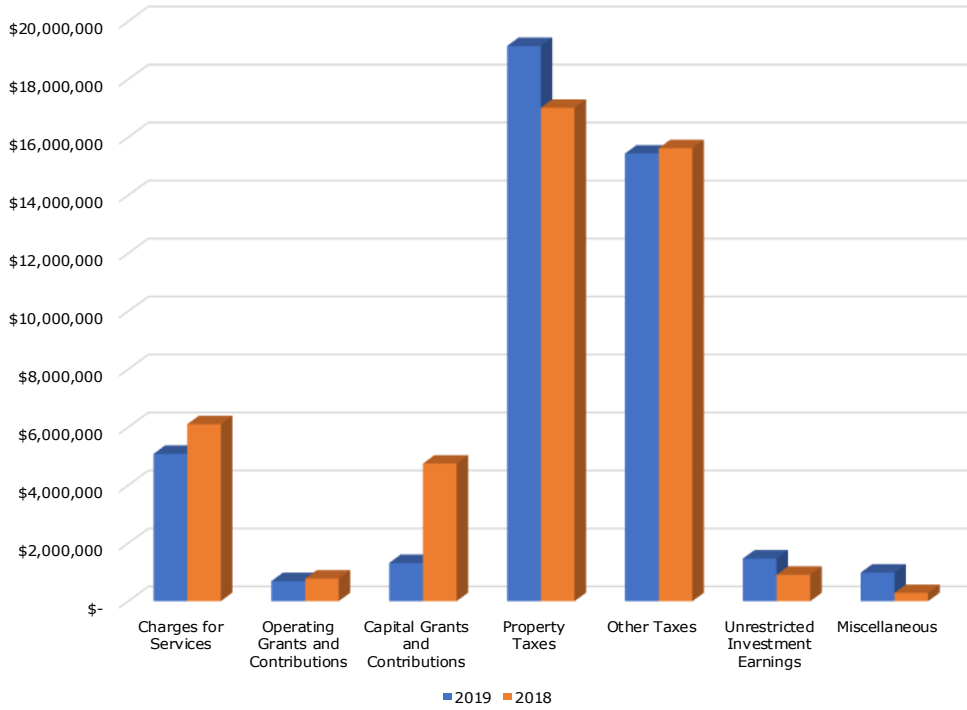
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 62,483,126	\$ 58,907,201	\$ 55,115,512	\$ 43,350,389	\$ 117,598,638	\$ 102,257,590
Capital assets	<u>143,800,297</u>	<u>139,558,325</u>	<u>86,809,556</u>	<u>78,668,459</u>	<u>230,609,853</u>	<u>218,226,784</u>
Total assets	<u>206,283,423</u>	<u>198,465,526</u>	<u>141,925,068</u>	<u>122,018,848</u>	<u>348,208,491</u>	<u>320,484,374</u>
Deferred outflows of resources	<u>5,026,512</u>	<u>2,896,350</u>	<u>1,307,526</u>	<u>732,459</u>	<u>6,334,038</u>	<u>3,628,809</u>
Current liabilities	8,595,801	7,846,103	4,792,951	5,190,642	13,388,752	13,036,745
Long-term liabilities	<u>81,400,396</u>	<u>77,074,678</u>	<u>23,649,513</u>	<u>18,905,255</u>	<u>105,049,909</u>	<u>95,979,933</u>
Total liabilities	<u>89,996,197</u>	<u>84,920,781</u>	<u>28,442,464</u>	<u>24,095,897</u>	<u>118,438,661</u>	<u>109,016,678</u>
Deferred inflows of resources	<u>434,900</u>	<u>1,431,927</u>	<u>32,409</u>	<u>286,584</u>	<u>467,309</u>	<u>1,718,511</u>
Net position:						
Net investment in capital assets	89,869,766	89,266,885	68,271,075	64,871,629	158,140,841	154,138,514
Restricted	28,088,355	23,391,047	13,232,638	12,626,526	41,320,993	36,017,573
Unrestricted	<u>2,920,717</u>	<u>2,351,236</u>	<u>33,254,008</u>	<u>20,870,671</u>	<u>36,174,725</u>	<u>23,221,907</u>
Total net position	<u>\$ 120,878,838</u>	<u>\$ 115,009,168</u>	<u>\$ 114,757,721</u>	<u>\$ 98,368,826</u>	<u>\$ 235,636,559</u>	<u>\$ 213,377,994</u>

The government's net position increased by \$22,258,565 during the current fiscal year. 30% of this increase represents capital contributions from developers. The following table indicates changes in net position for governmental and business-type activities followed by graphs displaying total revenues and expenses by type:

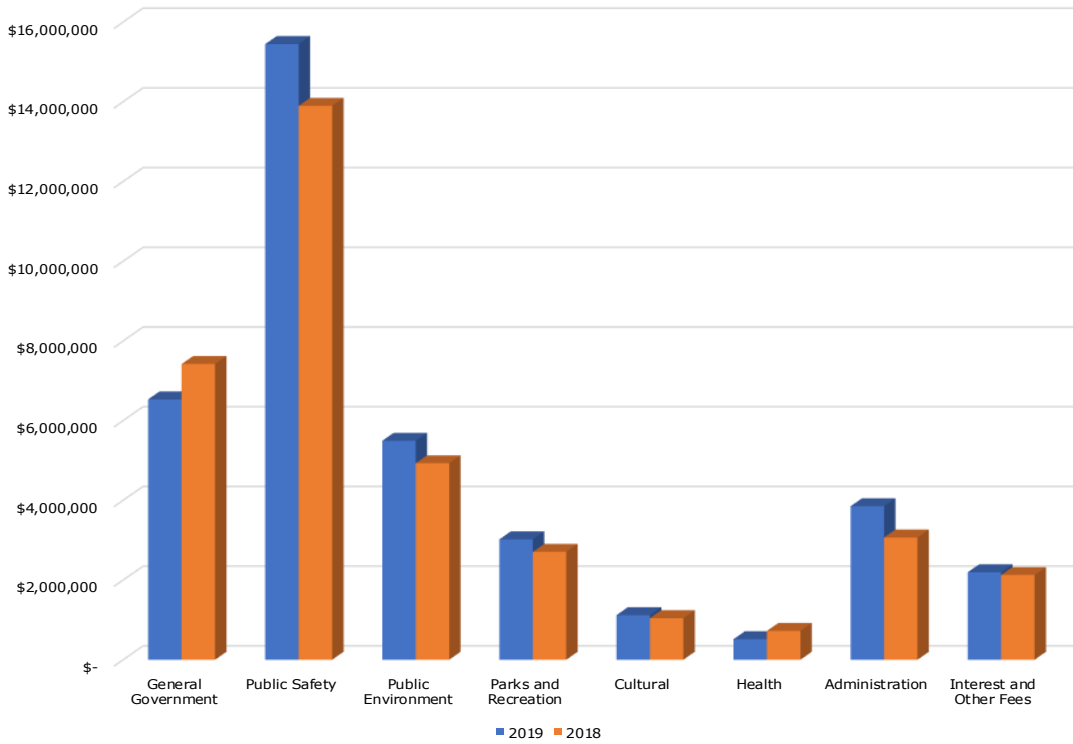
**City of Schertz's Changes in Net Position  
Government-Wide**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 5,080,958	\$ 6,100,438	\$ 33,930,093	\$ 33,191,796	\$ 39,011,051	\$ 39,292,234
Operating grants & contributions	692,042	776,942	-	-	692,042	776,942
Capital contributions	1,319,793	4,744,489	1,975,524	3,132,348	3,295,317	7,876,837
General revenues:						
Property taxes	19,151,005	17,018,950	-	-	19,151,005	17,018,950
Other taxes	15,439,226	15,625,556	-	-	15,439,226	15,625,556
Investment earnings	1,470,258	909,985	855,216	532,367	2,325,474	1,442,352
Miscellaneous	984,257	283,496	267,788	453,374	1,252,045	736,870
Total revenues	<u>44,137,539</u>	<u>45,459,856</u>	<u>37,028,621</u>	<u>37,309,885</u>	<u>81,166,160</u>	<u>82,769,741</u>
<b>Expenses:</b>						
General government	6,534,013	7,421,918	-	-	6,534,013	7,421,918
Public safety	15,448,886	13,899,278	-	-	15,448,886	13,899,278
Public environment	5,495,192	4,930,723	-	-	5,495,192	4,930,723
Parks and recreation	3,022,278	2,707,292	-	-	3,022,278	2,707,292
Cultural	1,119,650	1,042,085	-	-	1,119,650	1,042,085
Health	516,890	724,780	-	-	516,890	724,780
Administration	3,853,255	3,067,983	-	-	3,853,255	3,067,983
Interest and other fees	2,196,180	2,125,687	-	-	2,196,180	2,125,687
Water and sewer	-	-	25,608,390	23,579,854	25,608,390	23,579,854
EMS	-	-	6,529,631	6,110,407	6,529,631	6,110,407
Total expenses	<u>38,186,344</u>	<u>35,919,746</u>	<u>32,138,021</u>	<u>29,690,261</u>	<u>70,324,365</u>	<u>65,610,007</u>
Increase in net position before transfers	<u>5,951,195</u>	<u>9,540,110</u>	<u>4,890,600</u>	<u>7,619,624</u>	<u>10,841,795</u>	<u>17,159,734</u>
Transfers	( 81,525)	19,186	81,525	( 19,186)	-	-
Change in net position	5,869,670	9,559,296	4,972,125	7,600,438	10,841,795	17,159,734
Net position - beginning of year	<u>115,009,168</u>	<u>106,647,921</u>	<u>98,368,826</u>	<u>91,142,326</u>	<u>213,377,994</u>	<u>197,790,247</u>
Prior period adjustment	-	( 1,198,049)	11,416,770	( 373,938)	11,416,770	( 1,571,987)
Net position - end of year	<u>\$ 120,878,838</u>	<u>\$ 115,009,168</u>	<u>\$ 114,757,721</u>	<u>\$ 98,368,826</u>	<u>\$ 235,636,559</u>	<u>\$ 213,377,994</u>

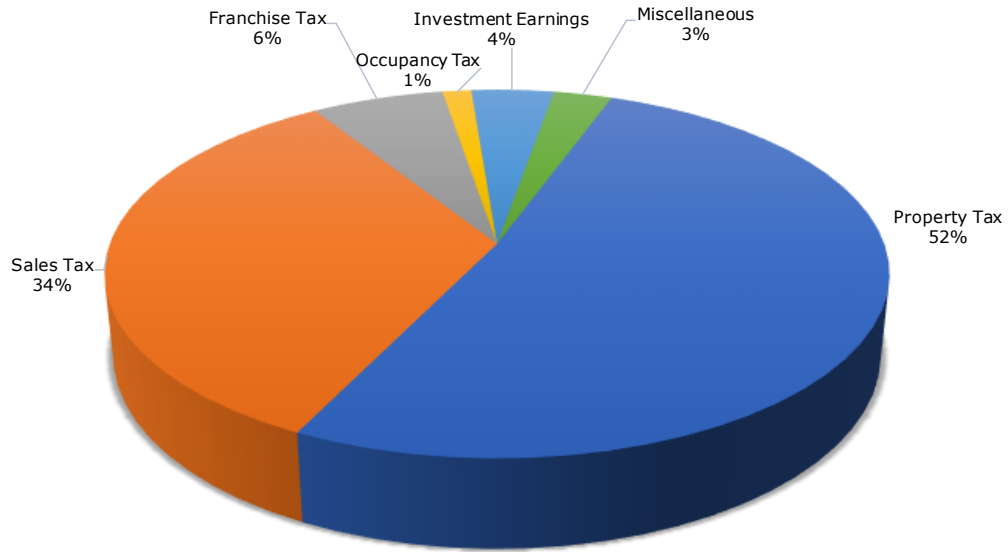
### TOTAL REVENUES – GOVERNMENT-WIDE



### TOTAL EXPENSES – GOVERNMENT-WIDE



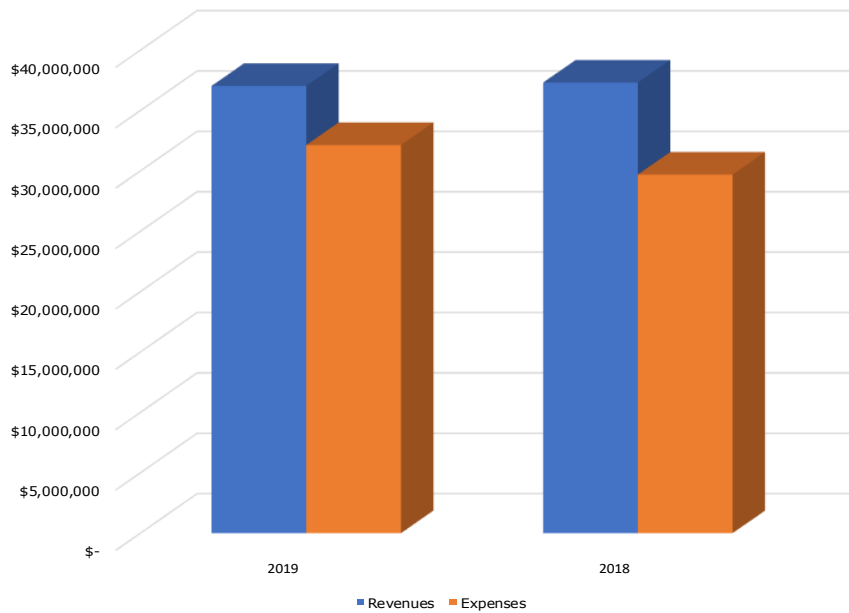
### GENERAL REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



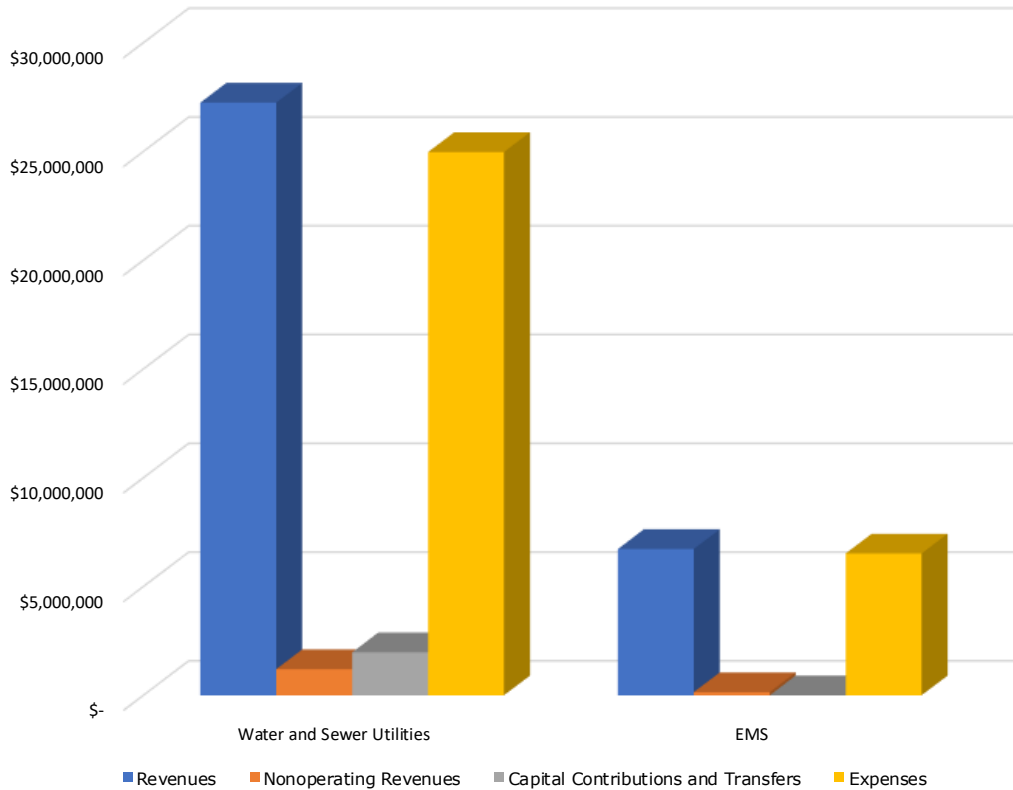
### Business-Type Activities

Business-Type activities accounted for 74% of the growth in the net position of the City of Schertz. Of this increase, 12% is the result of capital contributions from developers. For the most part, increases in expenses closely paralleled inflation and the change in revenues was primarily related to fluctuations in capital contributions from developers.

