

PRELIMINARY OFFICIAL STATEMENT

Dated: January 21, 2022

NEW ISSUE: Book-Entry-Only

Enhanced/Unenhanced Rating: S&P - Applied For
(See "BOND INSURANCE," "BOND INSURANCE
GENERAL RISKS," and "RATING" herein.)

Interest on the Bonds (defined below) is not excludable from gross income for federal income tax purposes under existing law. See "FEDERAL INCOME TAX TREATMENT OF THE BONDS" herein.

\$39,645,000*

**SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
CONTRACT REVENUE REFUNDING BONDS, TAXABLE NEW SERIES 2022**

Dated Date: January 15, 2022

Due: February 1, as shown on inside cover

Interest on the Schertz/Seguin Local Government Corporation Contract Revenue Refunding Bonds, Taxable New Series 2022 (the "Bonds") accrues from the Dated Date (identified above) and is payable initially on August 1, 2022 and on each February 1 and August 1 thereafter until stated maturity or prior redemption. Principal of the Bonds will be paid at stated maturity or prior redemption only upon presentation and surrender of the Bonds at the corporate trust office of the Paying Agent/Registrar, initially Zions Bancorporation, National Association, Houston, Texas. Proceeds from the sale of the Bonds will be used (i) to refund, for debt service savings, a portion of the Corporation's (defined herein) currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Obligations") and (ii) for the payment of the costs of issuance relating to the Bonds. (See "PLAN OF FINANCING - Authorization and Purpose" herein.) The Bonds are issued in fully registered form in the denomination of \$5,000 principal amount or any integral multiple thereof and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds will be available to purchasers only in book-entry form. For as long as Cede & Co. is the exclusive registered owner of the Bonds, the principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be responsible for making such payments to DTC Participants for subsequent remittance to owners of beneficial interest in the Bonds. Purchasers of the Bonds will not receive certificates evidencing their beneficial ownership therein. (See "BOOK-ENTRY-ONLY SYSTEM.")

The Bonds are special obligations of the Schertz/Seguin Local Government Corporation (the "Corporation" or the "Issuer") issued pursuant to Subchapter D of Chapter 431, as amended, Texas Transportation Code, Chapters 1201, as amended, Texas Government Code, Chapter 22, as amended, Texas Business Organization Code (the "Refunding Act") and Chapter 552 as amended, Texas Local Government Code, and the resolution authorizing the issuance of the Bonds adopted on December 16, 2021 (the "Resolution"). As permitted by the provisions of the Refunding Act, in the Resolution, the Corporation delegated the authority to certain Corporation officials (each an "Authorized Official") to execute an approval certificate (the "Approval Certificate") establishing the final terms of the sale for the Bonds.

The Bonds are special obligations of the Corporation payable solely both as to principal and interest from and secured, together with the currently outstanding New Series Bonds (hereinafter defined), solely by a junior and inferior lien on and pledge of the Bond Payment (as defined in the Contract) portion of the Annual Payments (as defined in the Resolution) to be paid severally by the City of Schertz, Texas and the City of Seguin, Texas (collectively, the "Cities"), to the Corporation, pursuant to the Regional Water Supply Contract, dated as of November 15, 1999, as amended (the "Contract"), among the Corporation and the Cities, which lien on and pledge of the Bond Payment is junior and inferior to the first and prior lien on and pledge of the Bond Payment portion of the Annual Payments made under the Contract that secures the repayment of the Corporation's outstanding Priority Bonds (defined herein) until such time as no Priority Bonds remain outstanding (at which point in time the junior lien on and pledge of the Bond Payment portion of the Annual Payments securing the repayment of the New Series Bonds will be elevated to a first and prior lien position). Under the Contract, each City is unconditionally obligated to pay, on a several (and not joint) basis, to the Corporation, as an operation and maintenance expense from the gross revenues of such City's utility system, such City's proportionate share of the amounts necessary to pay, on an annual basis, the Bond Payment (being an amount sufficient to pay scheduled principal of and interest on Corporation debt secured thereby and payable therefrom), Operation and Maintenance Expenses (defined herein), and Overhead Expenses (defined herein). The Bonds represent the fifth series of "New Series Bonds", being obligations of the Corporation payable from and ratably secured by a junior lien on and pledge of the Bond Payment portion of the Annual Payments, established for the purpose of realizing relief from certain covenants that are otherwise applicable to additional bonds (referred to in the Resolution as Additional Priority Bonds) secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payment but will not be so applicable to New Series Bonds (including, primarily, an obligation to fund a debt service reserve at the time of issuance of a series of New Series Bonds).

The Bonds are also secured by a lien on and pledge of the money in all funds created, established and maintained by the Resolution. **The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the Corporation or the Cities (no mortgage on real property of the Corporation or the Cities is granted), and the registered owner of a Bond shall never have the right to demand payment of the Bonds from any funds raised or to be raised by taxation or from any other sources or properties of the Corporation, the Cities, or the State of Texas.** The Bonds are not payable from or secured by any other revenues of the Corporation, the Cities or any other entity, and the Corporation is not authorized to levy any ad valorem tax in payment thereof. The Corporation reserves the right to issue Additional New Series Bonds and Additional Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise; however, in the Resolution of the Corporation's Board of Directors (the "Board") authorizing the issuance of the Bonds, the Board has covenanted to no longer issue additional Priority Bonds secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payment. (See "THE BONDS - Additional New Series Bonds; Inferior Lien Obligations; Additional Obligations" herein.)

The Bonds are subject to redemption prior to maturity as described herein. (See "THE BONDS - Redemption Provisions.")

The Issuer has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond guaranty policy and will consider the purchase of such policy after an analysis of the bids from such insurance providers has been made by the Issuer's Financial Advisor. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS.")

MATURITY SCHEDULE

(See Inside Cover Page)

The Bonds are offered when, as and if issued, and received by the initial purchasers thereof (the "Underwriters") and subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Bond Counsel, Austin and San Antonio, Texas. Certain matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. Certain legal matters will be passed upon by the Attorney General of the State of Texas, the Corporation's General Counsel, the City Attorney for the City of Seguin, and the Special City Attorney for the City of Schertz. The Bonds are expected to be available for delivery to the Underwriters through the services of DTC on or about February 24, 2022.

UBS

PIPER SANDLER & CO.

* Preliminary, subject to change.

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.

STATED MATURITY SCHEDULE*

\$39,645,000*

**SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
CONTRACT REVENUE REFUNDING BONDS, TAXABLE NEW SERIES 2022**

Cusip No. Prefix⁽¹⁾ 806643

Maturity Date (Feb. 1)	Principal Amount(\$)*	Interest Rate (%)	Initial Yield (%)	Cusip No. Suffix⁽¹⁾
2023	1,040,000			
2024	1,940,000			
2025	1,970,000			
2026	2,130,000			
2027	2,160,000			
2028	2,215,000			
2029	2,265,000			
2030	2,310,000			
2031	620,000			
2032	640,000			
2033	655,000			
2034	675,000			
2035	690,000			
2036	2,995,000			
2037	3,090,000			
2038	3,200,000			
2039	3,295,000			
2040	3,400,000			
2041	3,515,000			
2042	270,000			
2043	280,000			
2044	290,000			

(Accrued interest from the Dated Date to be added)

The Bonds maturing on or after February 1, 20__, are subject to redemption, in whole or in part, at the option of the Corporation, at the par value thereof plus accrued interest on February 1, 20__, or any date thereafter. If two or more Bonds of consecutive maturities are combined into one or more “term” Bonds (the “Term Bonds”) by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the terms of the Resolution. See “THE BONDS - Redemption Provisions.”

* Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global 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 Corporation, the Cities, the Financial Advisor, or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

Board of Directors

Dudley Wait President
 Robin Dwyer..... Vice President
 Jack Hamlett Secretary
 Richard Dziewit Assistant Secretary
 Richard Braud Treasurer
 Ralph Gutierrez Ex-officio - Mayor - City of Schertz
 Donna Dodgen Ex-officio - Mayor - City of Seguin

Administration

Amber Briggs Beard General Manager
 Valentin T. Ruiz, Jr. Assistant General Manager

CITY OF SCHERTZ, TEXAS

CITY OF SEGUIN, TEXAS

City Council

City Council

Ralph Gutierrez	Mayor
Mark E. Davis	Councilmember, Place 1
Rosemary Scott	Councilmember, Place 2
Jill Whittaker	Councilmember, Place 3
Michael Dahle	Councilmember, Place 4
David L. Scagliola	Councilmember, Place 5
Allison Heyward	Councilmember, Place 6
Tim Brown	Councilmember, Place 7

Donna Dodgen	Mayor
Joe Rea	Mayor-Pro-Tem
Sonia Mendez	Councilmember, District 2
Chris Aviles	Councilmember, District 3
Chris Rangel	Councilmember, District 4
Jeremy Roy	Councilmember, District 5
Monica Carter	Councilmember, District 6
Vacant	Councilmember, District 7
Mark Herbold	Councilmember, District 8

Administrative Officers

Administrative Officers

Mark Browne	City Manager
Charles Kelm	Assistant City Manager
Brian James	Assistant City Manager
James Walters	Director of Finance
Brenda Dennis	City Secretary
Charles Zech	City Attorney

Steve Parker	City Manager
Rick Cortes	<u>Deputy</u> City Manager
Naomi Manski	City Secretary
Susan Caddell	Director of Finance
Andy Quittner	City Attorney

CONSULTANTS AND ADVISORS

Patrick Lindner - Davidson, Troilo, Ream & Garza PC	General Counsel
Norton Rose Fulbright US LLP, Austin and San Antonio, Texas	Bond Counsel
Armstrong, Vaughan & Assoc., P.C., Universal City, Texas	Auditor
SAMCO Capital Markets, Inc., San Antonio, Texas	Financial Advisor

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities Exchange Commission (the "Rule"), 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 qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation, the Cities, or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the obligated parties' respective undertakings to provide certain information on a continuing basis.

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 pursuant to its responsibilities to the Issuer, and, as applicable, to investors under the federal securities laws, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

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

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

None of the Corporation, the Cities, the Underwriters, or the Financial Advisor makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System as described herein under the caption "BOOK-ENTRY-ONLY SYSTEM" or with respect to any information concerning the bond insurer or its municipal bond guaranty policy as described herein (or incorporated by reference) under the caption "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS".

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

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

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement, including the Schedule and the Appendices hereto. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement including the Schedule and the Appendices hereto. Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Resolution (defined herein) authorizing the issuance of the Bonds. See “APPENDIX F - CERTAIN PROVISIONS OF THE RESOLUTION - Definitions” herein.

The Issuer	Schertz/Seguin Local Government Corporation, a public, non-profit corporation (the “Corporation” or the “Issuer”) created by the Cities of Schertz and Seguin, Texas (individually, a “City,” and collectively, the “Cities”), pursuant to Subchapter D of Chapter 431, Texas Transportation Code, as amended (the “Act”), to aid, assist and act on behalf of the Cities in acquiring, constructing, leasing, improving, enlarging, extending, repairing, maintaining and operating a water utility system (the “System”). The Corporation’s System is separate and distinct from each of the Cities’ utility systems (the “Cities’ Systems”). The Corporation employs a full-time general manager and is governed by a board of five directors who are appointed by the City Council of each City and the two ex-officio members. (See “THE CORPORATION.”)
The Bonds	\$39,645,000* Schertz/Seguin Local Government Corporation Contract Revenue Refunding Bonds, Taxable New Series 2022, dated January 15, 2022, maturing serially on February 1 in each of the years 2023 through 2044.* Interest on the Bonds will be paid semiannually on February 1 and August 1, commencing August 1, 2022 until stated maturity or prior redemption. (See “THE BONDS - General Description.”)
Purpose of Bonds	Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) for the discharge and final payment of certain obligations of the Issuer as disclosed in Schedule I hereto (the “Refunded Obligations”) for debt service savings and (ii) for the payment of the costs of issuance relating to the Bonds. (See “PLAN OF FINANCING - Authorization and Purpose” herein.)
Authority for Issuance	The Bonds are special obligations of the Corporation issued pursuant to the Act, Chapter 1201, as amended, Texas Government Code, Chapter 22, as amended, Texas Business Organization Code (the “Refunding Act”), and Chapter 552, as amended, Texas Local Government Code, and the resolution authorizing the issuance of the Bonds adopted on December 16, 2021 (the “Resolution”). As permitted by the provisions of the Refunding Act, in the Resolution, the Corporation delegated the authority to certain Corporation officials (each an “Authorized Official”) to execute an approval certificate (the “Approval Certificate”) establishing the final terms of the sale for the Bonds.
Security	The Bonds are special obligations of the Corporation issued pursuant to the Resolution and are secured, together with the currently outstanding New Series Bonds, solely by a junior and inferior lien on and pledge of the Bond Payment portion of the Annual Payments to be received by the Corporation from the Cities pursuant to the Regional Water Supply Contract, dated as of November 15, 1999, as amended (the “Contract”), among the Corporation and the Cities, which is junior and inferior to the first and prior lien on and pledge of the Bond Payment portion of the Annual Payments made under the Contract that secure the repayment of the Corporation’s outstanding Priority Bonds (defined herein) until such time as no Priority Bonds remain outstanding (at which point in time the junior lien on and pledge of the Bond Payment portion of the Annual Payments securing the repayment of the New Series Bonds will be elevated to a first and prior lien position). The Cities’ payment obligations under the Contract are (i) payable as an operations and maintenance expense from the gross revenues of the Cities’ Systems and (ii) several, and not joint, obligations of each City to pay such City’s proportionate share of the Bond Payment portion of each Annual Payment. (See “THE BONDS – Security and Source of Payment”, “THE BONDS - Defaults and Remedies,” and “APPENDIX B - Financial Information Regarding the Cities’ Systems.”)
Redemption	The Bonds maturing on or after February 1, 20__, are redeemable, in whole or in part, at the option of the Corporation on any date on February 1, 20__, or any date thereafter, as described herein. If two or more Bonds of consecutive maturities are combined into one or more “term” Bonds (the “Term Bonds”) by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the terms of the Resolution. (See “THE BONDS – Redemption Provisions.”)

* Preliminary, subject to change.

Rating	S&P Global Ratings (“S&P”) has assigned an enhanced rating of “__” and an underlying rating on the Bonds of “__” (without regard to credit enhancement). (See “RATING” herein.)
Bond Insurance	The Issuer has made application to municipal bond insurance companies to have payment of the principal and interest on the Bonds insured by a municipal bond insurance policy and will consider the purchase of such policy after an analysis of the bids from such insurance providers has been made by the Issuer’s Financial Advisor. (See "BOND INSURANCE" and “BOND INSURANCE GENERAL RISKS” herein.)
Additional New Series Bonds; Inferior Obligations; Additional Obligations	In the Resolution the Corporation reserves the right to issue Additional New Series Bonds without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise; however, in the Resolution of the Corporation’s Board of Directors (the “Board”) authorizing the issuance of the Bonds, the Board has covenanted to no longer issue Additional Priority Bonds secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payment. In addition to Additional New Series Bonds, the Corporation has reserved the right to issue additional obligations payable from a lien on and pledge of all or part of the Bond Payment portion of the Annual Payments, so long as such lien and pledge is subordinate to the lien thereon and pledge thereof securing the currently outstanding New Series Bonds, the Bonds and any Additional New Series Bonds from time to time issued by the Corporation. The Corporation has also reserved the right to issue Additional Obligations (defined herein), which are obligations of the Corporation secured by and payable from certain other Corporation revenues (but excluding the Bond Payment portion of the Annual Payments). The Corporation’s issuance of any additional obligations is without limitation as to principal amount, but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See “THE BONDS - Additional New Series Bonds; Inferior Lien Obligations; Additional Obligations.”)
Book-Entry-Only System	The Bonds are initially issuable only to Cede & Co., the nominee of DTC, pursuant to the book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of, premium if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
Federal Income Tax Treatment of the Bonds	Interest on the Bonds is not excludable from gross income for federal income tax purposes. (See “FEDERAL INCOME TAX TREATMENT OF THE BONDS” herein.)
Payment Record	The Issuer has never defaulted on the payment of its bonded indebtedness.
Delivery	When issued, anticipated on or about February 24, 2022.
Legality	Delivery of the Bonds is subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Bond Counsel, Austin and San Antonio, Texas. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, for the Issuer by its General Counsel, for the City of Seguin by the City Attorney, and for the City of Schertz by the Special City Attorney.

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**PRELIMINARY OFFICIAL STATEMENT
relating to**

\$39,645,000*

**SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
CONTRACT REVENUE REFUNDING BONDS, TAXABLE NEW SERIES 2022**

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the inside cover page, the schedule and appendices hereto, provides certain information regarding the issuance by the Schertz/Seguin Local Government Corporation (the “Corporation” or the “Issuer”) of its \$39,645,000* Contract Revenue Refunding Bonds, Taxable New Series 2022 (the “Bonds”). Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the resolution (the “Resolution”) authorizing the issuance of the Bonds adopted by the Corporation’s Board of Directors (the “Board”) on December 16, 2021, except as otherwise indicated herein. As permitted by the provisions of Chapter 22, Texas Business Organizations Code, as amended (the “Refunding Act”), in the Resolution, the Corporation delegated the authority to certain Corporation officials (each an “Authorized Official”) to execute an approval certificate (the “Approval Certificate”) establishing the final terms of the sale for the Bonds. (See “SELECTED PROVISIONS OF THE RESOLUTION” attached hereto as APPENDIX F.)

The Corporation is a public, non-profit corporation created by the Cities of Schertz and Seguin, Texas (individually, a “City,” and collectively, the “Cities”), pursuant to Subchapter D of Chapter 431, Texas Transportation Code, as amended (the “Act”), to aid, assist and act on behalf of the Cities in acquiring, constructing, financing and operating a water utility system (the “System”). The Corporation’s System is separate and distinct from each of the Cities’ utility systems (the “Cities’ Systems”). The Corporation is governed by a board of five directors who are appointed by the City Council of each City and the two ex-officio members. (See “THE CORPORATION.”) The Cities are political subdivisions of the State of Texas (the “State”) and municipal corporations organized and existing under the laws of the State and the Cities’ respective home rule charters. For information regarding the Cities and their respective utility systems, see Appendices B, C and D, as appropriate, of this Official Statement.

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

There follows in this Official Statement brief descriptions of the Project (defined herein), the Bonds, the Corporation, the Cities, the Contract, and the Cities’ Systems. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Corporation’s Financial Advisor, SAMCO Capital Markets, Inc., 1020 N.E. Loop 410, Suite 640, San Antonio, Texas 78209, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Bonds and the Escrow Agreement (defined herein) will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. (See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the Corporation’s and the Cities’ 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 Texas in response to the Pandemic which has been subsequently extended and is still 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 issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on July 29, 2021, the Governor issued Executive Order GA-38, which supersedes all pre-existing executive orders related to COVID-19 and rescinds them in their entirety, except for Executive Order GA-13 (relating to detention in county and municipal jails) and Executive Order GA-37 (related to

* Preliminary, subject to change.

Migrant transport). Executive order GA-38 combines several previous executive orders into one order and continues the prohibition against governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to \$1,000 for noncompliance. It also prohibits governmental entities from: (1) compelling any individual to receive a COVID-19 vaccine administered under emergency use authorization, and (ii) enforcing any requirements to show proof of vaccination before receiving a service or entering any place (other than nursing homes, hospitals and similar facilities) if the public or private entity that has adopted such requirement receives public funds through any means. Executive Order GA-38 remains in effect until amended, rescinded, or superseded by the Governor. Executive Order GA-39, issued on August 25, 2021, further provides that government entities cannot require mask mandates, vaccine passports, or mandatory vaccinations. On October 11, 2021, the Governor issued Executive Order GA-40, prohibiting any entity from requiring COVID vaccinations. Various lawsuits have been filed throughout the State related to the foregoing. 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.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. To date, the Corporation has had limited adverse impact from COVID-19, mostly including material increase costs resulting from supply chain issues. These negative impacts may reduce or negatively affect the Annual Payments to be made by the Cities pursuant to the Contract. The financial and operating data contained herein are for the dates and the periods stated herein. It is unclear at this time what effect, if any, COVID-19 and any resulting economic disruption may have on the revenues of the Issuer.

Convening of the Texas Legislature

On January 12, 2021, the 87th Texas Legislature convened in general session which adjourned on May 31, 2021. The Texas Governor called a first special session which began July 8, 2021 and concluded on August 6, 2021. The Governor called a second special session which began on August 7, 2021 and concluded on September 2, 2021. The Governor called a third special session which convened on September 20, 2021 and concluded on October 19, 2021. The Texas Governor may call one or more additional special sessions. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the Issuer and the financial condition of the Issuer. The Issuer makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed and final legislation for any developments applicable to the Issuer.

Texas 2021 Winter Weather Event

From February 14, 2021 through February 19, 2021, the continental United States experienced Winter Storm Uri (the “2021 Event”) resultant from the southern migration of a polar vortex that meteorologists characterized as the most significant in terms of scope and duration since monitoring of these weather phenomenon began in the 1950s. The Corporation’s region experienced three consecutive days of record low temperatures and record low daily high temperatures and windchills of -6 degrees Fahrenheit. SSLGC continued to supply the delivery of water to its customers throughout the 2021 Event with the exception of SAWS due to power failure at the SAWS delivery point facility. Simultaneously, power outages resulting from the Electric Reliability Council of Texas (“ERCOT”) demand reduction requirements began to impact operations. The electric supplier to the Corporation, Guadalupe Valley Electric Cooperative began rolling brownouts that impacted SSLGC facilities. SSLGC staff and the Cities coordinated with the GVEC and successfully removed the SSLGC key facilities from the rolling brownouts resulting in continued water delivery to SSLGC customers (with the exception of SAWS as noted previously).