### TOTAL REVENUES AND EXPENSES – BUSINESS-TYPE ACTIVITIES



## BUSINESS-TYPE REVENUES AND EXPENSES



### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$56,834,378. Of this total amount, \$9,228,612 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, or assigned to indicate that it is not available for new spending because it has already been committed to pay debt service, for capital improvement projects, and other assigned purposes.

The general fund is the chief operating fund of the City of Schertz. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,228,612, while total fund balance was \$17,539,029, an increase of \$1,908,576 from the prior year. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35.9% of total general fund expenditures, not including capital.

The debt service fund has a total fund balance of \$1,002,226, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$97,632. This decrease was due to a current loss on refunding bonds. Over time, however, the refunding is expected to result in a present value savings.

The capital projects fund has a total fund balance of \$13,114,310, a decrease of \$2,942,455. This decrease was caused by the expenditure of accumulated funds for planned capital projects. Additionally, the capital projects fund accumulated bond proceeds of \$4.6 million to fund future capital projects.

The Economic Development Fund presents the activities of the Schertz Economic Development Corporation (the "EDC"), which promotes economic development activities using a portion of the City's sales tax revenue. At yearend, the EDC fund reported an ending fund balance of \$21,777,256, which is an increase of \$3,965,288 compared to the prior year. The primary cause of this change was due to the EDC expending less funds than budgeted compared to stable revenues.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the water and sewer fund at the end of the year amounted to \$32,582,296 and those for the Schertz EMS fund amounted to \$671,712, which are 130% and 10% of fund operating costs, respectively. During the fiscal year, the Water/Sewer fund issued \$6.2 million of general obligation bonds and certificates of obligation to fund additional capital projects.

#### General Fund Budgetary Highlights

The General Fund expenditures were \$2,286,094 less than the \$30,442,235 budget. This was the result of cost savings across most of the General Fund. Revenues were higher by \$2,059,821 than budgeted, primarily due to increased tax revenues over budgeted. Overall, the fund balance increased by \$4,273,202 higher than budgeted.

### CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$230,609,853 (net of accumulated depreciation). Developers contributed \$1.9 million in infrastructure during the year. The City also has several projects in progress from voter approved bonds. Additional information on the City's capital assets can be found in the notes to the basic financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 8,073,199	\$ 8,069,499	\$ 1,696,942	\$ 1,357,539	\$ 9,770,141	\$ 9,427,038
Water rights	-	-	70,245	70,245	70,245	70,245
Buildings and improvements	46,367,441	44,494,208	5,489,184	4,695,503	51,856,625	49,189,711
Machinery, equipment, and vehicles	12,958,097	12,299,312	6,007,550	5,441,459	18,965,647	17,740,771
Infrastructure	117,414,346	114,194,414	100,295,885	97,225,671	217,710,231	211,420,085
Construction in progress	21,045,668	16,640,216	9,248,439	3,391,127	30,294,107	20,031,343
Accumulated depreciation	( 62,058,454)	( 56,139,324)	( 35,998,689)	( 33,513,085)	( 98,057,143)	( 89,652,409)
<b>TOTALS</b>	<b>\$ 143,800,297</b>	<b>\$ 139,558,325</b>	<b>\$ 86,809,556</b>	<b>\$ 78,668,459</b>	<b>\$ 230,609,853</b>	<b>\$ 218,226,784</b>

### LONG TERM DEBT

At the end of the current fiscal year, the City of Schertz had total bonded debt outstanding of \$82,545,120. The related principal and interest payment for the bonds are backed by an annual ad valorem tax levied against all taxable property within the City. The City of Schertz maintains a "AA+" rating from Standard and Poors. Additional information on the City's long-term debt can be found in the notes to the basic financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 36,965,000	\$ 51,485,000	\$ 4,445,000	\$ 2,125,000	\$ 41,410,000	\$ 53,610,000
Certificates of obligation	16,235,000	12,940,000	12,330,000	12,815,000	28,565,000	25,755,000
Tax notes and leases	11,910,699	715,000	659,421	1,054,553	12,570,120	1,769,553
<b>TOTALS</b>	<b>\$ 65,110,699</b>	<b>\$ 65,140,000</b>	<b>\$ 17,434,421</b>	<b>\$ 15,994,553</b>	<b>\$ 82,545,120</b>	<b>\$ 81,134,553</b>

#### Economic Factors and Next Year's Budgets and Rates

At the end of the last fiscal year, the assigned and unassigned fund balance in the general fund increased to \$9,228,612. At the end of the last fiscal year, the assigned and unassigned fund balance in the general fund increased to \$15.1 million. The City of Schertz has appropriated \$4 million of this amount for spending in the 2020 fiscal year budget in accordance to the City's fund balance policy. The approved tax rate remained the same at \$0.5146 per \$100 of valuation. Each year the City updates its five-year budgeting forecast and has implemented a long-term debt model to assist management in making informed financial decisions that will impact the community now and in the future.



## Requests for Information

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

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**BASIC  
FINANCIAL STATEMENTS**

**CITY OF SCHERTZ, TEXAS**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,872,546	\$ 2,061,479	\$ 3,934,025
Investments	54,032,372	17,986,512	72,018,884
Receivables, net of allowances:			
Taxes	2,956,606	-	2,956,606
Accounts and other	1,899,967	6,844,023	8,743,990
Service concession arrangement receivable	90,909	-	90,909
Accrued interest	-	6,324	6,324
Inventories	117,009	146,921	263,930
Prepays	14,916	-	14,916
Internal balances	( 16,139)	16,139	-
Total Current Assets	<u>60,968,186</u>	<u>27,061,398</u>	<u>88,029,584</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	785,708	3,457,678	4,243,386
Investments	-	13,179,666	13,179,666
Service concession arrangement receivable	729,232	-	729,232
Investment in joint venture	-	11,416,770	11,416,770
Capital assets:			
Land	8,073,199	1,696,942	9,770,141
Water rights	-	70,245	70,245
Buildings and improvements	46,367,441	5,489,184	51,856,625
Equipment and vehicles	12,958,097	6,007,550	18,965,647
Infrastructure	117,414,346	100,295,885	217,710,231
Construction in progress	21,045,668	9,248,439	30,294,107
Accumulated depreciation	( 62,058,454)	( 35,998,689)	( 98,057,143)
Total Noncurrent Assets	<u>145,315,237</u>	<u>114,863,670</u>	<u>260,178,907</u>
Total Assets	<u>206,283,423</u>	<u>141,925,068</u>	<u>348,208,491</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on debt refunding	672,495	60,079	732,574
Deferred OPEB related outflows	196,842	56,396	253,238
Deferred pension related outflows	4,157,175	1,191,051	5,348,226
Total Deferred Outflows of Resources	<u>5,026,512</u>	<u>1,307,526</u>	<u>6,334,038</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,548,131	3,178,814	4,726,945
Accrued liabilities	970,679	273,077	1,243,756
Retainage payable	293,788	172,373	466,161
Due to other governments	123,116	-	123,116
Unearned revenue	33,314	431,104	464,418
Accrued interest payable	353,793	104,803	458,596
Customer deposits	22,251	632,780	655,031
Total Current Liabilities	<u>3,345,072</u>	<u>4,792,951</u>	<u>8,138,023</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SCHERTZ, TEXAS**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b> (continued)			
Noncurrent liabilities:			
Current Portion:			
Compensated absences	\$ 245,280	\$ 67,228	\$ 312,508
Total OPEB liability	56,643	16,229	72,872
Service concession arrangement	55,241	-	55,241
Long-term debt	4,893,565	1,961,953	6,855,518
Long-term liabilities:			
Compensated absences	981,119	268,911	1,250,030
Total OPEB liability	2,117,547	606,686	2,724,233
Net pension liability	15,303,179	4,384,430	19,687,609
Service concession arrangement	443,120	-	443,120
Long-term debt	62,555,431	16,344,076	78,899,507
Total Non Current liabilities	<u>86,651,125</u>	<u>23,649,513</u>	<u>110,300,638</u>
Total Liabilities	<u>89,996,197</u>	<u>28,442,464</u>	<u>118,438,661</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred service concession arrangement	321,780	-	321,780
Deferred OPEB related inflows	93,077	26,667	119,744
Deferred pension related inflows	20,043	5,742	25,785
Total Deferred Inflows of Resources	<u>434,900</u>	<u>32,409</u>	<u>467,309</u>
<b>NET POSITION</b>			
Net investment in capital assets	89,869,766	68,271,075	158,140,841
Restricted for:			
Police and municipal court	514,152	-	514,152
PEG capital fees	723,353	-	723,353
Tourism development	2,214,865	-	2,214,865
Economic development	21,777,256	-	21,777,256
Parks and tree mitigation	724,076	-	724,076
Debt service	1,084,908	-	1,084,908
Scholarships and other purposes	1,049,745	-	1,049,745
Construction	-	13,232,638	13,232,638
Unrestricted	<u>2,920,717</u>	<u>33,254,008</u>	<u>36,174,725</u>
Total Net Position	<u>\$ 120,878,838</u>	<u>\$ 114,757,721</u>	<u>\$ 235,636,559</u>

**CITY OF SCHERTZ, TEXAS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,534,013	\$ 947,538	\$ 201,117	\$ -
Public safety	15,448,886	3,177,329	477,907	-
Public environment	5,495,192	138,920	-	1,319,793
Parks and recreation	3,022,278	484,495	-	-
Cultural	1,119,650	311,575	13,018	-
Health	516,890	21,101	-	-
Administration	3,853,255	-	-	-
Interest	<u>2,196,180</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>38,186,344</u>	<u>5,080,958</u>	<u>692,042</u>	<u>1,319,793</u>
Business-type activities:				
Water and sewer	25,608,390	27,333,475	-	1,975,524
EMS	<u>6,529,631</u>	<u>6,596,618</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>32,138,021</u>	<u>33,930,093</u>	<u>-</u>	<u>1,975,524</u>
Total Primary Government	<u>\$ 70,324,365</u>	<u>\$ 39,011,051</u>	<u>\$ 692,042</u>	<u>\$ 3,295,317</u>

General revenues:

Taxes:

  Ad valorem

  Sales

  Franchise fees

  Hotel/motel

  Mixed drink

Investment earnings

Miscellaneous

Transfers

  Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position  
Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$( 5,385,358)	\$ -	\$( 5,385,358)
( 11,793,650)	-	( 11,793,650)
( 4,036,479)	-	( 4,036,479)
( 2,537,783)	-	( 2,537,783)
( 795,057)	-	( 795,057)
( 495,789)	-	( 495,789)
( 3,853,255)	-	( 3,853,255)
( 2,196,180)	-	( 2,196,180)
<u>( 31,093,551)</u>	<u>-</u>	<u>( 31,093,551)</u>
-	3,700,609	
<u>-</u>	<u>66,987</u>	<u>66,987</u>
-	3,767,596	3,767,596
<u>( 31,093,551)</u>	<u>3,767,596</u>	<u>( 27,325,955)</u>
19,151,005	-	19,151,005
12,506,879	-	12,506,879
2,357,150	-	2,357,150
514,679	-	514,679
60,518	-	60,518
1,470,258	855,216	2,325,474
984,257	267,788	1,252,045
<u>( 81,525)</u>	<u>81,525</u>	<u>-</u>
<u>36,963,221</u>	<u>1,204,529</u>	<u>38,167,750</u>
<u>5,869,670</u>	<u>4,972,125</u>	<u>10,841,795</u>
115,009,168	98,368,826	213,377,994
<u>-</u>	<u>11,416,770</u>	<u>11,416,770</u>
<u>\$ 120,878,838</u>	<u>\$ 114,757,721</u>	<u>\$ 235,636,559</u>

**CITY OF SCHERTZ, TEXAS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	General Fund	Capital Projects Fund	Debt Service Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,211,660	\$ 34,120	\$ 91,510
Investments	15,105,396	14,147,499	910,716
Receivables (net of allowances)			
Taxes	2,134,563	-	82,682
Accounts and other	1,775,482	52,248	-
Inventory	117,009	-	-
Prepays	14,916	-	-
Restricted assets:			
Cash and cash equivalents	785,708	-	-
Total Assets	<u>21,144,734</u>	<u>14,233,867</u>	<u>1,084,908</u>
<b>LIABILITIES</b>			
Accounts payable	685,560	825,769	-
Accrued salaries and benefits	970,679	-	-
Retainage payable	-	293,788	-
Customer deposits	22,251	-	-
Due to other governments	123,116	-	-
Due to other funds	16,139	-	-
Unearned revenues	33,314	-	-
Total Liabilities	<u>1,851,059</u>	<u>1,119,557</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	1,754,646	-	82,682
Total Deferred Inflows of Resources	<u>1,754,646</u>	<u>-</u>	<u>82,682</u>
<b>FUND BALANCES</b>			
Nonspendable for:			
Inventory	117,009	-	-
Prepaid items	14,916	-	-
Restricted for:			
Police and public safety/municipal court	226,093	-	-
Municipal court	823,451	-	-
PEG capital fees	723,353	-	-
Capital improvement	-	13,114,310	-
Debt service	-	-	1,002,226
Tourism development	-	-	-
Parks and tree mitigation	-	-	-
Historical Committee and library	-	-	-
Economic development	-	-	-
Animal control	33,408	-	-
Veterans	2,109	-	-
Scholarships	101,673	-	-
Committed for:			
Civic Center/CIED	687,779	-	-
Assigned for:			
Property replacement	891,321	-	-
Subsequent year's budget	4,689,305	-	-
Unassigned	9,228,612	-	-
Total Fund Balances	<u>17,539,029</u>	<u>13,114,310</u>	<u>1,002,226</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 21,144,734</u>	<u>\$ 14,233,867</u>	<u>\$ 1,084,908</u>

The accompanying notes are an integral part of these financial statements.



Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
\$ 224,144	\$ 311,112	\$ 1,872,546
20,824,561	3,044,200	54,032,372
739,361	-	2,956,606
8,448	63,789	1,899,967
-	-	117,009
-	-	14,916
-	-	785,708
<u>21,796,514</u>	<u>3,419,101</u>	<u>61,679,124</u>
19,258	17,544	1,548,131
-	-	970,679
-	-	293,788
-	-	22,251
-	-	123,116
-	-	16,139
-	-	33,314
<u>19,258</u>	<u>17,544</u>	<u>3,007,418</u>
-	-	1,837,328
-	-	1,837,328
-	-	117,009
-	-	14,916
-	288,059	514,152
-	-	823,451
-	-	723,353
-	85,453	13,199,763
-	-	1,002,226
-	2,214,865	2,214,865
-	724,076	724,076
-	89,104	89,104
21,777,256	-	21,777,256
-	-	33,408
-	-	2,109
-	-	101,673
-	-	687,779
-	-	891,321
-	-	4,689,305
-	-	9,228,612
<u>21,777,256</u>	<u>3,401,557</u>	<u>56,834,378</u>
\$ <u>21,796,514</u>	\$ <u>3,419,101</u>	\$ <u>61,679,124</u>

**CITY OF SCHERTZ, TEXAS**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	\$ 56,834,378
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, are not reported in the governmental funds balance sheet.	143,800,297
Bonds payable and accrued compensated absences will not be liquidated with current financial resources and, therefore, have not been included in the fund financial statements.	( 66,337,098)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	( 353,793)
Premiums on bond issuances and deferred losses on bond refunding are recorded as other financing sources and uses when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements over the life of the bonds.	
Premiums	( 2,338,297)
Deferred loss	672,495
Receivables from property taxes and fines and fees are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the fund financial statements.	1,837,328
Included in the items related to debt is the recognition of the City's net pension liability, total OPEB liability, and related deferred outflows and inflows of resources.	
Net pension liability	( 15,303,179)
Deferred outflows related to pensions	4,157,175
Deferred inflows related to pensions	( 20,043)
Total OPEB liability	( 2,174,190)
Deferred outflows related to OPEB	196,842
Deferred inflows related to OPEB	( 93,077)
Net Position of Governmental Activities	\$ <u>120,878,838</u>