The costs of various water sources are largely fixed (except for the electricity charges associated with pumping and distributing the water), and the Corporation incurred an electric bill from GVEC in the amount of \$535,053.52 during the 2021 Event. The SSLGC Board and the city councils of the Cities approved a budget amendment utilizing funds from SSLGC’s Operating Fund per the SSLGC Retained Earnings Policy to cover this expenditure. These costs were not passed on to SSLGC’s customers due to healthy fund balances. In an effort to assist SSLGC customers with their water usage during the winter storm event, the Board approved providing a winter storm relief credit in the amount of \$36,024.80 from the SSLGC Rate Stabilization Fund.

Each of the Cities’ respective utility systems incurred minimal damage that was paid for using a combination of current funds and insurance proceeds. Neither the Corporation nor the Cities incurred any material damage as a result of the 2021 Event and neither the Corporation nor the Cities anticipate the issuance of any indebtedness to finance repair or replacement costs related to the 2021 Event.

Rating Changes

On May 19, 2021, S&P Global Ratings (“S&P”) lowered its ratings on the Corporation’s outstanding contract revenue bonds (secured by the lien on and pledge of the Bond Payment portion of the Annual Payments paid by the Cities) to “A” from “A+” (CreditWatch Negative). This rating action reflected S&P’s view of the Corporation’s projected lower fixed-charge coverage and great leverage plans to issue considerable debt over the next several years and remain on CreditWatch with negative implications due to uncertainties associated with ERCOT-based utilities, such as the Corporation. Similarly, on June 4, 2021, Fitch Ratings, Inc. (“Fitch”) downgraded the Corporation’s Contract Revenue Bonds, Series 2001 and Contract Revenue Improvement and Refunding Bonds, New Series 2015 to “A-” from “A+”. Fitch noted the downgrade reflected its recent downgrade of the City of Seguin and the Corporation’s inability to reallocate costs upon a default by one of the Cities for the downgraded bond issues.

Legislative Response

On June 8, 2021, the Governor signed Senate Bill 3 (“SB 3”) to address issues that arose during the 2021 Event. The new law requires weather emergency preparedness and the identification of critical public utilities facilities, including in the natural gas supply chain and electric utilities. The Corporation is currently working on its SB3 Emergency Preparedness Plan and is evaluating alternative power supply options, as well as water system capacities for future projects.

The new law also creates Section 13.1394 of the Texas Water Code that requires water utilities to ensure the emergency operation of its water system during a power outage that lasts longer than 24 hours at a minimum water pressure of 20 pounds per square inch, or at a water pressure level approved by the Texas Commission on Environmental Quality (the “TCEQ”), as soon as safe and practicable following the occurrence of a natural disaster. This section also requires that a water utility adopt and submit an emergency preparedness plan to the TCEQ for its approval that includes a timeline for implementing the plan. The submitted plan must provide for one, or a combination, of fourteen options and approaches to provide service as required by this section. The options provided include, but are not limited to: backup or on-site power generation; designation of the water system as a critical load facility or redundant, isolated or dedicated electrical feeds; the ability to provide water through artesian pressure; redundant interconnectivity between pressure zones; and any other alternative determined by the TCEQ to be acceptable.

Water utilities are required to submit their emergency preparedness plan to the TCEQ by March 1, 2022. Implementation of emergency plans must begin by the later of July 1, 2022, or upon final approval by the TCEQ. A utility may submit a written request for an extension not to exceed 90 days.

SB 3 also created Section 13.151 of the Texas Water Code (“Section 13.151”) that addresses billing for services provided during an extreme weather emergency. Section 13.151 defines an “extreme weather emergency” as a period when the previous day’s highest temperature did not exceed 28 degrees Fahrenheit, and the temperature is predicted to remain at or below that level for the next 24 hours according to the nearest National Weather Service reports. In these circumstances a retail public utility that operates under a certificate of public convenience and necessity (a “CCN”) is prohibited from imposing late fees or disconnecting service for nonpayment of bills that are due during an extreme weather emergency until after the emergency is over and is required to work with customers that request to establish a payment schedule for unpaid bills that are due during the extreme weather emergency. A violation of Section 13.151 is subject to a civil penalty of not less than \$100 nor more than \$50,000 for each violation.

PLAN OF FINANCING

Authorization and Purpose

The Bonds are special obligations of the Corporation issued pursuant to the Act, Chapter 1201, as amended, Texas Government Code, the Refunding Act, and Chapter 552, as amended, Texas Local Government Code, and the Resolution authorizing the issuance of the Bonds. Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) for the discharge and final payment of certain obligations of the Corporation as identified in Schedule I attached hereto (the “Refunded Obligations”) for debt service savings and (ii) for the payment of the costs of issuance relating to the Bonds.

Refunded Obligations

A description and identification of the Refunded Obligations appears in Schedule I attached hereto. The Refunded Obligations are to be paid in full on the respective redemption dates specified on Schedule I from funds to be deposited pursuant to a certain Escrow and Trust Agreement (the “Escrow Agreement”) between the Issuer and Zions Bancorporation, National Association, Houston, Texas (the “Escrow Agent”), dated as of December 16, 2021.

The Resolution provides that from the proceeds of the sale of the Bonds received from the Underwriters, together with an Issuer’s cash contribution, if any, the Issuer will deposit with the Escrow Agent an amount which will be sufficient to accomplish the discharge and final payment of the Refunded Obligations at their respective scheduled redemption dates (the “Redemption Date”). Such funds will be held by the Escrow Agent in a special escrow account (the “Escrow Fund”) irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. The funds held by the Escrow Agent in the Escrow Fund will be used to purchase a portfolio of securities authorized under Section 1207.062, Texas Government Code, as amended (the “Escrowed Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations.

Ritz & Associates PA (the “Verification Agent”) will verify at the time of delivery of the Bonds to the Underwriters that the Escrowed Securities deposited under the Escrow Agreement will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund established under the Escrow Agreement, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations addressed by such Escrow Agreement on their respective scheduled redemption dates. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the debt service on the Bonds. See “OTHER INFORMATION - Verification of Mathematical Computations.”

Prior to or simultaneously with the issuance of the Bonds, the Issuer 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 dates money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the Corporation will have effected the defeasance of the Refunded Obligations in accordance with the law. As a result of such defeasance, the Refunded Obligations will no longer be payable from the Bond Payment (defined herein) portion of the Annual Payments (defined herein), but will be payable solely from the cash and investments on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Obligations will be defeased and are not to be included in or considered to be indebtedness of the Corporation for the purpose of a limitation or indebtedness for any other purpose. It is the opinion of Bond Counsel that as a result of such deposit and in reliance upon the report of the Verification Agent, firm banking arrangements will have been made for the discharge and final payment of the Refunded Obligations, and such Refunded Obligations will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from funds provided therefor, in the Escrow Agreement.

The Issuer 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 are insufficient to make such payment.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds, along with the Corporation’s contribution (if any), will be applied approximately as follows:

Sources:

Principal Amount of Bonds	\$ _____
Corporation’s Contribution from Interest & Sinking Fund	
[Net] Reoffering Premium/Discount	
Accrued Interest on the Bonds	
Total Sources of Funds	\$ _____

Uses:

Deposit to Escrow Fund	\$ _____
Issuance Expenses (includes bond insurance premium fee)	
Underwriters’ Discount	
Deposit to Interest and Sinking Fund	
Costs of Issuance	
Total Uses of Funds	\$ _____

THE BONDS

General Description

The Bonds will be dated January 15, 2022 and will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will bear interest from January 15, 2022. Interest will be paid semiannually on each February 1 and August 1, commencing August 1, 2022. Interest will accrue on the Bonds on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued as book-entry-only securities pursuant to arrangements made with The Depository Trust Company, New York, New York. (See “BOOK-ENTRY-ONLY SYSTEM.”)

Principal on the Bonds will be payable to the registered owner (the “Owner”) at stated maturity or prior redemption upon presentation and surrender of such Bonds at the corporate office of the paying agent/registrar (the “Paying Agent/Registrar”), initially Zions Bancorporation, National Association, Houston, Texas. Upon discontinuance of the Book-Entry-Only System, interest on the Bonds will be payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to registered Owners as shown on the records of the Paying Agent/Registrar on the Record Date (see “REGISTRATION, TRANSFER AND EXCHANGE - Record Date for Interest Payment” herein), or by such other customary banking arrangement, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or a day on which 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 shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

The Bonds will mature on the dates, in the amounts and bear interest at the rates as set forth on the inside front cover page of this Official Statement.

Legality

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel. Certain legal matters will be addressed by the Corporation’s General Counsel, the City Attorney for the City of Seguin and the Special City Attorney for the City of Schertz, and counsel to the Underwriters. The legal opinion of Bond Counsel will be printed on or attached to the Bonds. (See “OTHER INFORMATION - Legal Matters” and APPENDIX G.)

Establishment of Lien Securing New Series Bonds

The Corporation has heretofore issued, and there are now outstanding, special obligations of the Corporation that are secured by and payable from a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments (such outstanding obligations, the "Priority Bonds"). Because of covenant requirements included in the outstanding Corporation resolution (the "Priority Resolution") authorizing the issuance of the outstanding Priority Bonds (including, primarily, the requirement to fund a debt service reserve fund with cash or debt service reserve fund surety policy from a provider with minimum thresholds concerning credit quality, as determined by credit rating), the Corporation has determined that continuing to issue additional Priority Bonds subject to these covenants is no longer financially necessary or desirable. Additionally, in the Priority Resolution, the Corporation has reserved the right to issue obligations payable from a lien on and pledge of the Bond Payment portion of the Annual Payments that is inferior to the lien thereon and pledge thereof securing the repayment of the Priority Bonds. Accordingly, the Corporation has determined to establish a junior and inferior lien revenue finance system, whereby "New Series Bonds" (including the currently outstanding New Series Bonds and the Bonds), payable from a lien on and pledge of the Bond Payment portion of the Annual Payments that is immediately junior and inferior to the lien thereon and pledge thereof securing the Priority Bonds, are now and hereafter authorized to be issued for authorized purposes and pursuant to the terms and conditions specified in the Resolution. In conjunction with this fifth issuance of New Series Bonds, the Corporation will covenant in the Resolution to not issue additional Priority Bonds so that, upon the time that no Priority Bonds are outstanding pursuant to the terms of the Priority Resolutions, the New Series Bonds at such time outstanding will be elevated to (and thereafter enjoy) a first and prior lien position relative to the lien on and pledge of the Bond Payment portion of the Annual Payments serving as the source of security and repayment therefor.

Security and Source of Payment

The Bonds are special obligations of the Corporation, issued as "New Series Bonds" and such New Series Bonds (together with the currently outstanding New Series Bonds and any Additional New Series Bonds hereafter issued) are payable, both as to principal and interest, from and secured solely by a junior and inferior lien on and pledge of the Bond Payment portion of the Annual Payments paid by the Cities to the Corporation pursuant to the Contract among the Corporation and the Cities, which lien thereon and pledge thereof is junior and inferior to the first and prior lien on and pledge of the Bond Payment portion of the Annual Payments made under the Contract that secure the repayment of the Corporation's outstanding Priority Bonds until such time as no Priority Bonds remain outstanding (at which point in time, the lien on and pledge of the Bond Payment portion of the Annual Payments securing the New Series Bonds will be elevated to and enjoy a first and prior lien status). The Bonds are also secured by a pledge of the money in the funds confirmed, created, established, and/or maintained under the Resolution for their benefit (as described in the Resolution). Finally, and though not pledged as an additional source of security, the New Series Bonds (including the Bonds) may be paid from excess Net Revenues of the System, subject and subordinate to the senior and superior lien thereon and pledge thereof securing the repayment of any Additional Obligations (defined herein) hereafter issued or use of the same to pay amounts owing with respect to the Priority Bonds.

Each of the Cities is obligated to pay its proportionate share (in an amount equal to 50%) of each Annual Payment, determined on a several and not a joint basis. (See "CERTAIN PROVISIONS OF THE RESOLUTION" attached hereto as APPENDIX F.) The Annual Payments consist of payments (including the Bond Payments, Operation and Maintenance Expenses, and Overhead Expenses) made by each City pursuant to the Contract which payments are secured by and payable from the receipts and revenues derived from each City's combined utility system (the "Cities' Systems"). For information regarding rates, usage and customers of the Cities' Systems, see tables included in APPENDIX B, C and D, as appropriate, to this Official Statement.

Upon receipt by the Corporation, the Bond Payment portion of the Annual Payments, in the amount necessary to satisfy the scheduled principal and interest payment requirements on and any debt service reserve fund and Renewal and Replacement Fund payment obligations applicable to any Priority Bonds outstanding (in the manner and in the amounts specified in the Priority Resolutions), is deposited into the bond fund established and maintained for the benefit of the Priority Bonds, with amounts thereafter remaining being deposited to the Bond Fund established and maintained for the benefit of the New Series Bonds. The Operation and Maintenance Expense and the Overhead Expenses portions of the Annual Payments are deposited, together with other Gross Revenues of the System, if any, into the System Fund to pay, in the following order of priority, (i) Maintenance and Operating Expenses of the System (such Gross Revenues after satisfying this payment obligation, the "Net Revenues"), (ii) Additional Obligations, if any, and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Additional Obligations, (iii) the Priority Bonds, and (iv) the New Series Bonds and any Additional New Series Bonds. The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the Corporation (no mortgage on any real property of the Corporation or the Cities, including the System or the Cities' Systems is granted), and the registered owner of a Bond shall never have the right to demand payment of the Bonds from any funds raised or to be raised by taxation or from any other sources or properties of the Corporation, the Cities or the State of Texas. The Bonds are not payable from or secured by any other revenues of the Corporation, the Cities or any other entity, and the Corporation is not authorized to levy any tax in payment thereof.

Reserve Fund

Though it has retained the right to establish a debt service reserve fund in conjunction with the future issuance of a series of Additional New Series Bonds, no debt service reserve fund has been established with respect to the Bonds.

Rate Covenant

Pursuant to the Contract, each City is required to pay its proportionate share of the Annual Payments at least equal to the amount required (a) to pay for all Operation and Maintenance Expenses; (b) to pay Overhead Expenses; and (c) to establish and maintain the debt service and the debt service reserve funds for the Priority Bonds and the Renewal and Replacement Fund requirements contained in the Priority Resolutions and the Bond Fund for the New Series Bonds.

In addition, in the Resolution the Corporation agrees, at all times while any of the New Series Bonds are outstanding and unpaid, to establish and maintain rates and collect charges for the facilities and services afforded by the System, which will provide revenues annually at least equal to the amount required to produce Gross Revenues in each fiscal year sufficient (i) to pay all Maintenance and Operating Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System; (ii) to produce Net Revenues, together with any other lawfully available funds, sufficient to pay Additional Obligations, if any, and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Additional Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior lien on and pledge of the Net Revenues of the System; and (iii) to produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the Priority Bonds, the currently outstanding New Series Bonds, and the Bonds and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of the Priority Bonds and the New Series Bonds, including the Priority Bonds' debt service reserve fund, and the Renewal and Replacement Fund (at this time, only additionally securing the Priority Bonds).

Additional New Series Bonds; Inferior Lien Obligations; Additional Obligations

The Corporation reserves the right to issue Additional New Series Bonds without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. Additional New Series Bonds, when issued, together with the Bonds and other New Series Bonds at such time outstanding, shall be payable from and secured solely by a junior and inferior lien on and pledge of the Bond Payment portion of the Annual Payments that is immediately subordinate to the lien thereon and pledge thereof securing the repayment of the Priority Bonds until all Priority Bonds are no longer outstanding (at which point in time the junior lien on and pledge of the Bond Payment portion of the Annual Payments securing the repayment of the New Series Bonds will be elevated to a first and prior lien position). In addition to Additional New Series Bonds, the Corporation has reserved the right to issue additional obligations payable from a lien on and pledge of all or part of the Bond Payment portion of the Annual Payments, so long as such lien and pledge is subordinate to the lien thereon and pledge thereof securing the Bonds and any Additional New Series Bonds from time to time issued by the Corporation.

The Corporation has also reserved the right to issue Additional Obligations (defined herein), which are obligations of the Corporation secured by and payable from the Corporation's Net Revenues (but which specifically exclude the Bond Payment portion of the Annual Payments). The Corporation's issuance of Additional Obligations is without limitation as to principal amount, but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. "Additional Obligations," which include Prior Lien Obligations, Junior Lien Obligations, and Inferior Lien Obligations, when issued, shall be secured by a lien on and pledge of the Net Revenues of specified priority. (See "CERTAIN PROVISIONS OF THE RESOLUTION" attached hereto as APPENDIX F.)

Redemption Provisions

Optional Redemption

The Corporation reserves the right, at its option, to redeem the Bonds having stated maturities on or after February 1, 20__, in whole or in part, in integral multiples of \$5,000, on February 1, 20__, or any date thereafter, such redemption date or dates to be fixed by the Corporation, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Additionally, if two or more consecutive maturities are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Resolution. If less than all of the Bonds are to be redeemed, the Corporation shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, within each maturity to be redeemed.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the Corporation shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered Owner of a Bond to be redeemed, in whole or in part, at the address of the registered Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. If notice is so given and arrangements are made for the payment of the redemption price of the Bonds on the redemption date, interest on the Bonds shall cease to accrue after the date fixed for redemption whether or not the Bonds have been submitted for payment. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY

BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

The Paying Agent/Registrar and the Corporation, 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 Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised or any such notice. Redemption of portions of the Bonds by the Corporation 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 Resolution and will not be conducted by the Corporation or the Paying Agent/Registrar. Neither the Corporation nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Defeasance

The Resolution provides that any Bond will be deemed paid and will no longer be considered to be outstanding within the meaning of the Resolution when payment of principal of and interest on such Bond to its stated maturity or date of prior redemption has been made or provided for. Payment may be provided for by deposit of any combination of (1) money in an amount sufficient to make such payment and/or (2) Government Securities (defined herein). Any such deposit must be certified by an independent public accountant, the Corporation's Financial Advisor, or other qualified financial institution (as provided in the Resolution) to be of such maturities and interest payment dates and bear such interest as will, without reinvestment, be sufficient to make the payment to be provided for on the Bond. The Resolution provides that "Government Securities" means (A) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (B) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that 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 have been refunded and that 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 Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. Corporation officials may contractually limit the use of certain Government Securities as deemed appropriate in connection with the sale of the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those 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 Corporation has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Resolution does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the Corporation 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 Texas 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 Corporation 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 Corporation has reserved 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 Corporation (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 Corporation may amend the Resolution 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 Corporation 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 Resolution; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

Defaults and Remedies

The Resolution does not establish specific events of default with respect to the Bonds. If the Corporation defaults in the payment of the principal of or interest on any of the Bonds when due or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Resolution, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the Corporation to make such payment or observance and perform such covenant, obligations, or condition. Such right is in addition to any other rights the registered owners of the Bonds may be provided by the laws of the State. Additionally, the Cities' default under the Contract to make the Bond Payment portion of the Annual Payment when due or with respect to their observance or performance of any of their covenants, conditions, or obligations set forth in the Contract gives rise to the Corporation's exercise of rights and remedies thereunder to compel the Cities' performance or to undertake other available action (in response to which the Cities are permitted to raise defenses under the Contract and remedies otherwise available thereto pursuant to applicable law). Neither the registered owners of the Bonds nor any trustee acting on their behalf have been assigned the right to directly enforce the Corporation's rights and remedies under the Contract or to compel the Cities' performance thereunder. Under State law there is no right to the acceleration of maturity of the Bonds upon the failure of the Corporation to observe any covenant under the Resolution. Although a registered owner of Bonds could presumably obtain a judgment against the Corporation if a default occurred in the payment of principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the Corporation. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Corporation to establish, maintain, and collect net revenues sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Resolution does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the Corporation to perform in accordance with the terms of the Resolution, or upon any other condition; similarly, and as stated above, no rights to directly enforce against the Cities their duties and obligations owed to the Issuer under the Contract have been granted to the registered owners of the Bonds or any trustee representing their interests. Accordingly, all legal actions to enforce such remedies against the Corporation would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the Corporation's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the Issuer for breach of the Bonds or the Resolution. Even if a judgment against the Issuer could be obtained, it could not be enforced by direct levy and execution against the Issuer's property. Furthermore, the Corporation 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 (such as the Annual Payments or Net Revenues), such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by the creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Corporation 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 Resolution 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.

Perfection of Security Interest for the New Series Bonds

Chapter 1208, as amended, Texas Government Code, applies to the issuance of the New Series Bonds and the pledge of the Bond Payment portion of the Annual Payments, and such pledge is therefore, valid, effective and perfected. Should Texas law be amended while the New Series Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Bond Payment portion of the Annual Payments is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the registered owners of the New Series Bonds a security interest in such pledge, the Corporation has agreed in the Resolution to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

Ownership of Bonds

The Corporation, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of principal and interest, and for all other

purposes, whether or not such Bond is overdue, and neither the Corporation nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary.

All payments made to the person deemed to be the owner of any Bond in accordance with the Resolution will be valid and effectual and will discharge the liability of the Corporation and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

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 (“DTC”), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Corporation, the Cities, the Financial Advisor, and the Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The Corporation cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Note 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation, the Cities, the Financial Advisor, and the Underwriters believe to be reliable, but none of the Corporation, the Cities, the Financial Advisor, nor the Underwriters takes responsibility for the accuracy thereof.