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**CITY OF SCHERTZ, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Capital Projects Fund	Debt Service Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>			
Taxes	\$ 23,488,223	\$ -	\$ 6,414,868
Permits and fees	1,605,299	-	-
Service fees	1,909,300	-	-
Fines and fees	926,657	-	-
Intergovernmental	965,768	91,913	-
Investment earnings	489,051	382,850	70,318
Miscellaneous	<u>684,882</u>	<u>-</u>	<u>100,277</u>
Total Revenues	<u>30,069,180</u>	<u>474,763</u>	<u>6,585,463</u>
<b>EXPENDITURES</b>			
Current:			
General government	5,389,701	-	-
Public safety	13,926,364	-	-
Public environment	1,112,041	-	-
Parks and recreation	2,350,370	-	-
Cultural	998,445	-	-
Health	498,871	-	-
Administration	3,231,294	-	-
Capital outlay	649,055	8,308,326	-
Debt service:			
Principal	-	-	4,565,000
Interest and fiscal charges	-	-	2,069,215
Bond issue costs	-	68,213	120,869
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>5,489,912</u>
Total Expenditures	<u>28,156,141</u>	<u>8,376,539</u>	<u>12,244,996</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,913,039</u>	<u>( 7,901,776)</u>	<u>( 5,659,533)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	-	4,620,000	-
Issuance of refunding debt	-	-	5,225,000
Premiums from issuance of debt	-	303,214	336,901
Transfers in	-	117,632	-
Transfers out	<u>( 4,463)</u>	<u>( 81,525)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>( 4,463)</u>	<u>4,959,321</u>	<u>5,561,901</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,908,576	( 2,942,455)	( 97,632)
<b>FUND BALANCES - BEGINNING</b>	<u>15,630,453</u>	<u>16,056,765</u>	<u>1,099,858</u>
<b>FUND BALANCES - ENDING</b>	\$ <u>17,539,029</u>	\$ <u>13,114,310</u>	\$ <u>1,002,226</u>

<u>Economic Development Corporation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,172,238	\$ 514,679	\$ 34,590,008
-	30,162	1,635,461
-	160,993	2,070,293
-	26,957	953,614
-	-	1,057,681
452,214	75,825	1,470,258
196,003	3,095	984,257
<u>4,820,455</u>	<u>811,711</u>	<u>42,761,572</u>
358,810	133,136	5,881,647
-	59,079	13,985,443
-	-	1,112,041
-	43,117	2,393,487
-	19,664	1,018,109
-	-	498,871
496,357	67,582	3,795,233
-	126,191	9,083,572
-	-	4,565,000
-	-	2,069,215
-	-	189,082
-	-	5,489,912
<u>855,167</u>	<u>448,769</u>	<u>50,081,612</u>
<u>3,965,288</u>	<u>362,942</u>	<u>( 7,320,040)</u>
-	-	4,620,000
-	-	5,225,000
-	-	640,115
-	2,871	120,503
-	( 116,040)	( 202,028)
-	( 113,169)	10,403,590
3,965,288	249,773	3,083,550
17,811,968	3,151,784	53,750,828
<u>\$ 21,777,256</u>	<u>\$ 3,401,557</u>	<u>\$ 56,834,378</u>

**CITY OF SCHERTZ, TEXAS**

RECONCILIATION OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net Changes in Fund Balances - Governmental Funds \$ 3,083,550

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, that cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	10,734,925
Depreciation expense	( 6,443,851)

The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, or donations) is to decrease net position.	( 49,102)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	55,951
Court fines	223

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

Issuance of debt	( 9,828,076)
Repayment of principal of long-term debt	10,175,244
Amortization of:	
Premium on bond issuance	( 640,115)
Loss on refunding	( 88,146)

Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	925
Net pension liability	( 975,732)
Total OPEB liability	( 177,698)

Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.

21,572

Change in Net Position of Governmental Activities	\$ <u>5,869,670</u>
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**CITY OF SCHERTZ, TEXAS**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

SEPTEMBER 30, 2019

	Business-Type Activities Enterprise Funds	
	Water and Sewer System	Schertz EMS
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,955,132	\$ 106,347
Investments	17,369,593	616,919
Accounts receivable, net of allowance:		
Customer accounts	3,995,689	2,848,334
Due from other funds	-	16,139
Accrued interest	6,324	-
Inventory	<u>85,015</u>	<u>61,906</u>
Total Current Assets	<u>23,411,753</u>	<u>3,649,645</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	3,457,678	-
Investments	13,179,666	-
Investment in joint ventures	11,416,770	-
Capital assets:		
Land	1,696,942	-
Water rights	70,245	-
Buildings and improvements	5,489,184	-
Machinery, equipment, and vehicles	3,195,258	2,812,292
Infrastructure	100,295,885	-
Construction in progress	9,248,439	-
Less: accumulated depreciation	<u>( 34,132,122)</u>	<u>( 1,866,567)</u>
Total Noncurrent Assets	<u>113,917,945</u>	<u>945,725</u>
Total Assets	<u>137,329,698</u>	<u>4,595,370</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	60,079	-
Deferred OPEB related outflows	19,018	37,378
Deferred pension related outflows	<u>401,652</u>	<u>789,399</u>
Total Deferred Outflows of Resources	<u>480,749</u>	<u>826,777</u>



Business-Type Activities <u>Enterprise Funds</u>	<u>Governmental Activities</u>
Total Enterprise Fund	Internal Service Fund
\$ 2,061,479	\$ -
17,986,512	-
	-
6,844,023	-
16,139	-
6,324	-
<u>146,921</u>	<u>-</u>
<u>27,061,398</u>	<u>-</u>
3,457,678	-
13,179,666	-
11,416,770	-
1,696,942	-
70,245	-
5,489,184	-
6,007,550	-
100,295,885	-
9,248,439	-
( 35,998,689)	-
<u>114,863,670</u>	<u>-</u>
<u>141,925,068</u>	<u>-</u>
60,079	-
56,396	-
<u>1,191,051</u>	<u>-</u>
<u>1,307,526</u>	<u>-</u>

**CITY OF SCHERTZ, TEXAS**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

SEPTEMBER 30, 2019

	Business-Type Activities Enterprise Funds	
	Water and Sewer System	Schertz EMS
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 3,137,174	\$ 41,640
Accrued liabilities	69,966	203,111
Retainage payable	172,373	-
Customer deposits	632,780	-
Accrued interest	101,523	3,280
Unearned revenue	431,088	16
Current portion of long-term liabilities:		
Compensated absences	23,940	43,288
Total OPEB liability	5,473	10,756
Long-term debt	<u>1,620,000</u>	<u>341,953</u>
Total Current Liabilities	<u>6,194,317</u>	<u>644,044</u>
Noncurrent liabilities:		
Compensated absences	95,760	173,151
Total OPEB liability	204,589	402,097
Net pension liability	1,478,539	2,905,891
Long-term debt	<u>15,971,088</u>	<u>372,988</u>
Total Noncurrent Liabilities	<u>17,749,976</u>	<u>3,854,127</u>
Total Liabilities	<u>23,944,293</u>	<u>4,498,171</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred OPEB related inflows	8,993	17,674
Deferred pension related inflows	<u>1,936</u>	<u>3,806</u>
Total Deferred Outflows of Resources	<u>10,929</u>	<u>21,480</u>
<b>NET POSITION</b>		
Net investment in capital assets	68,040,291	230,784
Restricted for construction	13,232,638	-
Unrestricted	<u>32,582,296</u>	<u>671,712</u>
Total Net Position	<u>\$ 113,855,225</u>	<u>\$ 902,496</u>

Business-Type Activities Enterprise Funds	Governmental Activities
<u>Total Enterprise Fund</u>	<u>Internal Service Fund</u>
\$ 3,178,814	\$ -
273,077	-
172,373	-
632,780	-
104,803	-
431,104	-
67,228	-
16,229	-
<u>1,961,953</u>	<u>-</u>
<u>6,838,361</u>	<u>-</u>
268,911	-
606,686	-
4,384,430	-
<u>16,344,076</u>	<u>-</u>
<u>21,604,103</u>	<u>-</u>
<u>28,442,464</u>	<u>-</u>
26,667	-
<u>5,742</u>	<u>-</u>
<u>32,409</u>	<u>-</u>
68,271,075	-
13,232,638	-
<u>33,254,008</u>	<u>-</u>
<u>\$ 114,757,721</u>	<u>\$ -</u>

**CITY OF SCHERTZ, TEXAS**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities Enterprise Funds	
	Water and Sewer System	Schertz EMS
<b>OPERATING REVENUES</b>		
Fees charged to users	\$ 27,018,506	\$ 6,596,618
Charges for premiums	-	-
Other charges	90,041	-
Miscellaneous	<u>137,703</u>	<u>130,085</u>
Total Operating Revenues	<u>27,246,250</u>	<u>6,726,703</u>
<b>OPERATING EXPENSES</b>		
Personnel services	1,908,362	4,442,559
Contribution to joint ventures	4,287,219	-
Water purchase	3,086,446	-
Garbage contractor	4,848,197	-
Sewage treatment	4,379,952	-
General and administrative	3,237,942	575,811
Contractual services	264,586	667,701
Supplies and maintenance	607,940	496,208
Depreciation	<u>2,354,506</u>	<u>336,004</u>
Total Operating Costs	<u>24,975,150</u>	<u>6,518,283</u>
Operating Income (Loss)	<u>2,271,100</u>	<u>208,420</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment revenue	840,279	14,937
Lease revenue	224,928	-
Interest expense	( 633,240)	( 11,348)
Total Non-Operating Revenues (Expenses)	<u>431,967</u>	<u>3,589</u>
Income Before Contributions and Transfers	<u>2,703,067</u>	<u>212,009</u>
Capital contributions	1,975,524	-
Transfers in	<u>81,525</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>4,760,116</u>	<u>212,009</u>
<b>NET POSITION - BEGINNING</b>	<u>97,678,339</u>	<u>690,487</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	11,416,770	-
<b>NET POSITION - BEGINNING, RESTATED</b>	<u>109,095,109</u>	<u>690,487</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 113,855,225</u>	<u>\$ 902,496</u>

Business-Type Activities Enterprise Funds	Governmental Activities
Total Enterprise Funds	Internal Service Fund
\$ 33,615,124	\$ -
-	2,823,441
90,041	-
267,788	-
<u>33,972,953</u>	<u>2,823,441</u>
6,350,921	2,823,441
4,287,219	-
3,086,446	-
4,848,197	-
4,379,952	-
3,813,753	-
932,287	-
1,104,148	-
2,690,510	-
<u>31,493,433</u>	<u>2,823,441</u>
<u>2,479,520</u>	<u>-</u>
855,216	-
224,928	-
( 644,588)	-
<u>435,556</u>	<u>-</u>
<u>2,915,076</u>	<u>-</u>
1,975,524	-
81,525	-
<u>4,972,125</u>	<u>-</u>
<u>98,368,826</u>	<u>-</u>
11,416,770	-
<u>109,785,596</u>	<u>-</u>
\$ <u>114,757,721</u>	\$ <u>-</u>

**CITY OF SCHERTZ, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities Enterprise Funds	
	Water and Sewer System	Schertz EMS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 26,149,246	\$ 6,766,373
Cash received from interfund services	-	-
Cash paid to employees for services	( 2,054,226)	( 4,360,732)
Cash paid to suppliers for goods and services	( 19,175,069)	( 1,575,204)
Net Cash Provided By operating Activities	4,919,951	830,437
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	81,525	-
Collection of cash advances from other funds	116,040	-
Net Cash Provided By Noncapital Financing Activities	197,565	-
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	( 8,864,566)	-
Proceeds from the issuance of debt	6,220,000	-
Premium from issuance of debt	498,979	-
Interest paid on long-term debt	( 648,464)	( 11,348)
Principal paid on long-term debt	( 4,420,000)	( 360,133)
Net Cash Used in Capital and Related Financing Activities	( 7,214,051)	( 371,481)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale (purchase) of investments	1,033,036	( 559,779)
Payments from leases	224,928	-
Interest and investment earnings	840,279	14,937
Net Cash Provided By (Used in) Investing Activities	2,098,243	( 544,842)
Net (Decrease) Increase in Cash and Cash Equivalents	1,708	( 85,886)
Cash and cash equivalents at beginning of year:		
Cash and cash equivalents	1,448,185	192,233
Restricted cash and cash equivalents	3,962,917	-
	5,411,102	192,233
Cash and cash equivalents at end of year:		
Cash and cash equivalents	1,955,132	106,347
Restricted cash and cash equivalents	3,457,678	-
	\$ 5,412,810	\$ 106,347

The accompanying notes are an integral part of these financial statements.

Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
Total Enterprise	
\$ 32,915,619	\$ -
-	2,823,441
( 6,414,958)	( 2,823,441)
( 20,750,273)	-
<u>5,750,388</u>	<u>-</u>
81,525	-
116,040	-
<u>197,565</u>	<u>-</u>
( 8,864,566)	-
6,220,000	-
498,979	-
( 659,812)	-
( 4,780,133)	-
<u>( 7,585,532)</u>	<u>-</u>
473,257	-
224,928	-
855,216	-
<u>1,553,401</u>	<u>-</u>
( 84,178)	-
1,640,418	-
3,962,917	-
5,603,335	-
2,061,479	-
3,457,678	-
<u>\$ 5,519,157</u>	<u>\$ -</u>

**CITY OF SCHERTZ, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities Enterprise Funds	
	Water and Sewer System	Schertz EMS
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 2,271,100	\$ 208,420
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,354,506	336,004
Decrease (increase) in accounts receivable	( 1,088,390)	36,384
Decrease (increase) in inventory	4,856	25,322
Increase (decrease) in deferred pension outflows	( 165,109)	( 404,526)
Increase (decrease) in deferred OPEB outflows	( 5,588)	( 10,826)
Increase (decrease) in accounts payable	1,532,357	139,194
Increase (decrease) in accrued liabilities	20,091	( 141,177)
Increase (decrease) in customer deposits	( 8,614)	3,280
Increase (decrease) in unearned revenue	-	6
Increase (decrease) in compensated absences	6,206	25,019
Increase (decrease) in net pension liability	55,414	807,526
Increase (decrease) in deferred OPEB inflows	8,993	17,674
Increase (decrease) in deferred pension inflows	( 67,739)	( 213,103)
Increase (decrease) in total OPEB liability	<u>1,868</u>	<u>1,240</u>
Net cash provided by operating activities	<u>\$ 4,919,951</u>	<u>\$ 830,437</u>
<b>SCHEDULE OF NON-CASH CAPITAL ACTIVITIES</b>		
Developer contributions of capital assets	<u>1,975,524</u>	<u>-</u>



Business-Type Activities Enterprise Funds	Governmental Activities
Total Enterprise	Internal Service Fund
\$ 2,479,520	\$ -
2,690,510	-
( 1,052,006)	-
30,178	-
( 569,635)	-
( 16,414)	-
1,671,551	-
( 121,086)	-
( 5,334)	-
6	-
31,225	-
862,940	-
26,667	-
( 280,842)	-
3,108	-
<u>\$ 5,750,388</u>	<u>\$ -</u>
<u>1,975,524</u>	<u>-</u>

## CITY OF SCHERTZ, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Schertz is a municipal corporation governed by an elected mayor and five-member council. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

##### A. Reporting Entity

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

**Schertz Economic Development Corporation** - The Corporation was organized for the purpose of promoting economic development in order to eliminate unemployment and underemployment and to promote and encourage employment and public welfare of, for, and on behalf of the City. The board of directors consists of seven (7) members appointed by the city council. The City is financially accountable for the Corporation because the city council approves the Corporation's budget and appoints all board members. For financial reporting purposes, the SEDC is reported as a blended component unit due to the City having operational responsibility for the component unit, and that any debt issued by SEDC would be expected to be paid using City resources. Thus, SEDC is presented as a special revenue fund within the City's financial statements. Complete financial statements for the Schertz Economic Development Corporation may be obtained from City Hall.

**Joint Ventures** - A joint venture is a legally separate entity that results from a contractual arrangement and that is owned, operated, or governed by two or more participating governments. The following entities meet the criteria as joint ventures. Separate financial statements for these entities may be obtained at City Hall.

Schertz/Seguin Local Government Corporation - is a public, nonprofit corporation organized to aid, assist, and act on behalf of the cities of Schertz and Seguin in acquiring, constructing, maintaining, and operating a water utility system. The participating governments have an ongoing financial responsibility to fund the operation of the corporation through either purchase of services or by subsidizing the operations.

Cibolo Valley Local Government Corporation - is a public, nonprofit corporation organized July 28, 2011 to aid, assist, and act on behalf of the cities of Cibolo, Converse and Schertz in acquiring, constructing, maintaining, and operating a water utility system. The participating governments have an ongoing financial responsibility to fund the operation of the corporation through either purchase of services or by subsidizing the operations.

##### B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

#### **D. Cash and Cash Equivalents**

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

#### **E. Investments**

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

Investments for the City are reported at fair value, except for the position in investment pools, which are reported at net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The City categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quotes prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

#### **F. Receivables and Payables**

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

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

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

**G. Inventories and Prepaid Items**

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

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

**H. Restricted Assets**

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

**I. Capital Assets**

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

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

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

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

<u>Assets</u>	<u>Use Lives (Years)</u>
Buildings and improvements	10 - 50
Machinery, equipment, and vehicles	2 - 20
Infrastructure	15 - 30

## **J. Deferred Inflows/Outflows of Resources**

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

- Deferred charges on refunding – 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.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in expected and actual pension and OPEB experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet 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 the following types of items that qualify for reporting in this category.

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension and OPEB experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

## **K. Compensated Absences**

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

## **L. Pensions**

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

#### **M. Other Post-Employment Benefits (OPEB)**

**Supplemental Death Benefits Fund.** For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

**Retiree Health Insurance.** For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the City for benefits due and payable that are not reimbursed by plan assets. Information regarding the City's total OPEB liability is obtained from a report prepared by a consulting actuary, Gabriel Roeder Smith & Company.

#### **N. Long-Term Obligations**

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

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

#### **O. Fund Balance**

Fund balances in governmental funds are classified as follows:

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

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

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

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

**Unassigned** - Represents the residual balance that may be spent on any other purpose of the City. Only the General Fund reports positive unassigned fund balances; if another fund were to have unassigned fund balance, it would be in the event of a deficit.

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

**P. Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed by creditors, grantors, or laws or regulations of other governments.

**Q. Estimates**

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

**R. Budgetary Information**

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

**S. Reclassifications**

Certain reclassifications have been made in the presentation of the September 30, 2019 financial statements. All comparative information for prior periods has been reclassified to match the new presentation. The changes in presentation had no impact on the changes in net position or fund balance.

**II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES**

**A. Cash, Cash Equivalents and Investments**

As of September 30, 2019, the City had the following pooled investment funds:

Investment type:	<u>Reported Value</u>	<u>Weighted Average Maturity (days)</u>
LOGIC	\$ 18,377,749	49
Lone Star Investment Pool	29,184,721	42
Texas CLASS	30,165,581	41
Certificates of Deposit	4,247,482	44
U.S. Agency Securities	<u>3,223,017</u>	424
Total	<u>\$ 85,198,550</u>	

The City's U.S. Agency Securities recurring fair value measurements as of year-end are quoted market prices (level 1 inputs) for \$3,148,081 and a matrix pricing model (level 2 inputs) for \$74,936.

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



*Credit Risk.* State law limits investments in certificates of deposit to guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or the National Credit Union Share Insurance Fund, or its successor and investment pools continuously rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The City's investment policy does not further limit its investment choices. As of September 30, 2019, the City's investments in the pooled investment funds were rated AAAM by Standard & Poor's. The City has also invested in debt securities provided by the Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit Banks, and U.S Treasury Notes. As of September 30, 2019, the City's investments in debt securities were rated BBB+ by Standard & Poor's.

*Custodial Credit Risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2019, the City's cash and cash equivalents (including certificates of deposit, and component unit holdings) were fully collateralized by the City's depository by a combination of pledged collateral and FDIC insurance. All collateral is held in the City's name.

*Custodial Credit Risk - Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the government securities owned by the City are held by its agent in the City's name.

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

## **B. Property Taxes**

Taxes are levied on and payable as of October 1. The City has contracted with the Guadalupe County Tax Assessor-Collector to collect taxes on its behalf. Current taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action. The total taxable value as of October 1, 2018, upon which the fiscal 2019 levy was based, was \$3,587,260,553 (i.e., market value less exemptions). The estimated market value was \$4,707,771,574, making the taxable value 76.2% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt for the year ended September 30, 2019, was \$0.5146 per \$100 of assessed value, which means that the City has a tax margin of \$1.9854 for each \$100 value and could increase its annual tax levy by approximately \$71,221,471 based upon the present assessed valuation before the limit is reached.

However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's effective tax rate.

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

### C. Receivables

Receivables as September 30, 2019 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities				Business-type Activities		
	General Fund	Economic Development	Capital Projects	Debt Service	Nonmajor Funds	Water and Sewer Fund	Schertz EMS
Receivables:							
Property taxes	\$ 170,766	\$ -	\$ -	\$ 87,960	\$ -	\$ -	\$ -
Sales tax	1,478,722	739,361	-	-	-	-	-
Occupancy taxes	-	-	-	-	63,789	-	-
Franchise taxes	473,890	-	-	-	-	-	-
Customers	2,796	-	-	-	-	4,101,256	8,830,074
Court fines	3,916,772	-	-	-	-	-	-
Grants	-	-	52,248	-	-	-	-
Other	230,816	8,448	-	-	-	66,478	31,240
Gross receivables	6,273,762	747,809	52,248	87,960	63,789	4,167,734	8,861,314
Less: allowance for uncollectible accounts	( 2,378,687)	-	-	( 5,278)	-	( 172,045)	( 6,012,980)
Net receivables	\$ 3,895,075	\$ 747,809	\$ 52,248	\$ 82,682	\$ 63,789	\$ 3,995,689	\$ 2,848,334

### D. Deferred Inflows and Outflows of Resources

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue and unavailable revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
General Fund	
Delinquent property taxes receivable	\$ 160,520
Court fines	<u>1,594,126</u>
Total General Fund	<u>1,754,646</u>
Debt Service Fund	
Delinquent property taxes receivable	<u>82,682</u>
Total Debt Service Fund	<u>82,682</u>
Total Governmental Funds	<u>\$ 1,837,328</u>

Additionally, the proprietary funds and governmental activities statements of net position report various deferred outflows and inflows of resources, primarily due to pensions and OPEB, that are summarized by column. The following table presents the disaggregated amounts.

	Governmental Activities	Business-type Activities		Totals
		Water/Sewer	EMS	
Deferred outflows:				
Charge on refunding	\$ 672,495	\$ 60,079	\$ -	\$ 732,574
Related to pensions	4,157,175	401,652	789,399	5,348,226
Related to OPEB - SDBF	92,432	8,930	17,552	118,914
Related to OPEB - Retiree Health Plan	<u>104,410</u>	<u>10,088</u>	<u>19,826</u>	<u>134,324</u>
Total deferred outflow	<u>\$ 5,026,512</u>	<u>\$ 480,749</u>	<u>\$ 826,777</u>	<u>\$ 6,334,038</u>
Deferred inflows:				
Service concession arrangement	\$ 321,780	\$ -	\$ -	321,780
Related to pensions	20,043	1,936	3,806	25,785
Related to OPEB - SDBF	36,258	3,503	6,885	46,646
Related to OPEB - Retiree Health plan	<u>56,819</u>	<u>5,490</u>	<u>10,789</u>	<u>73,098</u>
Total deferred inflow	<u>\$ 434,900</u>	<u>\$ 10,929</u>	<u>\$ 21,480</u>	<u>\$ 467,309</u>

**E. Interfund Balances and Transfers**

The composition of interfund balances as of September 30, 2019 is as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
EMS	General	\$ 16,139	Short-term pool cash loan

The following schedule briefly summarizes the City's transfer activity for the year ending September 30, 2019:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General	Nonmajor governmental	\$ 4,463	Supplement funds sources
Capital Projects	Water & Sewer	81,525	Fund Drainage projects
Nonmajor governmental	Capital Projects	116,040	Street maintenance funding

**F. Capital Assets**

Capital asset activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,069,499	\$ 3,700	\$ -	\$ 8,073,199
Construction in progress	16,640,216	8,262,907	( 3,857,455)	21,045,668
Total capital assets not being depreciated	24,709,715	8,266,607	( 3,857,455)	29,118,867
Capital assets being depreciated:				
Buildings and improvements	44,494,208	2,173,159	( 299,926)	46,367,441
Machinery, equipment, and vehicles	12,299,312	932,682	( 273,897)	12,958,097
Street and infrastructure	114,194,414	3,219,932	-	117,414,346
Total assets being depreciated	170,987,934	6,325,773	( 573,823)	176,739,884
Less accumulated depreciation for:				
Buildings and improvements	( 13,845,761)	( 1,567,470)	299,926	( 15,113,305)
Machinery, equipment, and vehicles	( 6,195,881)	( 1,171,760)	224,795	( 7,142,846)
Street and infrastructure	( 36,097,682)	( 3,704,621)	-	( 39,802,303)
Total accumulated depreciation	( 56,139,324)	( 6,443,851)	524,721	( 62,058,454)
Total capital assets being depreciated, net	114,848,610	( 118,078)	( 49,102)	114,681,430
Governmental activities capital assets, net	\$ 139,558,325	\$ 8,148,529	\$ ( 3,906,557)	\$ 143,800,297

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,357,539	\$ 339,488	\$ ( 85)	\$ 1,696,942
Water rights	70,245	-	-	70,245
Construction in progress	<u>3,391,127</u>	<u>7,752,183</u>	<u>( 1,894,871)</u>	<u>9,248,439</u>
Total capital assets, not being depreciated	<u>4,818,911</u>	<u>8,091,671</u>	<u>( 1,894,956)</u>	<u>11,015,626</u>
Capital assets being depreciated:				
Buildings and improvements	4,695,503	835,683	( 42,002)	5,489,184
Machinery, equipment, and vehicles	5,441,459	764,497	( 198,406)	6,007,550
Infrastructure	<u>97,225,671</u>	<u>3,034,712</u>	<u>35,502</u>	<u>100,295,885</u>
Total assets being depreciated	<u>107,362,633</u>	<u>4,634,892</u>	<u>( 204,906)</u>	<u>111,792,619</u>
Less accumulated depreciation for:				
Buildings and improvements	( 2,630,010)	( 72,865)	6,500	( 2,696,375)
Machinery, equipment, and vehicles	( 4,928,317)	( 622,400)	198,406	( 5,352,311)
Infrastructure	<u>( 25,954,758)</u>	<u>( 1,995,245)</u>	<u>-</u>	<u>( 27,950,003)</u>
Total accumulated depreciation	<u>( 33,513,085)</u>	<u>( 2,690,510)</u>	<u>204,906</u>	<u>( 35,998,689)</u>
Total capital assets being depreciated, net	<u>73,849,548</u>	<u>1,944,382</u>	<u>-</u>	<u>75,793,930</u>
Business-type activities capital assets, net	<u>\$ 78,668,459</u>	<u>\$ 10,036,053</u>	<u>\$ ( 1,894,956)</u>	<u>\$ 86,809,556</u>

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

Governmental activities:	
General government	\$ 568,105
Public safety	1,062,066
Public environment	3,853,021
Parks and recreation	894,989
Cultural	58,617
Administration	<u>7,053</u>
Total	<u>\$ 6,443,851</u>
Business-type activities:	
Water and sewer system	\$ 2,354,506
EMS	<u>336,004</u>
Total	<u>\$ 2,690,510</u>

## G. Operating Leases

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

Year Ending 30-Sep	Total
2020	\$ 276,693
2021	290,528
2022	305,054
2023	320,307
2024	336,322
2025-2029	<u>1,522,069</u>
	<u>\$ 3,050,972</u>

## H. Long-Term Debt

Changes in long-term debt for the year ending September 30, 2019 are as follows:

	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Amount Due Within One Year
<b>Governmental activities:</b>					
General Obligation Bonds	\$ 38,795,000	\$ 5,830,000	\$( 7,660,000)	\$ 36,965,000	\$ 2,350,000
Certificates of Obligation	12,940,000	4,015,000	( 720,000)	16,235,000	1,000,000
General Obligation Bonds- Private Placement	12,690,000	-	( 1,335,000)	11,355,000	1,350,000
Tax Notes- Private Placement	715,000	-	( 185,000)	530,000	185,000
Premium from Debt	1,964,862	640,114	( 266,679)	2,338,297	-
Capital Lease	34,264	-	( 8,565)	25,699	8,565
Compensated Absences	1,227,324	231,646	( 232,571)	1,226,399	245,280
<b>Total governmental</b>	<b>\$ 68,366,450</b>	<b>\$ 10,716,760</b>	<b>\$( 10,407,815)</b>	<b>\$ 68,675,395</b>	<b>\$ 5,138,845</b>
<b>Business-type activities:</b>					
General Obligation Bonds	\$ 705,000	\$ 2,740,000	\$( 230,000)	\$ 3,215,000	\$ 570,000
Certificates of Obligation	12,815,000	3,480,000	( 3,965,000)	12,330,000	825,000
General Obligation Bonds- Private Placement	1,420,000	-	( 190,000)	1,230,000	190,000
Tax Notes- Private Placement	765,000	-	( 305,000)	460,000	310,000
Unamortized Premium	398,835	498,979	( 26,206)	871,608	-
Capital Lease	289,553	-	( 90,132)	199,421	66,953
Compensated Absences	304,914	64,585	( 33,360)	336,139	67,228
<b>Total business-type</b>	<b>\$ 16,698,302</b>	<b>\$ 6,783,564</b>	<b>\$( 4,839,698)</b>	<b>\$ 18,642,168</b>	<b>\$ 2,029,181</b>

### **Bonds Payable**

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental activities. These instruments include general obligation bonds, certificates of obligation, and tax notes. These debt obligations are secured by primarily future property tax revenues. In some cases, these bonds are also secured by a pledge of net revenues from the utility system, emergency medical services and economic development sales taxes. However, the amount of the formal pledge is generally limited to \$1,000. Proprietary operating revenues for the year exceeded \$33.6 million and sales tax revenue was \$12.5 million.

Additionally, certain obligations that were marketed as private placements have been separately identified; however, the terms of these obligations are not significantly different than other obligations and do not have substantive acceleration clauses. Should the City default on these bonds, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

In November 2018, the City issued \$8,570,000 in General Obligation and Refunding Bonds, Series 2018. The proceeds were to be used within 90 days of issuance to pay off the outstanding balances of the General Obligation Refunding Bonds, Series 2009, General Obligation Refunding Bonds, Series 2010, and Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007, in the amounts of \$4,705,000, \$630,000, and \$2,935,000, respectively. The reacquisition price exceeded the net carrying amount of the old debt by \$24,877. This amount will be amortized over the life of the refunding debt. The refunding transaction will result in an estimated present value savings of \$758,899. It also provided net proceeds of \$605,000 that will be used to finance additional capital projects.

In August 2019, the City issued \$7,495,000 in Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019, pursuant to the constitution and general laws of the State of Texas, particularly, Subchapter C of Chapter 271 of the Texas Local Government Code, as amended, and in ordinance adopted by the City Council. The certificates constitute direct and general obligations of the City payable from ad valorem taxes levied against all payable property within the City, as well as pledged revenue of up to \$1,000 of the surplus revenues from proprietary funds. The bonds and certificates were issued for the purpose of financing numerous capital projects throughout the City, primarily for the purpose of expanding and improving infrastructure.