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the 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, payment or notices that are to be given to registered owners under the Resolution will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas. In the Resolution, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds affected by the change by United States mail, first-class, postpaid.

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 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. 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.)

Record Date for Interest Payment

The record date ("Record Date") for determining the party to whom the interest on a Bond is payable on any interest payment date means the fifteenth 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 (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 Corporation. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which must be 15 days after the Special Record Date) will 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 Holder 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.

Limitation on Transfer of Bonds

Neither the Issuer nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond called for redemption, in whole or in part (1) to transfer or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the day of the first mailing of a notice of redemption of Bonds hereunder and ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange in whole or in part any Bond so selected for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement of Bonds

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bond 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.

BOND INSURANCE

The Issuer has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy (the "Policy"). The Issuer shall notify the Underwriters upon obtaining a commitment from a bond insurance company (the "Insurer") concerning this matter. The Final Official Statement shall disclose, to the extent necessary, any relevant information relating to this municipal bond insurance policy.

BOND INSURANCE GENERAL RISKS

As described above, the Corporation may purchase a Policy from an Insurer in connection with the issuance of the Bonds. If this occurs, the following general municipal bond insurance policy risk factors will apply.

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Corporation which is recovered by the Corporation from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Corporation (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS – Defaults and Remedies"). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Beneficial Owners. Additionally, the Insurer's consent may be required in connection with amendments to the Resolution. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the Corporation revenues described in "THE BONDS - Security and Source of Payment". In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

The enhanced long-term ratings on the Bonds will be dependent on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Bonds, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. (See the disclosure described in "RATING" herein.)

INVESTMENT CONSIDERATIONS

The Cities' ability to make payments of the Bond Payment portion of the Annual Payments sufficient to pay principal of and interest on the Priority Bonds and the New Series Bonds when due may be affected by certain risks described below and elsewhere in this Official Statement. Such risks should be considered in making a decision to invest in the Bonds.

Several Not Joint Liability

The Cities' pecuniary liability to make the Annual Payments to the Corporation are several and not joint liabilities based upon a 50% / 50% basis as described in the Contract and the Resolution. Accordingly, to the extent that one of the Cities defaults on its proportionate share of the Annual Payments, the Corporation will not have sufficient funds to maintain and operate the System and/or to pay the debt service requirements on the Priority Bonds and the New Series Bonds. The nondefaulting City has no legal obligation to make any payments on behalf of the defaulting City.

Limited Bondholder Remedies

The Resolution provides only limited remedies to Bondholders in the event of default; the Contract provides only limited remedies to the Corporation in the event of either City's default thereunder. Neither the Bonds nor the Annual Payments are subject to acceleration upon default. Although the Bondholders could apply for a writ of mandamus to compel the Corporation to abide by their contractual obligations, or the Corporation could apply for a writ of mandamus to compel the Cities to perform their respective obligations under the Contract, such a remedy is time consuming and may have to be enforced from year to year. No judgment against the Cities or the Corporation may be enforced by execution of a levy against its public purpose property. In addition, the rights and remedies of Bondholders or the Corporation, as applicable, may be limited by applicable federal bankruptcy and receivership laws affecting creditors of political subdivisions. See "THE BONDS – Defaults and Remedies".

Permitting and Regulatory Matters

Gonzales County Well Field

The Corporation holds permits from the Gonzales County Underground Water Conservation District (the "GCUWCD") to produce water from wells located within Gonzales County, and to transport such water outside of the GCUWCD. The Corporation has obtained such permits for each of its twelve existing wells authorizing a total annual production and transportation of 19,362 acre-feet of water. However, all production permits are subject to periodic review and renewal by the GCUWCD, including the permits issued by the GCUWCD to the Corporation. Pursuant to their terms, the Corporation's existing permits are subject to renewal as follows:

<u>GONZALES WELL NO.</u>	<u>PRODUCTION</u>	<u>TRANSPORTATION</u>
One	10/8/2024	8/13/2032
Two	10/8/2024	8/13/2032
Three	10/8/2024	8/13/2032
Four	10/8/2024	8/13/2032
Five	10/8/2024	8/13/2032
Six	10/8/2024	8/13/2032
Seven	10/8/2024	7/13/2034
Eight	10/8/2024	4/14/2034
Nine	10/8/2024	3/16/2040
Ten	10/8/2024	3/16/2040
Eleven	10/8/2024	3/16/2040
Twelve	10/8/2024	3/16/2040

The Corporation believes that State law requires that the production permits, not just the transportation permits, have a term of thirty years; however, as noted in the preceding paragraph (and pursuant to the GCUWCD's current rules), the Corporation's permits are subject to renewal every five years. In considering an application for renewal of a permit, the Corporation may be subjected to the imposition of additional limitations, including limitations on the amount of water that may be transferred under a permit, and conditions that may be difficult or expensive to satisfy. The rules of the GCUWCD also provide that the GCUWCD may revise or revoke a well production permit at any time if the GCUWCD finds that the well is causing unreasonable effects on existing groundwater and surface water resources or existing permit holders. In an effort to reduce the risk of adverse impacts upon existing permit holders, the Corporation has entered into an agreement with the GCUWCD that establishes a "mitigation fund" funded by the Corporation and other persons who hold permits to transport water out of the GCUWCD from which the GCUWCD will mitigate adverse impacts upon wells located in western Gonzales County and used for domestic and irrigation purposes.

The GCUWCD requires the Corporation to show the GCUWCD that the Corporation owns fee simple title, or has leased for groundwater production, tracts of land totaling 19,362 acres. The Corporation has filed the required application to renew its production permits. The Corporation has acquired by purchase or lease tracts totaling approximately 19,422.922 acres.

Guadalupe County Well Field

The Corporation has obtained six operating and production permits from the Guadalupe County Groundwater Water Conservation District (the “GCGCD”) authorizing the drilling of the proposed wells located in Guadalupe County and the conversion of an existing well to serve as a backup well. Based upon the property currently owned and leased by the Corporation and the existing rules of the GCGCD, the Corporation currently has operation and production permits for wells in the Carrizo Aquifer for a total of 4,032.52 acre-feet through September 30, 2023, and Well II in the Wilcox Aquifer has an operation and production permit for 1,290.4 acre-feet per year through January 31, 2025.

Well-fields in Other Groundwater Conservation Districts

In addition, to the extent that the Corporation expands its operations to include the acquisition of water rights and the development of wells in other jurisdictions, the Corporation will be subject to the applicable regulatory and permitting procedures of such other jurisdictions. See “PROJECT DESCRIPTION” and “OTHER INFORMATION - Litigation - The Corporation.”

THE CORPORATION

The Corporation is governed by the Board composed of five members who are appointed by the City Councils of the Cities and two ex-officio members. The Corporation was formed on December 23, 1998. The Corporation’s Articles of Incorporation provide, among other things, that the purposes for which the Corporation is organized are:

1. to aid, assist, and act on behalf of the Cities in acquiring, constructing, leasing, improving, enlarging, extending, repairing, maintaining and operating a water utility system (the “Project”) pursuant to the provisions of Tex. Loc. Government Code § 552.001 *et seq.* (“Chapter 552”) (previously codified as Chapter 402, Texas Local Government Code) and other applicable laws of the State;
2. to aid, assist and act on behalf of the Cities in accomplishing a governmental purpose of Schertz and Seguin in the provision of water for public use;
3. to engage in activities permitted under the laws of the State, including, but not limited to, Chapter 552 and to own and operate all property, real, personal, or mixed, and conduct such activities as are now or hereafter permitted under the laws of the State, including, but not limited to, Chapter 552 and as are convenient or necessary to the ownership, maintenance, and operation of the Project;
4. to receive, hold, administer, and disburse any money, securities, or other property which may be transferred to Corporation by gift, devise, bequest, or otherwise, for any of the uses or purposes set forth above, and to invest, lend, conserve, use, and disburse such money, securities, or other property, and the income derived therefrom, for the uses and purposes herein specified, in accordance with the judgment and discretion of the board of directors;
5. to purchase, exchange, contract for, lease, rent, and in any and all other ways acquire, take, own, improve, and hold, and to sell, convey, mortgage, lease, rent to others, or otherwise dispose of real estate, improvements in real estate, interests in real estate, and personal property of every kind, character, and description;
6. to borrow money or raise money and to issue notes, bills, bonds and other obligations and to mortgage, pledge, hypothecate, or otherwise encumber any and all of the revenues and assets of the Corporation as security therefor for the purpose of carrying out the goals of the Corporation; and
7. to do any and all things necessary or convenient to the accomplishment of any of the purposes or for the exercise of any of the powers herein set forth, whether herein specified or not, either alone or in connection with other firms, individuals, or corporations, whether in the State or throughout the United States, and elsewhere.

SELECTED PROVISIONS OF THE CONTRACT

Selected provisions of the Contract are reproduced below. This reproduction is not a complete recital of the terms and provisions of the Contract and reference is made to the Contract in its entirety.

Selected Definitions and Interpretations

The following terms shall have the meanings assigned to them below wherever they are used in the Contract, unless the context clearly requires otherwise:

“Annual Payments” means the amount of money, constituting the Bond Payment, Operation and Maintenance Expenses, and Overhead Expenses, to be paid to the Corporation by each City, on a several and not a joint basis, as described in the Contract, from the revenues of the Cities’ Systems as an operating and maintenance expense of the Cities’ Systems (or any other lawfully available revenues of the Cities), at the times and in the amounts required by Sections 3.05 and 5.02 of the Contract.

“Bond Payment” means the amount of money to be paid to the Corporation by the Cities from the revenues of the Cities’ Systems as an operating and maintenance expense of the Cities’ Systems at the times and in the amounts required by Sections 3.05 and 5.02 of the Contract.

“Bond Resolution” means any resolution and/or trust indenture of the Corporation, authorizing the issuance of and securing the Bonds and all amendments and supplements thereto and including the Approval Certificate, if any, authorized by such resolution to establish certain of the terms of the Bonds authorized by such resolution.

“Bonds” means all bonds, notes, or other obligations hereafter issued by the Corporation, whether in one or more series or issues, to pay the cost of the Project (including any bonds or notes issued to complete the Project) or to refund any Bonds or to refund any such refunding Bonds.

“Cities’ Systems” means and includes each of the City’s existing combined waterworks and wastewater disposal system and any electric power and or natural gas system, together with all future extensions, improvements, enlargements, and additions thereto, including, to the extent permitted by law, storm sewer and drainage and/or reclaimed water systems within the waterworks or wastewater disposal system, and all replacements thereof, provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Cities’ Systems shall not include any waterworks, wastewater, electric power, or natural gas facilities which are declared by the Cities not to be a part of the Cities’ Systems and which are hereafter acquired or constructed by the Cities with the proceeds from the issuance of “Special Facilities Bonds”, which are hereby defined as being special revenue obligations of the Cities which are not secured by or payable from the net revenues of the Cities’ Systems, but which are secured by and are payable solely from special contract revenues, or payments received from the Cities or any other legal entity, or any combination thereof, in connection with such facilities; and such revenues or payments shall not be considered as or constitute gross revenues of the Cities’ Systems, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such “Special Facilities Bonds”.