A summary of the terms of long-term debt outstanding at September 30, 2019, is as follows:

	Issue Amount	Maturity	Rate	Balance
<b><u>Governmental Activities</u></b>				
<b>General Obligation Bonds</b>				
2011 Series	\$ 8,250,000	2036	3.0% - 6.0%	\$ 6,580,000
2012 Series	7,625,000	2032	2.00%	5,440,000
2014 Series, Refunding	8,450,000	2030	2.0% - 4.0%	8,000,000
2015 Series, Refunding	4,185,000	2031	2.0% - 3.25%	2,505,000
2016 Series	5,880,000	2036	2.0% - 4.0%	5,055,000
2017 Series	3,935,000	2037	2.0% - 4.0%	3,650,000
2018 Series, Refunding	5,830,000	2033	3.125% - 5%	5,735,000
<b>Private Placement obligations</b>				
2007 Series GO	6,000,000	2027	4.07%	1,865,000
2011A Series GO Refunding	6,745,000	2024	2.33%	1,310,000
2018 Series GO Refunding	6,035,000	2028	2.12%	4,410,000
2015 Tax Notes	245,000	2021	1.75%	4,635,000
2015A Tax Notes	1,020,000	2023	1.54%	4,015,000
<b>Certificates of Obligation</b>				
2016 Series A	2,375,000	2036	2.0% - 4.0%	2,905,000
2016 Series B	1,475,000	2036	3.0% - 3.75%	2,965,000
2017 Series	4,935,000	2037	3.0% - 3.75%	5,485,000
2018 Series	4,845,000	2038	3.0% - 5.0%	75,000
2019 Series	4,015,000	2039	2.5% - 5%	<u>455,000</u>
<b>Total Governmental Long-Term Obligations</b>				<b><u>\$ 65,085,000</u></b>

	Issue Amount	Maturity	Rate	Balance
<b><u>Business-type Activities</u></b>				
<b>General Obligation Bonds</b>				
2011 Series, Refunding	\$ 2,675,000	2021	2.0% - 3.0%	\$ 475,000
2018 Series, Refunding	2,740,000	2026	3.125% - 5%	2,740,000
<b>Certificates of Obligation</b>				
2013 Series	4,965,000	2033	2.0% - 4.0%	3,095,000
2017 Series	540,000	2022	3.0% - 3.75%	335,000
2018 Series	5,595,000	2028	3.0% - 5.0%	5,420,000
2019 Series	3,480,000	2039	2.5% - 5%	3,480,000
<b>Private Placement obligations</b>				
2013 Series GO Refunding	2,130,000	2025	2.58%	1,230,000
2015 Tax Notes	1,880,000	2021	1.75%	<u>460,000</u>
<b>Total Business-Type Long-Term Obligations</b>				<b><u>\$ 17,235,000</u></b>

Annual future debt service requirements of bonded debt as of September 30, 2019, are as follows:

*Governmental activities:*

Year Ended September 30,	General Obligation Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 2,350,000	\$ 1,286,323	\$ 3,636,323	\$ 1,000,000	\$ 547,444	\$ 1,547,444
2021	2,350,000	1,199,709	3,549,709	1,035,000	510,519	1,545,519
2022	2,005,000	1,119,576	3,124,576	1,070,000	472,219	1,542,219
2023	2,090,000	1,046,890	3,136,890	1,120,000	432,319	1,552,319
2024	2,195,000	970,158	3,165,158	1,010,000	391,244	1,401,244
2025-2029	12,625,000	3,575,784	16,200,784	3,835,000	1,467,156	5,302,156
2030-2034	10,785,000	1,245,647	12,030,647	3,990,000	832,391	4,822,391
2035-2039	2,565,000	97,594	2,662,594	3,175,000	198,156	3,373,156
Total	\$ <u>36,965,000</u>	\$ <u>10,541,681</u>	\$ <u>47,506,681</u>	\$ <u>16,235,000</u>	\$ <u>4,851,447</u>	\$ <u>21,086,447</u>

Private Placement Debt

Year Ended September 30,	General Obligation Bonds			Tax Notes		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 1,350,000	\$ 285,720	\$ 1,635,720	\$ 185,000	\$ 8,320	\$ 193,320
2021	1,380,000	249,534	1,629,534	190,000	5,397	195,397
2022	1,595,000	210,303	1,805,303	155,000	2,387	157,387
2023	1,625,000	167,982	1,792,982	-	-	-
2024	1,640,000	124,903	1,764,903	-	-	-
2025-2029	3,765,000	184,456	3,949,456	-	-	-
Total	\$ <u>11,355,000</u>	\$ <u>1,222,898</u>	\$ <u>12,577,898</u>	\$ <u>530,000</u>	\$ <u>16,104</u>	\$ <u>546,104</u>

*Business-type activities:*

Year Ended September 30,	General Obligation Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 570,000	\$ 142,288	\$ 712,288	\$ 825,000	\$ 432,663	\$ 1,257,663
2021	590,000	118,700	708,700	850,000	404,675	1,254,675
2022	370,000	93,500	463,500	605,000	378,775	983,775
2023	390,000	74,500	464,500	510,000	356,300	866,300
2024	410,000	54,500	464,500	530,000	333,613	863,613
2025-2029	885,000	44,625	929,625	3,025,000	1,296,088	4,321,088
2030-2034	-	-	-	3,410,000	659,356	4,069,356
2035-2039	-	-	-	2,575,000	157,738	2,732,738
Total	\$ <u>3,215,000</u>	\$ <u>528,113</u>	\$ <u>3,743,113</u>	\$ <u>12,330,000</u>	\$ <u>4,019,206</u>	\$ <u>16,349,206</u>

Private Placement Debt

Year Ended September 30,	General Obligation Bonds			Tax Notes		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 190,000	\$ 29,283	\$ 219,283	\$ 310,000	\$ 8,050	\$ 318,050
2021	200,000	24,252	224,252	150,000	2,625	152,625
2022	205,000	19,028	224,028	-	-	-
2023	205,000	13,739	218,739	-	-	-
2024	215,000	8,321	223,321	-	-	-
2025-2029	215,000	2,774	217,774	-	-	-
Total	\$ <u>1,230,000</u>	\$ <u>97,397</u>	\$ <u>1,327,397</u>	\$ <u>460,000</u>	\$ <u>10,675</u>	\$ <u>470,675</u>

## Capital Leases

The City enters into various lease agreements to finance machinery and equipment; they are classified as capital leases due to bargain-purchase options. Therefore, capital assets and a related capital lease obligation have been recorded at the present value of the future minimum lease payments at the inception date. The lease obligations are secured by the purchased equipment. The assets acquired through capital lease are reported in capital assets with the following accumulated depreciation at September 30, 2019:

Assets:	Governmental Activities	Business-type Activities
Equipment	\$ 42,825	\$ 680,671
Less: accumulated depreciation	( 8,565)	( 414,297)
Total	<u>\$ 34,260</u>	<u>\$ 266,374</u>

Future minimum lease payments are as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities
2020	\$ 8,565	\$ 67,313
2021	8,565	67,313
2022	<u>8,569</u>	<u>65,875</u>
Total payments	25,699	200,501
Less: amount representing interest	<u>-</u>	<u>( 1,080)</u>
Present value of minimum lease payments	<u>\$ 25,699</u>	<u>\$ 199,421</u>

### I. Net Pension and Total OPEB Liabilities and Expenses

Amounts are aggregated into a single net pension liability and total OPEB liability, and expenses for certain columns. Below is the detail of net pension liability and total OPEB liability and expenses for governmental and business-type activities.

	Governmental Activities	Business-type Activities		Totals
		Water/ Sewer	EMS	
Net pension liability	\$ <u>15,303,179</u>	\$ <u>1,478,539</u>	\$ <u>2,905,891</u>	\$ <u>19,687,609</u>
Total OPEB liability:				
Due within one year:				
TMRS SDBF	\$ 3,026	\$ 293	\$ 575	\$ 3,894
Retiree health plan	<u>53,617</u>	<u>5,180</u>	<u>10,181</u>	<u>68,978</u>
Total due within one year	<u>56,643</u>	<u>5,473</u>	<u>10,756</u>	<u>72,872</u>
Due in within more than one year:				
TMRS SDBF	549,158	53,057	104,278	706,493
Retiree health plan	<u>1,568,389</u>	<u>151,532</u>	<u>297,819</u>	<u>2,017,740</u>
Total due in more than one year	<u>2,117,547</u>	<u>204,589</u>	<u>402,097</u>	<u>2,724,233</u>
Total OPEB liability	<u>\$ 2,174,190</u>	<u>\$ 210,062</u>	<u>\$ 412,853</u>	<u>\$ 2,797,105</u>

	Governmental Activities	Business-type Activities		Totals
		Water/ Sewer	EMS	
Pension expense	\$ <u>3,442,174</u>	\$ <u>13,250</u>	\$ <u>664,506</u>	\$ <u>4,119,930</u>
OPEB expense:				
TMRS SDBF	\$ 57,836	\$ 4,679	\$ 8,688	\$ 71,203
Retiree Health Plan	<u>176,504</u>	<u>6,066</u>	<u>10,155</u>	<u>192,725</u>
Total OPEB expense	<u>\$ 234,340</u>	<u>\$ 10,745</u>	<u>\$ 18,843</u>	<u>\$ 263,928</u>



### III. OTHER INFORMATION

#### A. Retirement Plan

**Plan Description.** The City of Schertz 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 Section 401(a) of the Internal Service Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

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

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

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2008, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2008, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	111
Inactive employees entitled to but not yet receiving benefits	191
Active employees	328
Total	<u>630</u>

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.04% and 16.01% in calendar years 2019 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$3,129,413 and were equal to the required contributions.

**Net Pension Liability.** The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The net pension liability is typically liquidated through the General Fund and Enterprise Funds.

## Actuarial Assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% 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 Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Tables with Blue Collar adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. IN addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2018 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
U.S. Equities	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Estate	10.00%	3.80%
Real Return	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	<u>5.00%</u>	7.50%
Total	100.0%	

*Discount Rate*

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

The below schedule presents the changes in the Net Pension Liability as of December 31, 2018:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2017	\$ 66,054,349	\$ 51,419,640	\$ 14,634,709
Changes for the year:			
Service cost	3,301,265	-	3,301,265
Interest	4,505,483	-	4,505,483
Difference between expected and actual experience	34,393	-	34,393
Contributions - employer	-	3,033,936	( 3,033,936)
Contributions - employee	-	1,326,518	( 1,326,518)
Net investment income	-	( 1,540,890)	1,540,890
Benefit payments, including refunds of employee contributions	( 1,914,159)	( 1,914,159)	-
Administrative expense	-	( 29,768)	29,768
Other changes	-	( 1,555)	1,555
Net changes	<u>5,926,982</u>	<u>874,082</u>	<u>5,052,900</u>
Balance at 12/31/2018	<u>\$ 71,981,331</u>	<u>\$ 52,293,722</u>	<u>\$ 19,687,609</u>

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	\$ 31,938,591	\$ 19,687,609	\$ 9,854,538

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions.** For the year ended September 30, 2019, the City recognized pension expense of \$4,119,930. Also, as of September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 413,662	\$ 25,785
Changes in actuarial assumptions	20,186	
Difference between projected and actual investment earnings	2,659,438	-
Contributions subsequent to the measurement date	<u>2,254,940</u>	<u>-</u>
Total	<u>\$ 5,348,226</u>	<u>\$ 25,785</u>

\$2,254,940 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the Year</u> <u>Ended September 30,</u>	
2020	\$ 995,488
2021	509,273
2022	489,003
2023	1,069,999
2024	3,738

## **B. Other Post-Employment Benefits**

The City participates in two defined-benefit other post-employment benefit (OPEB) plans: the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), and its own single-employer retiree health plan. Both are described in detail below.

The total OPEB liabilities of both plans are typically liquidated through the General Fund and Enterprise Funds.

### ***TMRS Supplemental Death Benefits Fund***

**Plan Description.** The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

**Benefits Provided.** The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Membership in the plan at December 31, 2018, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	59
Active employees	<u>328</u>
Total	<u>475</u>

**Contributions.** The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.12% for 2019 and 0.13% for 2018, of which 0.02% represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2019 were \$3,893 representing contributions for both active and retiree coverage, which equaled the required contributions each year.

**Total OPEB Liability.** The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and inputs:

Inflation rate	2.5% per annum
Actuarial cost method	Entry age normal
Discount rate	3.71%
Projected salary increases	3.5% to 10.5% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.71% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2018.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.71%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate <u>(2.71%)</u>	Discount Rate <u>(3.71%)</u>	1% Increase in Discount Rate <u>(4.71%)</u>
Total SDB OPEB Liability	\$ 857,691	\$ 710,387	\$ 598,784

**Changes in the Total OPEB Liability.** Total City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2018, the measurement and actuarial valuation date, was calculated as follows:

	Total OPEB Liability
Balance at 12/31/2017	\$ 622,941
Changes for the year:	
Service cost	37,794
Interest	21,182
Difference between expected and actual experience	86,276
Changes of assumptions or other inputs	( 54,027)
Benefit payments, including refunds of employee contributions	( 3,779)
Net changes	<u>87,446</u>
Balance at 12/31/2018	\$ <u>710,387</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.31% to 3.71%.

**OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB.** For the year ended September 30, 2019, the City recognized OPEB expense of \$71,203. Also, as of September 30, 2019, the City reported deferred outflows and inflows of resources related to the TMRS OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 74,490	\$ -
Changes in actuarial assumptions	41,613	46,646
Contributions subsequent to the measurement date	<u>2,811</u>	<u>-</u>
Total	<u>\$ 118,914</u>	<u>\$ 46,646</u>

\$2,811 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the TMRS OPEB will be recognized in OPEB expense in future periods as follows:

<u>For the Year Ended September 30,</u>	
2020	\$ 12,228
2021	12,228
2022	12,228
2023	12,228
2024	12,228
Thereafter	8,318

**City of Schertz Retiree Health Other Post-Employment Benefit Plan**

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

The City provides post-employment benefits for eligible participants enrolled in City-sponsored plans. The benefits are provided in the form of an implicit rate subsidy where the City contributes towards the retiree health premiums before achieving Medicare eligibility. While the Plan offers retiree only rates, a very small implicit liability still exists. Membership in the plan as of December 31, 2017, the valuation date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>313</u>
Total	<u>319</u>

Current active employees must be eligible for service retirement under the Texas Municipal Retirement System. To attain this eligibility active employees must be at least age 60 with 5 years of service or have at least 20 years of employment with the City. When a regular, full-time employee retires, they are eligible to maintain their coverage in the City's group health coverage. The City does not provide an explicit subsidy for retiree medical insurance. The liability for the City is due to the implicit rate.

The City made no direct contributions for monthly premiums. The retirees pay 102% of the monthly premiums which range based on the type of plan from \$508 for retiree only to \$1,796 for a retiree and their family.

The City's Retiree Health OPEB Liability (TOL) as of December 31, 2018, was calculated as follows:

	<u>Total OPEB Liability</u>
Balance at 12/31/2017	\$ 2,020,624
Changes for the year:	
Service cost	121,821
Interest	67,947
Difference between expected and actual experience	14,962
Changes of assumptions or other inputs	( 81,106)
Benefit payments, including refunds of employee contributions	( 57,530)
Other changes	-
Net changes	<u>66,094</u>
Balance at 12/31/2018	\$ <u>2,086,718</u>

The actuarial valuation was performed as of December 31, 2017. Update procedures were used to roll forward the total OPEB liability to December 31, 2018.

The following presents the TOL of the City, calculated using the discount rate of 3.71% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.71%) and 1-percentage point higher (4.71%) than the current rate:

	<u>1% Decrease in Discount Rate (2.71%)</u>	<u>Discount Rate (3.71%)</u>	<u>1% Increase in Discount Rate (4.71%)</u>
Total OPEB liability - retiree health	\$ 2,295,355	\$ 2,086,718	\$ 1,897,309

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
Total OPEB liability - retiree health	\$ 1,821,792	\$ 2,086,718	\$ 2,403,515

For the year ended September 30, 2019, the City recognized OPEB expense of \$192,775. Also, as of September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 13,485	\$ -
Changes in actuarial assumptions	77,116	73,098
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>43,723</u>	<u>-</u>
Total	<u>\$ 134,324</u>	<u>\$ 73,098</u>

\$43,723 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the City's Retiree Health OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2020	\$ 2,957
2021	2,957
2022	2,957
2023	2,957
2024	2,957
Thereafter	2,717

**C. Joint Ventures**

***Schertz/Seguin Local Government Corporation***

The Schertz/Seguin Local Government Corporation is a public, nonprofit corporation organized to aid, assist, and act on behalf of the cities of Schertz and Seguin in acquiring, constructing, maintaining, and operating a water utility system. The participating governments have an ongoing financial responsibility to fund the operation of the corporation through either purchase of services or by subsidizing the operations. Payments to the corporation are generally for the purchase of water treatment and for covering the Corporation's debt service requirements; they are reflected as "operating expenses" in the water and sewer fund and totaled \$7,613,665 for the year ended September 30, 2019. Separate financial statements for the Schertz/Seguin Local Government Corporation may be obtained from the City of Seguin, 210 East Gonzales Street, Seguin, Texas 78156.

The City of Schertz is jointly liable, together with the City of Seguin, for operating deficits and long-term debt of the Schertz/Seguin Local Government Corporation. The Corporation had net revenue bonds outstanding in the amount of \$103,281,449 (as of September 30, 2019) to provide funds to build, improve, extend, enlarge and repair the Corporation's utility system, fund a reserve, and pay the costs of bond issuance. The bond resolution pledges intergovernmental contract revenues from the cities of Schertz and Seguin (the participating governments) to bond holders. Under the intergovernmental water supply contract, the participating governments are unconditionally obligated to pay their respective shares of annual contract revenue bond debt service from the operation of their respective utility systems.

The organizing documents for the Corporation provide that, in the event of dissolution, the net assets of the Corporation will be equally divided among the Cities of Schertz and Seguin. As such, the City's net investment in the joint venture has been recorded in the Water and Sewer Fund in the amount of \$10,481,944. This amount reflects the City's portion of the net position of SSLGC as of September 30, 2018, the most recent fiscal year for which information is available.

***Cibolo Valley Local Government Corporation***

The Cibolo Valley Local Government Corporation (CVLGC) is a public nonprofit corporation incorporated in March 2012 to assist and act on behalf of the cities of Schertz and Cibolo to obtain additional water sources. The participating governments have an ongoing financial responsibility to fund the operation of the corporation through either purchase of services or by subsidizing the operations. Payments to the corporation are generally for the purchase of wastewater treatment and for covering the Corporation's debt service requirements; they are reflected as "operating expenses" in the water and sewer fund and totaled \$480,000 for the year ended September 30, 2019. Separate financial statements for the CVLGC may be obtained from the City of Seguin, 210 East Gonzales Street, Seguin, Texas 78156.

The City of Schertz is jointly liable, together with the City of Cibolo, for operating deficits and long-term debt of CVLGC. In the event of dissolution, the net assets of the Corporation will be equally divided among the Cities of Schertz and Cibolo. As such, the City's net investment in the joint venture has been recorded in the Water and Sewer Fund in the amount of \$934,826 as of September 30, 2019.



**D. Commitments and Contingencies**

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

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

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to property tax base are being used to finance Zone improvements. The total projected cost is a combined figure of \$45,000,000. Project costs of the developer will be funded up to 100% of the tax increment generated by the City of Schertz, Bexar County, and San Antonio River Authority (SARA). The City of Schertz (combined with SARA) have committed up to \$32,877,000 of the total \$45,000,000. The Zone has a statutory termination date of December 31, 2027. The TIRZ has collected \$2,218,372 from taxing entities (net of administrative reimbursements) and remitted \$2,077,316 to the developer as of September 30, 2019.

***380 Agreements***

The Chapter 380 Incentive program, authorized by Chapter 380 of the Texas Local Government Code, enables the City of Schertz to provide grants or reimbursements from the City's general fund. To become eligible for Chapter 380 Incentives, projects must: create at least of \$100 million in new real and personal property; or generate at least \$35 million in gross sales that is subject to the collection of local sales and use tax. Businesses that have a 380 Incentive agreement with the City are eligible to receive a reimbursement of taxes paid for the year if they have met the requirements outlined in the agreement by a certain date each year. For the fiscal year ended September 30, 2019, the City reimbursed \$861,735 in property taxes paid.

***Economic Development Incentive Agreements***

The City of Schertz Economic Development Corporation (the SEDC) negotiates economic development incentive agreement on behalf of the SEDC and the City of Schertz (the City) on an individual basis. As of September 30, 2019, the City had nine active incentive agreements.

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

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

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

	<u>FY 2018-19 Amt.</u>	<u>Est. Remaining Grant</u>
City of Schertz - LGC 380.001	\$ 420,050	\$ 739,754
SEDC - LGC 501.101	-	539,052
SEDC - LGC 201.103	-	8,434,487

### **Service Concession Arrangements**

The City entered into an agreement with Young Men’s Christian Association of Greater San Antonio (“YMCA”), under which YMCA will operate and collect user fees from the Natatorium and Outdoor Pools for the next 20 years. YMCA will pay the city \$100,000 annually over the course of the arrangement to cover costs of debt service related to the facility; the present value of these installment payments is estimated to be \$820,141. The City will approve the rates and services that YMCA will provide, however, YMCA will retain all revenues earned from the operation of the Natatorium. The YMCA will remit all revenues received from operating the Outdoor Pools to the City with the exception of revenues earned from YMCA specific programs. As of September 30, 2019, the Natatorium is still under construction and is reported by the City as Construction in Progress. The City reports the Outdoor Pools and related equipment as capital assets recorded at historical cost. The City reports a receivable in the amount of \$820,141 on the government-wide statements at year-end pursuant to the service concession arrangement, and a liability of \$498,361 for the present value of maintenance costs estimated over the life of the Service Concession arrangement. The balance of these two amounts is recorded as a deferred inflow of resources.

### **Litigation**

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

### **Cibolo Creek Municipal Authority**

The Cibolo Creek Municipal Authority (CCMA) provides sewage treatment for the area in and around the City. In Fiscal year 2014, the City entered into an agreement with CCMA to construct a sewage treatment facility in the southern portion of the City to primarily serve citizens of the City but also neighboring Cities and future development. Because the City would be the primary customer at this time, the agreement stipulates that the City will pay all future debt service on the bonds issued by CCMA to finance the project. The City is the sole member at this time, so it is responsible for 100% of the project costs. Should other members join, the City’s share of the costs would be reduced.

Future debt service on the CCMA bonds are as follows:

Year Ended September 30,	Principal	Interest	Total
2020	\$ 160,000	\$ 254,150	\$ 414,150
2021	160,000	250,950	410,950
2022	165,000	247,750	412,750
2023	170,000	242,800	412,800
2024	175,000	237,700	412,700
2025-2029	970,000	1,087,650	2,057,650
2030-2034	1,180,000	877,450	2,057,450
2035-2039	1,465,000	592,500	2,057,500
2040-2044	<u>1,830,000</u>	<u>225,200</u>	<u>2,055,200</u>
Total	<u>\$ 6,275,000</u>	<u>\$ 4,016,150</u>	<u>\$ 10,291,150</u>

## Construction Commitments

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

<i>Primary Government:</i>	Estimated Project Cost to City	Expended to Date	Estimated Future Commitment
<b>Governmental Activities:</b>			
Lower Seguin Road Improvements	\$ 263,598	\$ 263,598	\$ -
FM 78 and Main Street	1,000,000	7,513	992,487
Fire Station 3	8,000,000	1,215,324	6,784,676
FM 1103 Street Improvements	2,000,000	2,000,000	-
Building Improvements	1,600,000	72,560	1,527,440
Main Street Improvements	407,057	-	407,057
FM 1518 Street Improvements	5,000,000	600,656	4,399,344
Pedestrian Routes Project	350,000	91,654	258,347
Fire Station 2 & Repairs	500,000	481,619	18,381
Senior Center	800,000	793,181	6,819
YMCA-Bathroom Reovation	540,500	217,552	322,948
Window Replacement-Recreation Center	1,152,264	792,198	360,066
<b>Total Governmental Commitments</b>	<b>21,613,419</b>	<b>6,535,855</b>	<b>15,077,565</b>
<b>Business-Type Activities:</b>			
Woman Hollering WasteWater	5,940,424	832,911	5,107,513
Corbett Ground Storage Tank & Pumps	1,650,000	930	1,649,070
Corbett Elevated Water Tank	2,982,052	301,296	2,680,756
Trainer Hale Road Distribution Main	500,000	-	500,000
Scenic Hills/Greenridge	73,252	10,182	63,071
Oil-Water Separator	73,252	22,600	50,652
E Dietz Creek De-Silting	573,055	114,124	458,931
FM1103 Utility Relocation	1,000,000	22,000	978,000
<b>Total Business-Type Activities</b>	<b>12,792,035</b>	<b>1,304,043</b>	<b>11,487,993</b>
<b>Total Estimated Future Commitments</b>	<b>\$ 34,405,454</b>	<b>\$ 7,839,898</b>	<b>\$ 26,565,558</b>

## Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City contracts with the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program providing insurance coverage in the following areas: general liability, automobile liability and physical damage, law enforcement liability, worker's compensation, real and personal property, mobile equipment, and errors and omissions liability. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts. There were no significant increases or decreases in coverage from the prior year. For the past three fiscal years, no claims or settlements have exceeded deductible amounts.

### E. New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

Statement No. 84, *Fiduciary Activities* – This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus is generally on whether a government is controlling the assets of the fiduciary activity and on the beneficiaries with whom a fiduciary relationship exists. This Statement will become effective for the City in fiscal year 2020.

Statement No. 87, *Leases* – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2021.

**F. Prior Period Adjustment**

During the fiscal year ended September 30, 2019, management determined that the City's residual interest in its two joint ventures was sufficiently measurable to recognize in the financial statements. As such, the amount of the City's 50% residual interests in the Schertz-Seguin Local Government Corporation and the Cibolo Valley Local Government Corporation, as of October 1, 2018, were recognized in the Water and Sewer System Fund, with a corresponding increase to beginning net position of \$11,416,770.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>
<b>REVENUES</b>		
Taxes	\$ 22,708,488	\$ 22,708,488
Permits and fees	1,661,080	1,661,080
Service fees	1,717,212	1,717,212
Fines and fees	594,269	594,269
Intergovernmental	425,500	425,500
Investment earnings	235,250	270,250
Miscellaneous	617,560	632,560
Total Revenues	<u>27,959,359</u>	<u>28,009,359</u>
<b>EXPENDITURES</b>		
General government:		
Council	100,959	103,959
City manager	1,161,522	1,144,522
Municipal court	391,940	403,940
311 customer relations	121,957	121,957
Planning & zoning	240,266	240,266
Legal	160,000	160,000
City secretary	207,049	212,049
Nondepartmental	1,718,488	1,533,724
Public affairs	644,841	652,091
Engineering	739,220	739,220
Geographic information systems	175,311	182,311
Citizens assistance	327,666	332,666
Special events	156,510	177,708
Total General Government	<u>6,145,729</u>	<u>6,004,413</u>
Public safety:		
Police department	8,355,809	8,277,809
Fire department	5,261,613	5,283,184
Inspection	895,579	1,015,579
Total Public Safety	<u>14,513,001</u>	<u>14,576,572</u>
Public environment:		
Streets	1,474,297	1,641,982
Total Public Environment	<u>1,474,297</u>	<u>1,641,982</u>
Parks and recreation:		
Parks	1,603,030	1,610,307
Pools	639,878	639,879
Community/Civic Center	425,605	421,605
Total Parks and Recreation	<u>2,668,513</u>	<u>2,671,791</u>
Cultural:		
Library	967,904	1,017,904
Total Cultural	<u>967,904</u>	<u>1,017,904</u>



Actual Amounts	Variance With Final Budget Positive (Negative)
\$ 23,488,223	\$ 779,735
1,605,299	( 55,781)
1,909,300	192,088
926,657	332,388
965,768	540,268
489,051	218,801
684,882	52,322
<u>30,069,180</u>	<u>2,059,821</u>

92,250	11,709
1,084,614	59,908
349,258	54,682
117,054	4,903
227,115	13,151
135,597	24,403
207,580	4,469
1,250,839	282,885
608,281	43,810
702,286	36,934
177,373	4,938
303,127	29,539
134,597	43,111
<u>5,389,971</u>	<u>614,442</u>

8,064,139	213,670
5,278,400	4,784
961,277	54,302
<u>14,303,816</u>	<u>272,756</u>

<u>1,300,586</u>	<u>341,396</u>
<u>1,300,586</u>	<u>341,396</u>

1,482,719	127,588
567,606	72,273
322,757	98,848
<u>2,373,082</u>	<u>298,709</u>

<u>998,445</u>	<u>19,459</u>
<u>998,445</u>	<u>19,459</u>

**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>
<b>EXPENDITURES (CONTINUED)</b>		
Health:		
Animal control	\$ <u>500,269</u>	\$ <u>500,269</u>
Total Health	<u>500,269</u>	<u>500,269</u>
Administration:		
Information technology	2,312,442	2,790,759
Human resources	611,935	687,385
Finance	672,482	625,482
Purchasing & asset management	226,299	229,399
Building maintenance	1,542,419	1,547,419
Fleet service	875,043	880,543
Interfund charges	<u>( 2,731,683)</u>	<u>( 2,731,683)</u>
Total Administration	<u>3,508,937</u>	<u>4,029,304</u>
Total Expenditures	<u>29,778,650</u>	<u>30,442,235</u>
Excess of revenues over expenditures	( 1,819,291)	( 2,432,876)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	79,000	79,000
Transfers out	<u>( 10,750)</u>	<u>( 10,750)</u>
Total Other Financing Sources (Uses)	<u>68,250</u>	<u>68,250</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 1,751,041)	( 2,364,626)
<b>FUND BALANCE - BEGINNING</b>	<u>15,630,453</u>	<u>15,630,453</u>
<b>FUND BALANCE - ENDING</b>	\$ <u>13,879,412</u>	\$ <u>13,265,827</u>

Actual Amounts	Variance With Final Budget Positive (Negative)
\$ <u>498,871</u>	\$ <u>1,398</u>
<u>498,871</u>	<u>1,398</u>
2,217,395	573,364
657,759	29,626
594,762	30,720
227,548	1,851
1,490,300	57,119
801,289	79,254
( <u>2,697,683</u> )	( <u>34,000</u> )
<u>3,291,370</u>	<u>737,934</u>
<u>28,156,141</u>	<u>2,286,094</u>
1,913,039	4,345,915
-	( 79,000 )
( <u>4,463</u> )	<u>6,287</u>
( <u>4,463</u> )	( <u>72,713</u> )
1,908,576	4,273,202
<u>15,630,453</u>	<u>-</u>
\$ <u>17,539,029</u>	\$ <u>4,273,202</u>

**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
ECONOMIC DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget
<b>REVENUES</b>		
Taxes	\$ 4,242,580	\$ 4,242,580
Investment income	258,000	258,000
Miscellaneous	-	-
Total Revenues	<u>4,500,580</u>	<u>4,500,580</u>
<b>EXPENDITURES</b>		
Current:		
General government	5,219,670	5,219,670
Administration	530,074	530,074
Total Expenditures	<u>5,749,744</u>	<u>5,749,744</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 1,249,164)</u>	<u>( 1,249,164)</u>
<b>FUND BALANCE - BEGINNING</b>	<u>17,811,968</u>	<u>17,811,968</u>
<b>FUND BALANCE - ENDING</b>	\$ <u>16,562,804</u>	\$ <u>16,562,804</u>

Actual Amounts	Variance With Final Budget Positive (Negative)
\$ 4,172,238	\$( 70,342)
452,214	194,214
<u>196,003</u>	<u>196,003</u>
<u>4,820,455</u>	<u>319,875</u>
358,810	4,860,860
<u>496,357</u>	<u>33,717</u>
<u>855,167</u>	<u>4,894,577</u>
<u>3,965,288</u>	<u>( 4,574,702)</u>
<u>17,811,968</u>	<u>-</u>
\$ <u>21,777,256</u>	\$ <u>( 4,574,702)</u>

**CITY OF SCHERTZ, TEXAS**

NOTES TO BUDGETARY SCHEDULES

SEPTEMBER 30, 2019

**Budgetary Information** - The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. Annual budgets are adopted for the general fund; debt service fund; hotel motel tax, park fund, tree mitigation; police forfeiture fund, library advisory board fund, and the historical committee fund. Project-length financial plans are adopted for capital projects funds. Of these budgets, only the General Fund, Debt Service and Economic Development Corporation are legally adopted.

Budgetary preparation and control are exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. Appropriations lapse at year-end.

For the fiscal year ended September 30, 2019, actual expenditures exceeded budgeted expenditures in the Debt Service Fund by \$5,591,271. This overage was caused by the payment to refunded bond escrow agent during the year that was not reflected in the adopted budget; however, the refunding was approved by City Council. Additionally, proceeds from the issuance of refunding bonds were used to fund this overage and was reported as other financing sources. The Justice Forfeitures Fund had actual expenditures exceeded budgeted amounts for \$79,450, existing fund balance was used to fund this overage.

Encumbrance accounting, in which appropriations are recorded as budgetary expenditures, is not utilized by the City.

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**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2019

<b>Measurement Date December 31,</b>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>
<b>Total pension liability</b>			
Service cost	\$ 3,301,265	\$ 3,073,538	\$ 2,855,745
Interest on total pension liability	4,505,483	4,111,517	3,763,562
Difference between expected and actual experience	34,393	416,585	139,216
Change of assumptions	-	-	-
Benefit payments/refunds of contributions	( 1,914,159)	( 1,843,774)	( 1,581,272)
Net Change in Total Pension Liability	<u>5,926,982</u>	<u>5,757,866</u>	<u>5,177,251</u>
Total Pension Liability, Beginning	<u>66,054,349</u>	<u>60,296,483</u>	<u>55,119,232</u>
Total Pension Liability, Ending (a)	<u>\$ 71,981,331</u>	<u>\$ 66,054,349</u>	<u>\$ 60,296,483</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 3,033,936	\$ 2,793,644	\$ 2,627,335
Contributions - employee	1,326,518	1,232,232	1,152,864
Net investment income	( 1,540,890)	5,999,805	2,602,572
Benefit payments/refunds of contributions	( 1,914,159)	( 1,843,774)	( 1,581,272)
Administrative expenses	( 29,768)	( 31,080)	( 29,385)
Other	( 1,555)	( 1,575)	( 1,583)
Net Change in Fiduciary Position	<u>874,082</u>	<u>8,149,252</u>	<u>4,770,531</u>
Fiduciary Net Position, Beginning	<u>51,419,640</u>	<u>43,270,388</u>	<u>38,499,857</u>
Fiduciary Net Position, Ending (b)	<u>\$ 52,293,722</u>	<u>\$ 51,419,640</u>	<u>\$ 43,270,388</u>
<b>Net pension liability = (a)-(b)</b>	<u>19,687,609</u>	<u>14,634,709</u>	<u>17,026,095</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	72.65%	77.84%	71.76%
Covered Payroll	\$ 18,896,766	\$ 17,603,310	\$ 16,478,620
Net Pension Liability as a Percentage of Covered Payroll	104.19%	83.14%	103.32%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of year-end, all years are not available. Additional years will be added in the future as the information becomes available.