“Cities Utility Bonds” means the appropriate City’s bonds and notes outstanding from time to time secured by a lien on and pledge of the net revenues of the Cities’ Systems or any part thereof, regardless of lien priority.

“Code” means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

“Credit Agreement” means any bond insurance policy or other credit agreement, as defined in and authorized by the provisions of Chapter 1371, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Article 717q, as amended), which the Corporation enters into relating to its obligations with respect to the Bonds.

“Facilities” means the facilities, lines, booster pumps, and other appurtenances sufficient to deliver the water to which the Cities are entitled under the Contract and any improvements, additions, or extensions to such Facilities hereafter acquired or constructed to deliver water between such places.

“Land Interests” means the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the Facilities and the Water Rights for the Project.

“Operation and Maintenance Expenses” means all direct costs and expenses incurred by the Corporation for its operation and maintenance, including but not limited to, the operation and maintenance of the Project, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under any contract with any person, including, but not limited to any federal, state, or local agency for the right to produce and use groundwater or other sources of water, any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the Corporation’s production of groundwater or sale of treated water hereunder, the costs of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the Project, Overhead Expenses, and costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the Project. The term “Operation and Maintenance Expenses” does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than the Contract.

“Overhead Expenses” means the Corporation’s reasonable and necessary costs and expenses incurred at any time directly related to the issuance and servicing of the Bonds, the acquisition of Land Interests required for the Project, the design, permitting, financing, acquisition, construction, and ownership of the Project and any other activities required of or involving the Corporation in connection with or attributable to the Project or the Bonds, including, but not limited to: (a) per diem and reimbursable expenses incurred by the Directors of the Corporation for special meetings of the Corporation’s Board of Directors related to the Project; (b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Corporation, other than Corporation staff personnel, together with their reimbursable expenses paid or required to be paid by the Corporation; (c) salaries of the Corporation’s staff attributable to the Project or the Bonds based on time expended, as documented or reasonably estimated by the President, Board of Directors of the Corporation; (d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Project or the Bonds from the regulatory authorities having jurisdiction; (e) the cost of property casualty and public liability insurance incurred prior to the Completion Date; including any insurance deductible charged to or required to be paid by the Corporation; provided that if the Corporation is unable to obtain such insurance on an occurrence basis, then any expense incurred by the Corporation from and after the Completion Date for casualty and public liability insurance, including any insurance deductible, shall be paid by the Cities; (f) all costs incurred in litigation involving or relating to the Project; and (g) any and all other costs and expenses, including out-of-pocket expenses,

incurred by the Corporation attributable to the Project or the Bonds, whether enumerated above or not, and whether or not included in the definition or as a part of Project Costs.

“Project Costs” means and includes, without limitation, the following costs incurred for the Project by or on behalf of the Corporation or the Cities: (a) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies; (b) the cost of acquisition, construction, repair, replacement, or improvement of the Facilities, and any structure, item of equipment, or other item, used for, or in connection with, the Project; (c) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the Project; (d) the cost of engineering, legal, architectural or other related services; (e) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the Project; (f) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the Project in operation; (g) finance charges and interest before, during, and after construction as permitted by the laws of the State; (h) costs incurred in connection with financing the project, including, without limitation: (1) financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements; (2) the cost of printing, engraving, and reproduction services; and (3) the cost of a trustee’s or paying agent’s initial or acceptance fee and subsequent fees; (i) all costs, fees and expenses of litigation of all kinds; (j) the cost of property casualty and public liability insurance; (k) the fees and costs of the underwriters as the anticipated purchasers of the Bonds; (l) reimbursement of the costs previously incurred by the Cities with respect to the Project; and (m) other costs generally recognized as a part of Project construction costs.

“State” means the State of Texas.

“Trustee” means any trustee named under a trust indenture or the paying agent/registrant named in a paying agent/registrant agreement entered into by the Corporation securing the payment of the Bonds and authorized by a Bond Resolution.

“TWDB” means the Texas Water Development Board or any successor entity thereto.

“Water Rights” means the right to drill and operate wells, produce groundwater, and transport the groundwater from the county where the groundwater is produced into Guadalupe County and the surrounding counties.

Acquisition and Construction of the Project

The initial phase of the Project was completed and operational on February 20, 2003. The initial phase of the Project was subsequently expanded by the addition of water wells and related improvements, and acquisition of land and water leases for such wells with contributions in aid of construction from the City of Selma and City of Universal City in accordance with the water supply contracts between the Corporation and these two cities.

Quantity. The Cities’ proportionate share of the treated groundwater produced by the Project is as follows: Schertz 50%; Seguin 50%.

Other Contracts. The Corporation shall not enter into contracts with other persons for the supply of water without the prior consent of the Cities and either City may withhold its consent. The Cities may not resell water to third party wholesalers (except to such customers that exist on November 1, 1999 and not for resale by these customers) that they purchase from the Corporation without obtaining the written consent of the Corporation and the other City. The Corporation has, with the consent of both Cities, entered into wholesale water contracts with the City of Selma, the City of Universal City, the San Antonio Water System (“SAWS”), and the Springs Hill Water Supply Corporation.

Financing of the Project

Issuance of Bonds.

- (a) The Corporation’s acquisition and construction of the Project and improvements to the Project were initially financed by the Corporation through the issuance of the Priority Bonds payable from and secured, in part, by an assignment of the Annual Payments made under the Contract. In consideration of the covenants and agreements set forth in the Contract, and to enable the Corporation to issue its bonds (“Corporation Bonds”) to carry out the intents and purposes hereof, the Contract is executed to assure the issuance of the Corporation Bonds and to provide for and guarantee the due and punctual payment by the Cities to the Corporation, or to the Trustee under the trust indenture (or paying agent/registrant agreement) securing the Corporation Bonds, of amounts not less than the Annual Payments. Each of the Cities hereby agrees to make, or cause to be made, its proportionate share of each Annual Payment, as and when due, for the benefit of the owners of the Corporation Bonds, as provided in the Corporation Bonds and the Bond Resolution. The proportionate share of each Annual Payment shall be determined on a several and not a joint basis, as follows: Schertz 50% and Seguin 50%.
- (b) The proceeds from the sale of the Priority Bonds were used for the payment of the Project Costs.
- (c) (1) Each Bond Resolution of the Corporation shall specify the maximum principal amount of the Corporation Bonds to be issued thereunder. The Corporation Bonds shall mature not more than forty (40) years from the

date of such Corporation Bonds and shall bear interest at not to exceed the maximum legal rate then permitted by law, and the Bond Resolution may create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and any other funds deemed prudent by the Corporation, all in the manner and amounts as provided in such Bond Resolution.

(2) Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Corporation's Board of Directors or the execution of an Approval Certificate by the Corporation, a substantially final copy of the proposed Bond Resolution, the Approval Certificate, if any, and the Sale and Offering Documents shall be presented to the Cities for review and approval.

(3) Upon approval by each of the Cities of (i) each Bond Resolution hereafter adopted by the Corporation, (ii) any amendments to any Bond Resolution, (iii) an Approval Certificate authorized by a Bond Resolution, and (iv) the Sale and Offering Documents and the delivery to the Corporation of a certification signed by the Authorized Representative of each of the Cities to the effect that the Bond Resolution, including any Approval Certificate, and the Sale and Offering Documents comply with the Contract, then upon the adoption and approval of the Bond Resolution and the Approval Certificate, if any, in such final form by the Corporation's Board of Directors or Authorized Representative, as the case may be, and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Cities and deemed to be in compliance with the Contract in all respects, and the Corporation Bonds issued thereunder will constitute Bonds as defined in the Contract for all purposes. Any owner of Corporation Bonds is entitled to rely fully and unconditionally on any such approval.

(4) All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Cities, shall, upon the delivery of the Corporation Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Cities so long as the Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in the Contract and the Bond Resolution. Particularly, the obligation of each of the Cities to make, promptly when due, all Annual Payments specified in the Contract shall be absolute and unconditional, and said obligation may be enforced as provided in the Contract. In addition, subject to the approval of the Cities, the Corporation may enter into Credit Agreements for the purpose of achieving the lowest financing costs for the Project.

Proceeds of Corporation Bonds. Subject to the terms and provisions of the Contract, the proceeds of the Corporation Bonds shall be used by the Corporation for the purpose of financing and funding the Corporation's acquisition and construction of the Project and improvements to the Project. The Corporation shall use its best efforts to issue its Corporation Bonds, in one or more series, in amounts which will be sufficient to accomplish such purpose. A trust indenture may be entered into between the Corporation and a corporate trustee for the purpose of securing the payment of the Bonds. The trust indenture or the Bond Resolution, as appropriate, will establish procedures for the payment of Project Costs out of the construction fund. It is anticipated that the Bonds will be issued pursuant to the Bond Resolution and that a paying agent/registrars agreement will be executed between the Corporation and the Trustee concerning the payment procedures with respect to the Bonds.

Refunding of Bonds. The Corporation reserves the right to issue refunding bonds in accordance with the laws of the State.

Redemption of Bonds. The Corporation, in its sole discretion or upon the written request of the Cities (and provided that the affected Corporation Bonds are subject to redemption or prepayment prior to maturity at the option of the Corporation, and provided that such request is received in sufficient time prior to the date upon which such redemption or prepayment is proposed), forthwith shall take or cause to be taken all action that may be necessary under the applicable redemption provisions of the Corporation Bonds to redeem the Corporation Bonds or any part thereof, to the full extent of funds are either made available for such purpose by the Cities or already on deposit under the Bond Resolution and available for such purpose. The redemption of any outstanding Bonds prior to maturity at any time shall not relieve the Cities of their absolute and unconditional obligation to pay each remaining Annual Payment with respect to any outstanding Corporation Bonds, as specified in the Bond Resolution.

Debt Service on Bonds and Other Bond Funding Requirements. It is acknowledged and agreed that payments to be made under the Contract will be the primary source available to the Corporation to provide the money necessary for the Corporation to meet its obligations with respect to the Corporation Bonds and any Credit Agreements. Each City therefore agrees to pay its proportionate share of all Bond Payments, as outlined in subsections (a) through (c) below, in full when due as provided in the Contract. Bond Payments shall be due by the close of business on the business day prior to each date on which any of the following payments or deposits shall be due and shall be in an amount equal to all such payments and deposits due on such date:

(a) debt service on the Corporation Bonds and related payments and deposits, as follows:

(1) principal of, redemption premium, if any, and interest on, the Corporation Bonds, less interest to be paid out of Corporation Bond proceeds or from other sources if permitted by any Bond Resolution, and the redemption price of any Bonds to be redeemed prior to maturity when and as provided in any Bond Resolution plus the fees, expenses, and, to the extent permitted by law, indemnities of the Trustee, if any, for the Corporation Bonds and those of the paying agent/registrars for paying the principal of and interest on the Corporation Bonds and for authenticating, registering, and transferring Corporation Bonds on the registration books; and

- (2) deposits required to be made to any special, contingency, or reserve fund by the provisions of any Bond Resolution; and
 - (3) any deposit in addition thereto required to restore any deficiency in any of such funds by the provisions of any Bond Resolution,
- (b) amounts payable by the Corporation under a Credit Agreement; and
- (c) the fees, expenses, and indemnities (to the extent permitted by law) of the remarketing agent, rate setting agent, authentication agent, arbitrage rebate compliance firm, and tender agent, if any, for the Corporation Bonds.