<u>2015</u>	<u>2014</u>
\$ 2,724,337	\$ 2,558,743
3,556,428	3,245,266
120,434	( 122,286)
59,193	-
( 1,570,211)	( 1,068,487)
<u>4,890,181</u>	<u>4,613,236</u>
<u>50,229,051</u>	<u>45,615,815</u>
\$ <u>55,119,232</u>	\$ <u>50,229,051</u>
\$ 2,542,565	\$ 2,403,929
1,095,260	1,077,097
53,742	1,841,586
( 1,570,211)	( 1,068,487)
( 32,727)	( 19,219)
( 1,616)	( 1,580)
<u>2,087,013</u>	<u>4,233,326</u>
<u>36,412,844</u>	<u>32,179,518</u>
\$ <u>38,499,857</u>	\$ <u>36,412,844</u>
<u>16,619,375</u>	<u>13,816,207</u>
69.85%	72.49%
\$ 15,648,114	\$ 15,389,154
106.21%	89.78%

**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2019

<b>Fiscal Year Ended September 30,</b>	<u><b>2019</b></u>	<u><b>2018</b></u>
Actuarially determined contribution	\$ 3,129,413	\$ 2,971,592
Contributions in relation to the actuarially determined contribution	<u>3,129,413</u>	<u>2,971,592</u>
Contribution deficiency (excess)	-	-
Covered payroll	19,520,269	18,605,654
Contributions as a percentage of covered payroll	16.03%	15.97%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of year-end, all years are not available. Additional years will be added in the future as the information becomes available.

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31st and become effective on January 1st, 13 months and a day later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	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.

	<u>2017</u>		<u>2016</u>		<u>2015</u>
\$	2,756,511	\$	2,592,593	\$	2,487,856
	<u>2,756,511</u>		<u>2,592,593</u>		<u>2,487,856</u>
	-		-		-
	17,347,849		16,175,988		15,486,735
	15.89%		16.03%		16.06%

**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF CHANGES IN TMRS OTHER POST-EMPLOYMENT BENEFIT LIABILITY  
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

<b>Measurement Date December 31,</b>	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>Total OPEB liability</b>		
Service cost	\$ 37,794	\$ 29,926
Interest on total OPEB liability	21,182	20,123
Differences in actuarial experience	86,276	-
Change of assumptions	( 54,027)	57,257
Benefit payments	( 3,779)	( 3,521)
Net change in total OPEB liability	<u>87,446</u>	<u>103,785</u>
 Total OPEB liability, beginning	 <u>622,941</u>	 <u>519,156</u>
 Total OPEB liability, ending (a)	 <u>\$ 710,387</u>	 <u>\$ 622,941</u>
 Covered-employee payroll	 \$ 18,896,766	 \$ 17,603,310
 Total OPEB liability as a percentage of covered-employee payroll	 3.76%	 3.54%

Note: 10 years of data is required to be provided in this schedule. As of year-end, all years are not available. Additional years will be added in the future as the information becomes available.

**NOTES TO SCHEDULE**

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31st and become effective on January 1st, 13 months and a day later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.71% (based on Fidelity's 20-Year Municipal GO AA Index)
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.
Other information	No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF CHANGES IN CITY RETIREE HEALTH OTHER POST-EMPLOYMENT BENEFIT  
LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

<b>Measurement Date December 31,</b>	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>Total OPEB liability</b>		
Service cost	\$ 121,821	\$ 107,517
Interest on total OPEB liability	67,947	69,435
Difference in actuarial experience	14,962	
Change of assumptions	( 81,106)	96,092
Benefit payments	<u>( 57,530)</u>	<u>( 42,189)</u>
Net change in total OPEB liability	<u>66,094</u>	<u>230,855</u>
Total OPEB liability, beginning	<u>2,020,624</u>	<u>1,789,769</u>
Total OPEB liability, ending (a)	\$ <u>2,086,718</u>	\$ <u>2,020,624</u>
Covered payroll	\$ 18,974,951	\$ 16,068,891
Total OPEB liability as a percentage of covered payroll	11.00%	12.57%

Note: 10 years of data is required to be provided in this schedule. As of year-end, all years are not available. Additional years will be added in the future as the information becomes available.

**NOTES TO SCHEDULE**

**Valuation Date:** December 31, 2017

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Individual entry-age
Discount rate	3.71% as of December 31, 2018
Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal System (TMRS).
Mortality	For healthy retirees, the gender distinct RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB to account for future mortality improvements.
Health care trend rates	Initial rate of 7.5% to an ultimate rate of 4.25% after 15 years.
Participation rates	30% on non-Medicare retirees
Other information	The discount rate changed from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.

## SUPPLEMENTARY INFORMATION

### Comparative Schedules – Governmental Funds

**General Fund**  
**Economic Development Corporation**  
**Debt Service Fund**  
**Capital Projects Fund**

### Combining Statements and Individual Fund Schedules - Nonmajor Governmental Funds

**Hotel Occupancy Fund** - will account for proceeds of hotel occupancy taxes to be used strictly for those kinds of programs that promote the tourism industry.

**Park Fund** - will account for revenues from developers' fees (in lieu of park land dedication), grants, and donations and is designed to monitor and manage improvement of the City's park system.

**Tree Mitigation Fund** - will account for revenues from permits, grants and donations to preserve and replace trees in the City.

**Treasury Forfeitures Fund** - will account for revenue received from drug related cases in conjunction with other law enforcement agencies within the jurisdiction of the U.S. Treasury department.

**Justice Forfeitures Fund** - will account for revenue received from drug related cases in conjunction with other law enforcement agencies within the jurisdiction of the US Department of Justice.

**State Forfeitures Fund** - will account for revenue received from drug related cases in conjunction with other law enforcement agencies within the jurisdiction of the State Forfeiture Program.

**Library Advisory Board** - to account for certain fees generated at the library to be used by the Board for general improvements to the Library.

**Historical Committee Fund** - will account for funds received for the preservation of the history of the City.

**Capital Recovery Roadways Fund** - to account for a fee assessed for capital recovery on new construction.

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**CITY OF SCHERTZ, TEXAS**

COMPARATIVE BALANCE SHEETS  
GENERAL FUND

SEPTEMBER 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,211,660	\$ 1,391,876
Investments	15,105,396	13,202,101
Receivables (net of allowances)		
Taxes	2,134,563	2,136,274
Accounts and other	1,775,482	1,682,001
Inventory	117,009	94,876
Prepays	14,916	-
Restricted assets:		
Cash and cash equivalents	<u>785,708</u>	<u>701,922</u>
Total Assets	<u>21,144,734</u>	<u>19,209,050</u>
<b>LIABILITIES</b>		
Accounts payable	685,560	892,564
Accrued salaries and benefits	970,679	742,046
Customer deposits	22,251	52,456
Due to other governments	123,116	143,448
Due to other funds	16,139	16,139
Unearned revenues	<u>33,314</u>	<u>35,720</u>
Total Liabilities	<u>1,851,059</u>	<u>1,882,373</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues	<u>1,754,646</u>	<u>1,696,224</u>
Total Deferred Inflows of Resources	<u>1,754,646</u>	<u>1,696,224</u>
<b>FUND BALANCES</b>		
Nonspendable for:		
Inventory	131,925	94,876
Restricted for:		
Police and public safety/municipal court	226,093	101,842
Municipal court	823,451	728,350
PEG capital fees	723,353	723,353
Animal control	33,408	35,660
Veterans	2,109	4,796
Scholarships	101,673	84,989
Committed for:		
Civic Center/CIED	687,779	454,376
Assigned for:		
Property replacement	891,321	854,198
Subsequent year's budget	4,689,305	2,226,359
Unassigned	<u>9,228,612</u>	<u>10,321,654</u>
Total Fund Balances	<u>17,539,029</u>	<u>15,630,453</u>
Total Liabilities, Deferred inflows of Resources, and Fund Balances	<u>\$ 21,144,734</u>	<u>\$ 19,209,050</u>



**CITY OF SCHERTZ, TEXAS**

COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2018)

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Taxes	\$ 23,488,223	\$ 21,741,184
Permits and fees	1,605,299	2,317,534
Service fees	1,909,300	2,139,574
Fines and fees	926,657	868,875
Intergovernmental	965,768	530,122
Investment earnings	489,051	252,397
Miscellaneous	<u>684,882</u>	<u>690,810</u>
Total Revenues	<u>30,069,180</u>	<u>28,540,496</u>
<b>EXPENDITURES</b>		
Current:		
General government	5,389,701	5,544,155
Public safety	13,926,364	12,718,070
Public environment	1,112,041	1,136,052
Parks and recreation	2,350,370	1,672,789
Cultural	998,445	939,095
Health	498,871	628,054
Administration	3,231,294	2,478,964
Capital outlay	649,055	1,083,044
Debt service:		
Principal	-	24,116
Interest and fiscal charges	<u>-</u>	<u>3,056</u>
Total Expenditures	<u>28,156,141</u>	<u>26,227,395</u>
Excess (Deficiency) of Revenues Over Expenditures	1,913,039	2,313,101
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from capital lease	-	42,829
Transfers in	-	351,219
Transfers out	<u>( 4,463)</u>	<u>( 46,314)</u>
Total Other Financing Sources (Uses)	<u>( 4,463)</u>	<u>347,734</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,908,576	2,660,835
<b>FUND BALANCES - BEGINNING</b>	<u>15,630,453</u>	<u>12,969,618</u>
<b>FUND BALANCES - ENDING</b>	\$ <u>17,539,029</u>	\$ <u>15,630,453</u>

**CITY OF SCHERTZ, TEXAS**

COMPARATIVE BALANCE SHEETS

ECONOMIC DEVELOPMENT CORPORATION

SEPTEMBER 30, 2019

(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 224,144	\$ 397,726
Investments	20,824,561	16,664,835
Receivables, net of allowances:		
Taxes	739,361	746,350
Accounts and other	<u>8,448</u>	<u>8,448</u>
Total Assets	<u>\$ 21,796,514</u>	<u>\$ 17,817,359</u>
<b>LIABILITIES</b>		
Accounts payable	\$ <u>19,258</u>	\$ <u>5,391</u>
Total Liabilities	<u>19,258</u>	<u>5,391</u>
<b>FUND BALANCES</b>		
Restricted for:		
Economic development	<u>21,777,256</u>	<u>17,811,968</u>
Total Fund Balances	<u>21,777,256</u>	<u>17,811,968</u>
Total Liabilities and Fund Balances	<u>\$ 21,796,514</u>	<u>\$ 17,817,359</u>

**CITY OF SCHERTZ, TEXAS**

COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
ECONOMIC DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Taxes	\$ 4,172,238	\$ 4,223,053
Investment earnings	452,214	264,686
Investment earnings	<u>196,003</u>	<u>-</u>
Total Revenues	<u>4,820,455</u>	<u>4,487,739</u>
<b>EXPENDITURES</b>		
Current:		
General government	358,810	650,753
Administration	<u>496,357</u>	<u>468,670</u>
Total Expenditures	<u>855,167</u>	<u>1,119,423</u>
Excess (Deficiency) of Revenues Over Expenditures	3,965,288	3,368,316
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers out	<u>-</u>	<u>( 625,769)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>( 625,769)</u>
<b>NET CHANGE IN FUND BALANCE</b>	3,965,288	2,742,547
<b>FUND BALANCES - BEGINNING</b>	<u>17,811,968</u>	<u>15,069,421</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 21,777,256</u>	<u>\$ 17,811,968</u>

**CITY OF SCHERTZ, TEXAS**

**COMPARATIVE BALANCE SHEETS  
DEBT SERVICE FUND**

SEPTEMBER 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 91,510	\$ 27,896
Investments	910,716	1,071,962
Receivables, net of allowances:		
Taxes	<u>82,682</u>	<u>84,934</u>
Total Assets	<u>1,084,908</u>	<u>1,184,792</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues	<u>82,682</u>	<u>84,934</u>
Total Deferred Inflows of Resources	<u>82,682</u>	<u>84,934</u>
<b>FUND BALANCES</b>		
Restricted for:		
Debt service	<u>1,002,226</u>	<u>1,099,858</u>
Total Fund Balances	<u>1,002,226</u>	<u>1,099,858</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 1,084,908</u>	<u>\$ 1,184,792</u>

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**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
DEBT SERVICE FUND  
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE ACTUAL TOTALS FOR 2018)

	Original Budget	Final Budget	2019 Actual Amounts
<b>REVENUES</b>			
Property taxes	\$ 6,384,000	\$ 6,384,000	\$ 6,414,868
Investment income	56,000	56,000	70,318
Miscellaneous	<u>100,000</u>	<u>100,000</u>	<u>100,277</u>
Total Revenue	<u>6,540,000</u>	<u>6,540,000</u>	<u>6,585,463</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal	4,260,000	4,260,000	4,565,000
Interest and fiscal charges	2,388,725	2,388,725	2,069,215
Bond issue costs	5,000	5,000	120,869
Payment to refunded bond escrow agent	-	-	<u>5,489,912</u>
Total Expenditures	<u>6,653,725</u>	<u>6,653,725</u>	<u>12,244,996</u>
Excess (Deficiency) of Revenues over Expenditures	( 113,725)	( 113,725)	( 5,659,533)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Issuance of refunding debt	-	-	5,225,000
Premiums from issuance of debt	-	-	<u>336,901</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,561,901</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 113,725)	( 113,725)	( 97,632)
<b>FUND BALANCE - BEGINNING</b>	<u>1,099,858</u>	<u>1,099,858</u>	<u>1,099,858</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 986,133</u>	<u>\$ 986,133</u>	<u>\$ 1,002,226</u>

Variance With Final Budget Positive (Negative)	2018 Actual Amounts
\$ 30,868	\$ 6,148,041
14,318	61,928
<u>277</u>	<u>100,000</u>
<u>45,463</u>	<u>6,309,969</u>
( 305,000)	10,879,623
319,510	2,096,134
( 115,869)	80,205
<u>( 5,489,912)</u>	<u>-</u>
<u>( 5,591,271)</u>	<u>13,055,962</u>
5,636,734	( 6,745,993)
-	360,769
5,225,000	6,035,000
<u>336,901</u>	<u>-</u>
<u>5,561,901</u>	<u>6,395,769</u>
16,093	( 350,224)
<u>-</u>	<u>1,450,082</u>
<u>\$ 16,093</u>	<u>\$ 1,099,858</u>

**CITY OF SCHERTZ, TEXAS**

COMPARATIVE BALANCE SHEETS  
CAPITAL PROJECTS FUND

SEPTEMBER 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 34,120	\$ 361,260
Investments	14,147,499	16,469,940
Accounts receivable	52,248	-
Total Assets	<u>\$ 14,233,867</u>	<u>\$ 16,831,200</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 825,769	\$ 658,395
Retainage payable	293,788	-
Due to other funds	-	116,040
Total Liabilities	<u>1,119,557</u>	<u>774,435</u>
<b>FUND BALANCES</b>		
Restricted for:		
Capital improvement	<u>13,114,310</u>	<u>16,056,765</u>
Total Fund Balances	<u>13,114,310</u>	<u>16,056,765</u>
Total Liabilities and Fund Balance	<u>\$ 14,233,867</u>	<u>\$ 16,831,200</u>



**CITY OF SCHERTZ, TEXAS**

COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
CAPITAL PROJECTS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARTIVE TOTALS FOR THE YEAR ENDED 2018)

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Intergovernmental	\$ 91,913	\$ 79,009
Investment earnings	<u>382,850</u>	<u>282,213</u>
Total Revenues	<u>474,763</u>	<u>361,222</u>
<b>EXPENDITURES</b>		
Capital outlay	8,308,326	6,346,147
Debt service:		
Bond issue costs	<u>68,213</u>	<u>49,212</u>
Total Expenditures	<u>8,376,539</u>	<u>6,395,359</u>
Excess (Deficiency) of Revenues Over Expenditures	( 7,901,776)	( 6,034,137)
<b>OTHER FINANCING SOURCES (USES)</b>		
Issuance of debt	4,620,000	4,845,000
Premiums from issuance of debt	303,214	269,212
Transfers in	117,632	60,693
Transfers out	<u>( 81,525)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>4,959,321</u>	<u>5,174,905</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 2,942,455)	( 859,232)
<b>FUND BALANCES - BEGINNING</b>	<u>16,056,765</u>	<u>16,915,997</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 13,114,310</u>	<u>\$ 16,056,765</u>

**CITY OF SCHERTZ, TEXAS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	Special Revenue Funds			
	Hotel Occupancy Fund	Park Fund	Tree Mitigation	Treasury Forfeitures
<b>ASSETS</b>				
Cash and cash equivalents	\$ 37,118	\$ 47,745	\$ 59,926	\$ 28,160
Investments	2,117,237	242,925	387,600	-
Accounts receivable, net of allowance	63,789	-	-	-
Total Assets	<u>\$ 2,218,144</u>	<u>\$ 290,670</u>	<u>\$ 447,526</u>	<u>\$ 28,160</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,279	\$ -	\$ 14,120	\$ -
Total Liabilities	<u>3,279</u>	<u>-</u>	<u>14,120</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted for:				
Tourism development	2,214,865	-	-	-
Tree mitigation	-	-	433,406	-
Parks	-	290,670	-	-
Police forfeiture	-	-	-	28,160
Roadways	-	-	-	-
Library	-	-	-	-
Historical committee	-	-	-	-
Total Fund Balances	<u>2,214,865</u>	<u>290,670</u>	<u>433,406</u>	<u>28,160</u>
Total Liabilities and Fund Balances	<u>\$ 2,218,144</u>	<u>\$ 290,670</u>	<u>\$ 447,526</u>	<u>\$ 28,160</u>

Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
Justice Forfeitures	State Forfeitures	Library Advisory Board	Historical Committee Fund	Capital Recovery Roadways	
\$ 5,961	\$ 5,109	\$ 27,978	\$ 13,662	\$ 85,453	\$ 311,112
248,829	-	47,609	-	-	3,044,200
-	-	-	-	-	63,789
<u>\$ 254,790</u>	<u>\$ 5,109</u>	<u>\$ 75,587</u>	<u>\$ 13,662</u>	<u>\$ 85,453</u>	<u>\$ 3,419,101</u>
\$ -	\$ -	\$ 145	\$ -	\$ -	\$ 17,544
-	-	145	-	-	17,544
-	-	-	-	-	2,214,865
-	-	-	-	-	433,406
-	-	-	-	-	290,670
254,790	5,109	-	-	-	288,059
-	-	-	-	85,453	85,453
-	-	75,442	-	-	75,442
-	-	-	13,662	-	13,662
<u>254,790</u>	<u>5,109</u>	<u>75,442</u>	<u>13,662</u>	<u>85,453</u>	<u>3,401,557</u>
<u>\$ 254,790</u>	<u>\$ 5,109</u>	<u>\$ 75,587</u>	<u>\$ 13,662</u>	<u>\$ 85,453</u>	<u>\$ 3,419,101</u>

**CITY OF SCHERTZ, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds			
	Hotel Occupancy Fund	Park Fund	Tree Mitigation	Treasury Forfeiture
<b>REVENUES</b>				
Occupancy tax	\$ 514,679	\$ -	\$ -	\$ -
Permits and fees	-	11,000	19,162	-
Service fees	-	-	-	-
Fines and fees	-	-	-	900
Investment earnings	48,015	7,600	10,306	-
Miscellaneous	3,071	-	-	-
Total Revenues	<u>565,765</u>	<u>18,600</u>	<u>29,468</u>	<u>900</u>
<b>EXPENDITURES</b>				
Current:				
General government	130,265	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	15,250	27,867	-
Cultural	-	-	-	-
Administration	67,582	-	-	-
Capital outlay	-	86,841	-	206
Total Expenditures	<u>197,847</u>	<u>102,091</u>	<u>27,867</u>	<u>206</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>367,918</u>	<u>( 83,491)</u>	<u>1,601</u>	<u>694</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>367,918</u>	<u>( 83,491)</u>	<u>1,601</u>	<u>694</u>
<b>FUND BALANCES - BEGINNING</b>	<u>1,846,947</u>	<u>374,161</u>	<u>431,805</u>	<u>27,466</u>
<b>FUND BALANCES - ENDING</b>	\$ <u>2,214,865</u>	\$ <u>290,670</u>	\$ <u>433,406</u>	\$ <u>28,160</u>

Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
Justice Forfeitures	State Forfeitures	Library Advisory Board	Historical Committee Fund	Capital Recovery Roadways	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 514,679
-	-	-	-	-	30,162
-	-	21,365	708	138,920	160,993
23,509	2,548	-	-	-	26,957
6,600	-	1,853	-	1,451	75,825
-	-	7	17	-	3,095
<u>30,109</u>	<u>2,548</u>	<u>23,225</u>	<u>725</u>	<u>140,371</u>	<u>811,711</u>
-	-	-	2,871	-	133,136
50,306	8,773	-	-	-	59,079
-	-	-	-	-	43,117
-	-	19,664	-	-	19,664
-	-	-	-	-	67,582
39,144	-	-	-	-	126,191
<u>89,450</u>	<u>8,773</u>	<u>19,664</u>	<u>2,871</u>	<u>-</u>	<u>448,769</u>
( 59,341)	( 6,225)	3,561	( 2,146)	140,371	362,942
-	-	-	2,871	-	2,871
-	-	-	-	( 116,040)	( 116,040)
-	-	-	2,871	( 116,040)	( 113,169)
( 59,341)	( 6,225)	3,561	725	24,331	249,773
<u>314,131</u>	<u>11,334</u>	<u>71,881</u>	<u>12,937</u>	<u>61,122</u>	<u>3,151,784</u>
\$ <u>254,790</u>	\$ <u>5,109</u>	\$ <u>75,442</u>	\$ <u>13,662</u>	\$ <u>85,453</u>	\$ <u>3,401,557</u>

**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
HOTEL OCCUPANCY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE ACTUAL TOTALS FOR 2018)

	Original Budget	Final Budget	2019 Actual Amounts
<b>REVENUES</b>			
Occupancy tax	\$ 500,000	\$ 500,000	\$ 514,679
Investment earnings	28,000	28,000	48,015
Miscellaneous	-	-	3,071
Total Revenues	<u>528,000</u>	<u>528,000</u>	<u>565,765</u>
<b>EXPENDITURES</b>			
Current:			
General government	189,150	189,150	130,265
Administration	67,582	67,582	67,582
Capital outlay	-	-	-
Total Expenditures	<u>256,732</u>	<u>256,732</u>	<u>197,847</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>271,268</u>	<u>271,268</u>	<u>367,918</u>
<b>FUND BALANCE - BEGINNING</b>	<u>1,846,947</u>	<u>1,846,947</u>	<u>1,846,947</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,118,215</u>	<u>\$ 2,118,215</u>	<u>\$ 2,214,865</u>

Variance With Final Budget Positive (Negative)	2018 Actual Amounts
\$ 14,679	\$ 520,424
20,015	28,838
<u>3,071</u>	<u>-</u>
<u>37,765</u>	<u>549,262</u>
58,885	130,328
-	67,605
<u>-</u>	<u>8,255</u>
<u>58,885</u>	<u>206,188</u>
<u>96,650</u>	<u>343,074</u>
<u>-</u>	<u>1,503,873</u>
<u>\$ 96,650</u>	<u>\$ 1,846,947</u>

**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
PARK FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE ACTUAL TOTALS FOR 2018)

	Original Budget	Final Budget	2019 Actual Amounts
<b>REVENUES</b>			
Licenses and permits	\$ 70,000	\$ 70,000	\$ 11,000
Investment earnings	<u>7,750</u>	<u>7,750</u>	<u>7,600</u>
Total Revenues	<u>77,750</u>	<u>77,750</u>	<u>18,600</u>
<b>EXPENDITURES</b>			
Current:			
Parks and recreation	15,000	25,204	15,250
Capital outlay	<u>85,000</u>	<u>151,308</u>	<u>86,841</u>
Total Expenditures	<u>100,000</u>	<u>176,512</u>	<u>102,091</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 22,250)</u>	<u>( 98,762)</u>	<u>( 83,491)</u>
<b>FUND BALANCE - BEGINNING</b>	<u>374,161</u>	<u>374,161</u>	<u>374,161</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 351,911</u>	<u>\$ 275,399</u>	<u>\$ 290,670</u>



Variance With Final Budget Positive (Negative)	2018 Actual Amounts
\$( 59,000)	\$ 139,000
<u>( 150)</u>	<u>6,848</u>
<u>( 59,150)</u>	<u>145,848</u>
9,954	17,565
<u>64,467</u>	<u>121,934</u>
<u>74,421</u>	<u>139,499</u>
<u>15,271</u>	<u>6,349</u>
<u>-</u>	<u>367,812</u>
<u>\$ 15,271</u>	<u>\$ 374,161</u>

**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
TREE MITITGATION FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE ACTUAL TOTALS FOR 2018)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2019 Actual Amounts</u>
<b>REVENUES</b>			
Licenses and permits	\$ 72,500	\$ 72,500	\$ 19,162
Investment earnings	7,750	7,750	10,306
Miscellaneous	-	-	-
Total Revenues	<u>80,250</u>	<u>80,250</u>	<u>29,468</u>
<b>EXPENDITURES</b>			
Current:			
Parks and recreation	<u>75,000</u>	<u>75,000</u>	<u>27,867</u>
Total Expenditures	<u>75,000</u>	<u>75,000</u>	<u>27,867</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>5,250</u>	<u>5,250</u>	<u>1,601</u>
<b>FUND BALANCE - BEGINNING</b>	<u>431,805</u>	<u>431,805</u>	<u>431,805</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 437,055</u>	<u>\$ 437,055</u>	<u>\$ 433,406</u>

Variance With Final Budget Positive (Negative)	2018 Actual Amounts
\$ ( 53,338)	\$ 100,522
2,556	-
<u>-</u>	<u>6,888</u>
<u>( 50,782)</u>	<u>107,410</u>
<u>47,133</u>	<u>7,518</u>
<u>47,133</u>	<u>7,518</u>
<u>( 3,649)</u>	<u>99,892</u>
<u>-</u>	<u>331,913</u>
\$ <u>( 3,649)</u>	\$ <u>431,805</u>

**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

TREASURY FORFEITURES FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Fines and fees	\$ 900	\$ 13,767
Investment earnings	<u>-</u>	<u>33</u>
Total Revenues	<u>900</u>	<u>13,800</u>
<b>EXPENDITURES</b>		
Capital outlay	<u>206</u>	<u>7,349</u>
Total Expenditures	<u>206</u>	<u>7,349</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>694</u>	<u>6,451</u>
<b>FUND BALANCE - BEGINNING</b>	<u>27,466</u>	<u>21,015</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 28,160</u>	<u>\$ 27,466</u>

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**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
JUSTICE FORFEITURES FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE ACTUAL TOTALS FOR 2018)

	Original Budget	Final Budget	2019 Actual Amounts
<b>REVENUES</b>			
Fines and fees	\$ 130,000	\$ 130,000	\$ 23,509
Investment earnings	2,200	2,200	6,600
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total Revenues	<u>133,200</u>	<u>133,200</u>	<u>30,109</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	-	-	50,306
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>39,144</u>
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>89,450</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>123,200</u>	<u>123,200</u>	<u>( 59,341)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>123,200</u>	<u>123,200</u>	<u>( 59,341)</u>
<b>FUND BALANCE - BEGINNING</b>	<u>314,131</u>	<u>314,131</u>	<u>314,131</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 437,331</u>	<u>\$ 437,331</u>	<u>\$ 254,790</u>

Variance With Final Budget Positive (Negative)	2018 Actual Amounts
\$ ( 106,491)	\$ 167,347
4,400	4,247
( 1,000)	-
<u>( 103,091)</u>	<u>171,594</u>
( 50,306)	10,152
<u>( 29,144)</u>	<u>141,896</u>
( 79,450)	<u>152,048</u>
<u>( 182,541)</u>	<u>19,546</u>
-	( 86,219)
<u>-</u>	<u>( 86,219)</u>
<u>( 182,541)</u>	<u>( 66,673)</u>
-	<u>380,804</u>
<u>\$ ( 182,541)</u>	<u>\$ 314,131</u>

**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

STATE FORFEITURES FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Fines and fees	\$ 2,548	\$ -
Investment earnings	<u>-</u>	<u>64</u>
Total Revenues	<u>2,548</u>	<u>64</u>
<b>EXPENDITURES</b>		
Current:		
Public safety	<u>8,773</u>	<u>-</u>
Total Expenditures	<u>8,773</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 6,225)</u>	<u>64</u>
<b>FUND BALANCE - BEGINNING</b>	<u>11,334</u>	<u>11,270</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 5,109</u>	<u>\$ 11,334</u>



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**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPEDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
LIBRARY ADVISORY BOARD

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE ACTUAL TOTALS FOR 2018)

	Original Budget	Final Budget	2019 Actual Amounts
<b>REVENUES</b>			
Service fees	\$ 22,000	\$ 22,000	\$ 21,365
Investment earnings	400	400	1,853
Miscellaneous	500	500	7
Total Revenues	<u>22,900</u>	<u>22,900</u>	<u>23,225</u>
<b>EXPENDITURES</b>			
Current:			
Cultural	<u>32,400</u>	<u>32,400</u>	<u>19,664</u>
Total Expenditures	<u>32,400</u>	<u>32,400</u>	<u>19,664</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 9,500)</u>	<u>( 9,500)</u>	<u>3,561</u>
<b>FUND BALANCE - BEGINNING</b>	<u>71,881</u>	<u>71,881</u>	<u>71,881</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 62,381</u>	<u>\$ 62,381</u>	<u>\$ 75,442</u>

Variance With Final Budget Positive (Negative)	2018 Actual Amounts
\$ ( 635)	\$ 18,863
1,453	1,207
<u>( 493)</u>	<u>1</u>
<u>325</u>	<u>20,071</u>
<u>12,736</u>	<u>16,058</u>
<u>12,736</u>	<u>16,058</u>
<u>13,061</u>	<u>4,013</u>
<u>-</u>	<u>67,868</u>
\$ <u>13,061</u>	\$ <u>71,881</u>

**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
HISTORICAL COMMITTEE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE ACTUAL TOTALS FOR 2018)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2019 Actual Amounts</u>
<b>REVENUES</b>			
Sale of merchandise	\$ 1,000	\$ 1,000	\$ 708
Miscellaneous	<u>-</u>	<u>-</u>	<u>17</u>
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>725</u>
<b>EXPENDITURES</b>			
Current:			
General government	<u>11,750</u>	<u>11,750</u>	<u>2,871</u>
Total Expenditures	<u>11,750</u>	<u>11,750</u>	<u>2,871</u>
Excess of Revenues Over Expenditures	<u>( 10,750)</u>	<u>( 10,750)</u>	<u>( 2,146)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>10,750</u>	<u>10,750</u>	<u>2,871</u>
Total Other Financing Sources (Uses)	<u>10,750</u>	<u>10,750</u>	<u>2,871</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>725</u>
<b>FUND BALANCE - BEGINNING</b>	<u>12,937</u>	<u>12,937</u>	<u>12,937</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 12,937</u>	<u>\$ 12,937</u>	<u>\$ 13,662</u>

Variance With Final Budget Positive (Negative)	2018 Actual Amounts
\$( 292)	\$ 756
<u>17</u>	<u>3</u>
<u>( 275)</u>	<u>759</u>
<u>8,879</u>	<u>1,897</u>
<u>8,879</u>	<u>1,897</u>
<u>8,604</u>	<u>( 1,138)</u>
<u>( 7,879)</u>	<u>4,806</u>
<u>( 7,879)</u>	<u>4,806</u>
<u>725</u>	<u>3,668</u>
<u>-</u>	<u>9,269</u>
<u>\$ 725</u>	<u>\$ 12,937</u>

**CITY OF SCHERTZ, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

CAPITAL RECOVERY ROADWAYS

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Service fees	\$ 138,920	\$ 60,793
Investment earnings	<u>1,451</u>	<u>329</u>
Total Revenues	<u>140,371</u>	<u>61,122</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers out	<u>( 116,040)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>( 116,040)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>24,331</u>	<u>61,122</u>
<b>FUND BALANCE - BEGINNING</b>	<u>61,122</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 85,453</u>	<u>\$ 61,122</u>



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