Billing. The Corporation will render bills to the Cities not more than once each month for the current payments required by the Contract. The Corporation shall, until further notice, render such bills on or before the 5th day of each month and such bills, commencing on April 5, 2000, shall be due and payable on the 15th day of each month or ten (10) days after such bill is deposited into the United States mail, properly stamped and addressed to the Cities whichever is later and thereafter, to the extent permitted by law, interest shall accrue thereon at the rate of ten per cent (10%) per annum until paid in full. The Corporation may, however, from time to time by sixty (60) days' written notice change the date by which it shall render bills, and all bills shall thereafter be due and payable ten (10) days after such dates as herein provided. The Cities shall make all payments in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall make payment to the Corporation at its office in Guadalupe County, Texas or at such other place as the Corporation may from time to time designate by sixty (60) days' written notice.

Delinquency in Payment. If either of the Cities fails to pay any bills when due and payable, the Corporation may give written notice of such delinquency to the City and if all bills due and unpaid, including interest thereon, are not paid within forty-five (45) days after delivery of such notice, then the City agrees that the Corporation shall be authorized, as its option, to institute suit for collection thereof and to collect any amounts due and unpaid, together with interest thereon and reasonable attorneys' fees, and the City further agrees that the Corporation may, as its option discontinue providing water to the City until all amounts due and unpaid are paid in full with interest as herein specified. Any such discontinuation of service shall not, however, relieve the City of its unconditional obligations to make the payments required by the Contract. It is also hereby expressly recognized that the nondefaulting City shall have no obligation to make any payments for the benefit of the defaulting City.

Corporation's Rights Assigned to Trustee. The Cities are advised and recognize that as security for the payment of the Bonds, the Corporation may assign to the Trustee, pursuant to one or more trust indentures (or paying agent/registrars agreements) to be authorized by the Bond Resolution, the Corporation's rights under the Contract, including the right to receive the Annual Payments hereunder (but not the right to receive indemnification payments, if any, pursuant to the Contract). The Cities herewith assent to such assignment and will make the Annual Payments directly to the Trustee without defense or set-off by reason of any dispute between one or both of the Cities and the Corporation or the Trustee. All rights against the Cities arising under the Contract or the Bond Resolution and assigned to the Trustee may be enforced by the Trustee, or the owners of the Corporation Bonds, to the extent provided in the Bond Resolution, and the Trustee, or the owners of the Corporation Bonds, shall be entitled to bring any suit, action, or proceeding against the Cities, to the extent provided in the Bond Resolution, for the enforcement of the Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Corporation a party thereto.

Tax-Exempt Bonds. The parties hereto understand and agree that the Corporation will use its best efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for the Corporation Bonds to be issued for the Project. In connection therewith, the parties intend that the Corporation will issue Corporation Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The parties hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, the parties agree and covenant that if the Corporation Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the parties, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Corporation Bonds as obligations described in section 103 of the Code. Should any party fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations described in the Code, such defaulting party shall be liable for all costs resulting from the loss of the tax-exempt status of the Corporation Bonds. The parties hereby agree and covenant to comply with all of the representations and covenants relating to such exemption which are set out in any Bond Resolution. The parties further agree and covenant that in the event the Corporation Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the parties may rely on the respective opinion of any firm of nationally-recognized bond attorneys selected by them. In the event that a conflict arises in the opinions of the respective firms of each of the parties, the parties will identify a different firm, that is mutually acceptable to all parties, in order to resolve the conflict of opinion.

Payment to Rebate Fund. In the event that tax-exempt Corporation Bonds are issued as provided in the preceding paragraph, the Corporation hereby covenants and agrees to make the determinations and to pay any deficiency into a rebate fund, at the times and as described in the Bond Resolution to comply with the provisions of section 148(f)(2) of the Code. In any event, if the amount of cash held in the rebate fund shall be insufficient to permit the Trustee to make payment to the United States of America of any amount due on any date under section 148(f)(2) of the Code, each of the Cities forthwith shall pay the amount of such insufficiency on such date to the Trustee in immediately available funds for such purpose. The obligations of the Cities under this Section are direct obligations of each City, acting under the authorization of, and on behalf of, the Corporation and the Corporation shall have no further obligation or duty with respect to the rebate fund.

Cities' Obligations. In the event the Project is not completed for any of the reasons contemplated herein or otherwise, or any proceeds from issuance of the Corporation Bonds are not used for completion of the Project for any reason, any Corporation Bonds proceeds and earnings thereon not used for completion of the Project shall be utilized to satisfy amounts due and owing on the Corporation Bonds as described in the Bond Resolution, and herein, so as to reduce the Annual Payments which would otherwise be due hereunder, or be applied for the benefit of the Cities as provided in the Bond Resolution. The Cities have covenanted absolutely and unconditionally, in accordance with all other terms of the Contract, to make the Annual Payments, as provided herein, in consideration for such application of the money as well as the other covenants and obligations of the Corporation and others set forth or contemplated herein.

Interest on Money. All legally available money respecting the Corporation Bonds shall be invested in the manner set forth in the Bond Resolution. Any interest earnings on the Corporation Bond proceeds may be used to pay principal of and interest on the Corporation Bonds or for the payment of any Project Costs or other costs related to the Project approved by the Cities, subject to restrictions relating to the tax-exempt status of Corporation Bonds.

Right of Cities to Prepay. The Cities shall have the right at any time to prepay all or any portion of the Annual Payments. Subject to restrictions relating to the tax-exempt status of Bonds, such prepaid Annual Payments shall be used and invested by the Corporation as directed by the City which paid (i) as a credit against future Annual Payment obligations of such City, (ii) to redeem Bonds pursuant to the provisions of the Contract, or (iii) to provide for the defeasance of the Bonds pursuant to the provisions of the Bond Resolution. Any such prepayment will not cause a termination of the Contract until all other amounts owed or to be incurred by the Corporation or any other person under the provisions of the Bond Resolution have been paid in full or waived by such person.

Annual Payments, City Covenants

Annual Payments by the Cities.

(a) Each of the Cities hereby agrees that it will make payments of its proportionate share of the Annual Payments to the Corporation, or to the Trustee on behalf of the Corporation, as provided in the Bond Resolution in accordance with the procedures established in the Contract. If a City at any time disputes the amount to be paid by it to the Corporation, such City shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by such City should have been less, or more, the Corporation shall promptly revise the charges for such City in such manner that a City will recover its overpayment or the Corporation will recover the amount due it. The Corporation shall pursue all legal remedies against the Cities to enforce and protect the rights of the Corporation and the owners of the Bonds, and the Cities shall not be relieved of the liability to the Corporation for the payment of all amounts which are due by them hereunder.

(b) Except to the extent otherwise provided by the Resolution, all amounts due under the Contract shall be paid and are due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Corporation are located.

(c) The Corporation shall redetermine the estimate and schedule of Annual Payments due in any Fiscal Year at any time during such Fiscal Year, as and to the extent deemed necessary or advisable by the Corporation to accurately forecast the amount and date of Annual Payments to be made by the Cities, if (i) the Corporation issues Corporation Bonds to complete the Project or to refund any Bonds or enters into, amends, or terminates a Credit Agreement, (ii) actual interest rates on any variable interest rate Corporation Bonds differ from those projected by the Corporation, or (iii) any other event occurs which results in an increase or decrease in the Annual Payments required to be made by the Cities in such Fiscal Year.

(d) If, during any Fiscal Year, the Annual Payment is redetermined in any manner as provided or required in this Section, the Corporation will promptly furnish the Cities with an updated schedule of payments reflecting such redetermination.

(e) Notwithstanding anything herein to the contrary, no failure of the Corporation to estimate, and no mistake by the Corporation in any estimate of, the amount of or schedule for Annual Payments due from the Cities in any Fiscal Year shall relieve the Cities from (or defer) their absolute and unconditional obligation to make all Annual Payments in full when due.

Source of Payment.

(a) Each of the Cities represents and covenants that all payments to be made by them under the Contract shall constitute reasonable and necessary "operating expenses", as defined in Chapter 1502, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Article 1113, as amended), of the Cities' Systems, but only to the extent of the Annual Payment, and the Cities shall not be obligated to make the payments under the Contract from any source other than the gross revenues of the Cities' Systems. Each of the Cities further represents that the Governing Bodies of the Cities have determined that the services to be provided by the Project are absolutely necessary and essential to provide the water to the Cities.

(b) Each of the Cities agrees throughout the term of the Contract to fix and collect such rates and charges for services to be supplied by the Cities' Systems as will produce gross revenues at all times during the term of the Contract in an amount at least equal to (i) all of the expenses of operation and maintenance of the Cities' Systems, including specifically their payments under the Contract and (ii) all other amounts as required by law and the provisions of the ordinances or resolutions

authorizing the Cities Utility Bonds or other obligations now or hereafter outstanding payable, in whole or in part, from the net revenues of the Cities' Systems, including the amounts required to pay all principal of and interest on such Cities Utility Bonds and other obligations.

(c) No ad valorem tax revenues of either of the Cities shall be pledged to the payment of any amounts to be paid by the Cities to the Corporation under the Contract, nor shall the Corporation have the right to demand payment of any amounts to be paid by the Cities under the Contract be paid from funds raised or to be raised from ad valorem taxation from the Cities and the obligations under the Contract shall never be construed to be a debt or pecuniary obligation of the Cities of such kind as to require the Cities to levy and collect an ad valorem tax to discharge their obligations.

Corporation's Operation and Maintenance Expenses and Overhead Expenses. To the extent not paid out of the proceeds of the Bonds, or otherwise, the Cities shall pay and reimburse the Corporation for all of its proportionate share of Operation and Maintenance Expenses and Overhead Expenses incurred by it throughout the term of the Contract within thirty (30) days of receipt of documentation therefor from the Corporation. The Cities also agree, with the consent of the Corporation, to enter into an interlocal agreement to provide for, among other matters, an annual adjustment of the Operation and Maintenance Expenses and Overhead Expenses paid by each City based upon certain formulas and taking into account the quantity of water actually utilized by each City.

Annual Budgeting by the Cities. The Cities shall make provision in each of their annual budget and shall appropriate an amount sufficient, at a minimum, for the payment of all amounts required to be paid by the Cities under the Contract.

Revenue Sources Pledged. Each of the Cities hereby pledge the gross revenues of the Cities' Systems to the payment of their obligations under the Contract and recognize that the Corporation will, and authorize the Corporation to, pledge the Annual Payments owing to it by the Cities under the Contract to the payment of the Corporation Bonds and Credit Agreements. The Corporation agrees to make the payments for the Corporation Bonds and Credit Agreements when and as required by the Bond Resolution, the Credit Agreements, and the Contract, from and to the extent of proceeds of the Corporation Bonds not expended for the Project and Annual Payments made by the Cities.

General Provisions

Force Majeure. If by reason of Force Majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under the Contract, other than the obligation of the Cities to make the payments required under Sections 3.05, and 5.02 of the Contract, then if such party shall give notice and full particulars of such Force Majeure in writing to the other party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, blue northers, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, inability on the part of the Corporation to deliver water for any reason, or on account of any other causes not reasonably within the control of the party claiming such inability.

Unconditional Obligation to Make Payment. Recognizing the fact that the Cities urgently require the facilities and services of the Project, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the Annual Payments to be received from each of the Cities will be the primary source of funds available to the Corporation and the Trustee to pay the Corporation Bonds, and recognizing the fact that purchasers of Bonds will rely on the obligation of the Cities to make Annual Payments in accordance with the provisions of the Contract, each of the Cities hereby waives all rights of set-off, recoupment, counterclaim, suspension, deferment, reduction, and amendment, with respect to making the Annual Payments against the Corporation, the Trustee, and any other direct or indirect recipients of Annual Payments, and the Cities agree that, if the Corporation Bonds are issued, they shall be unconditionally obligated to pay the Annual Payments as provided and determined by the Contract, regardless of whether or not the Corporation actually acquires, constructs, or completes the Project or breaches any obligation on its part hereunder, and whether or not the Cities actually use the Project, whether due to

Force Majeure or any other reason whatsoever, regardless of any other provisions of the Contract, any other contract or agreement between any of the parties hereto. This covenant by each of the Cities shall be for the benefit of and enforceable by the owners of the Corporation Bonds and/or by the Corporation.

By entering into the Contract and performing its obligations under any Section of the Contract, the Cities do not release any persons from or waive any claims against such persons that the Cities may have resulting from actions by such persons contrary to that person's legal obligations.

Term of Contract. The Contract shall be effective from and after its date, and the Contract shall continue in force and effect until the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution and thereafter continue in force and effect during the entire useful life of the Project. When the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Corporation Bonds has been made in accordance with the terms of the Bond Resolution and all amounts owed to the Corporation, the Trustee, or any other person hereunder have been paid, all money held by the Trustee or the Corporation pursuant to the terms

of the Bond Resolution shall be paid to the Corporation. Upon the termination of the Contract, the Corporation will charge each of the Cities a per gallonage charge (or other published rate) for water delivered to the Cities in accordance with the Corporation's then existing rate schedule.

Modification. No change, amendment, or modification of the Contract shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by the Cities under the terms of the Contract and no such change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

Remedies Upon Default. It is not intended hereby to specify (and the Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by either party hereto and shall be cumulative. Recognizing that failure in the performance of the Cities' obligations hereunder could not be adequately compensated in money damages alone, each of the Cities agrees in the event of any default on its part that the Corporation and the owners of the Bonds as third-party beneficiaries shall have available to them the remedies of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to them. Notwithstanding anything to the contrary contained in the Contract, any right or remedy or any default hereunder, except the right of the Corporation to receive the Annual Payments and the provision of Section 3.09 hereof, which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of the performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character or description, under any circumstances.

Succession and Assignment. This Contract is binding on and inures to the benefit of the parties hereto and their respective successors, representatives, and assigns. This Contract may not be assigned by either party hereto without (i) complying with any provisions relating to the right of the parties to assign the Contract contained in the Bond Resolution and (ii) prior written notice to and approval by the other party, which consent may be withheld without cause. The provisions of this Section do not affect the assignment of the Corporation's rights under the Contract to the Trustee.

Independent Contractor. As among the parties, the Corporation shall be solely responsible for the operation of the Project to produce and treat groundwater and to transport water to the Cities pursuant to the Contract (except to the extent the Corporation and the Cities enter into agreements for the Cities to operate parts of the Project); and the Corporation shall be an independent contractor in the operation of the Project.

PROJECT DESCRIPTION

The Corporation was created by the Cities to develop and operate a wholesale water supply system for the benefit and well-being of the City of Seguin, Texas ("Seguin") and the City of Schertz, Texas ("Schertz"), which are the two major population centers in Guadalupe County, Texas. The Corporation financed the construction of wellfields, water treatment facilities, and cross-country pipelines with bonds that are secured by contracts with the Cities. (See "THE BONDS - Security and Source of Payment.")

Construction of the cross-country pipelines, treatment facilities, pumping stations, water storage and gathering lines from the well-field is complete and water is being supplied to the Cities according to plan without exceeding the Project budget and without construction delays. The Corporation holds sufficient acreage in Gonzales County to support the existing water production levels under local and state regulations and, subject to periodic review and renewal (as described herein), pursuant to permits obtained by the Corporation. Additional acreage has been acquired since the completion of construction to support expansion in the well-field.

Initially, six wells were drilled and completed in Gonzales County to produce the 9,700 acre-feet of water per year at a maximum instantaneous rate of 10.4 million gallons per day. This production capacity was designed for the current needs of the Cities. After completion of the construction and with the written consent of the Cities, the Corporation contracted to sell water to the City of Selma, the City of Universal City, and Springs Hill Water Supply Corporation in 2004. The Corporation obtained the necessary permits and drilled two additional wells in Gonzales County to enable the Corporation to supply the new customers and maintain safe operational abilities. With the addition of the two new wells, the Corporation increased the permitted production to 12,910 acre-feet of water per year. In 2010 the Corporation completed the addition of four wells and, with the written consent of the Cities, contracted to sell water to SAWS. An expansion of the Corporation's treatment, storage and transmission system, was completed in 2012, as part of the contract with SAWS. The Corporation is currently operating twelve wells, a water treatment plant and transmission facilities with administrative and operations personnel provided by the City of Seguin and the City of Schertz on a contractual basis.

The Corporation holds permits issued by the GCUWCD to produce water from twelve wells up to an annual combined total of 19,362 acre feet and to export the water outside of Gonzales County. The existing permits issued by the GCUWCD specify renewal dates for the existing permits in October 2024, but Texas law appears to require the GCUWCD to issue its transportation permits for thirty years.

The Corporation is delivering water to the Cities at a rate that is very competitive when compared to other wholesale water rates in the area, and increases in production are expected to continue over time as demand warrants.

The Corporation has revised its rate structure to authorize impact fees. The Corporation followed the procedure mandated by Texas law to adopt impact fees. The purpose of this fee is to obtain customer contributions toward construction of capital projects and to provide additional funds to be used to pay debt service on the Corporation Bonds.

The Corporation currently has the following projects underway: (1) the South Schertz Delivery Point, an 18" Water Transmission pipeline and new delivery point to serve the south Schertz area, the project anticipated to be completed in early 2022; (2) a 36" Parallel Pipeline Project; (3) the Guadalupe Water Treatment Plant; (4) the Guadalupe wellfield development; (5) the Guadalupe Well Roads and Pipelines construction; and (6) the Seguin Emergency Connection project. For certain of the aforementioned projects, the City of Schertz shall be primarily responsible for timely payment of 100% of the debt service payments related to Corporation's Contract Revenue Bonds, New Series 2016 (the "New Series 2016 Bonds") until projects are producing water for entities other than the City of Schertz. The City of Seguin shall not be initially liable for payment of any portion of the debt service payments on the New Series 2016 Bonds unless there is a default by the City of Schertz under a cost allocation agreement by and between the Cities (the "Cost Allocation Agreement"). In the event of a default of the Cost Allocation Agreement by the City of Schertz, the City of Seguin's obligation is limited to 50% of the debt service payments for the New Series 2016 Bonds. The City of Schertz shall then reimburse the City of Seguin for such payments. Additionally, both Cities shall have continuous rights to 50% of the capacity of the Guadalupe well field. If the City of Seguin determines that it needs to take water from the Guadalupe well field between year 1 and 15 of water production (production start date estimated May 2023), the City of Seguin shall be responsible for repaying to SSLGC one half of the well field debt service paid by the City of Schertz. If the City of Seguin determines it needs to take water from the Guadalupe well field after year 15 of water production, the City of Seguin shall pay the proportion of the remaining debt as a function of the overall water rate for the water they consume.

INVESTMENTS

The Corporation is a nonprofit local government corporation acting on behalf of the Cities and is subject to the provisions of Chapter 2256, as amended, Texas Government Code (the Public Funds Investment Act). The Corporation invests its investable funds in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the Board. Both State law and the Corporation's investment policies are subject to change.

Legal Investments

Under State law and subject to certain limitations, the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation is not required to liquidate the investment unless it no longer carries a required rating, in which case the Corporation is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the Corporation is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The Corporation is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the Corporation's investments 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." The Corporation is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments*

As of September 30, 2021, the following percentages of the Corporation's investable funds were invested as indicated below:

<u>Category of Investments</u>	<u>Amount</u>	<u>Percentage</u>	<u>Term of Investments</u>
Depository Bank	\$ 4,048,707	4.93%	Daily Liquidity
Money Market Funds	19,749,073	24.07%	Daily Liquidity
Investment Pools	<u>58,260,175</u>	<u>71.00%</u>	Daily Liquidity
	\$82,057,955	100.00%	

* *Unaudited.*

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

FEDERAL INCOME TAX TREATMENT OF THE BONDS

General

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the Bonds. The discussion is based upon the Code, United States Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive affect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Bonds in light of the investor's particular personal investment circumstances (for example, persons subject to alternative minimum tax) or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, persons who have hedged the risk of owning the Bonds, traders in securities that elect to use a mark-to-market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass-through entities, certain hybrid entities and owners of interests therein, persons who acquire Bonds in connection with the performance of services, or persons deemed to sell Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of State, local, or foreign law or United States federal tax laws other than United States federal income tax law. The summary is therefore limited to certain issues relating to initial investors who will hold the Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such Bonds for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to beneficial owners of the Bonds who are United States persons within the meaning of Section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequences to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.

Payments and Reporting of Stated Interest on the Bonds

The stated interest paid on the Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to United States federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof as ordinary income for federal income tax purposes. Subject to certain exceptions, the stated interest on the Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099 which will reflect the name, address, and taxpayer identification number ("TIN") of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Bond for federal income tax purposes.

Original Issue Discount

If the first price at which a substantial amount of the Bonds of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their stated redemption price at maturity (increased in certain cases by interest accrued and not paid for more than one year) by more than one quarter of one percent times the number of complete years to maturity, the Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Bonds at maturity over its Issue Price, and the amount of the original issue discount on the Bonds will be amortized over the life of the Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the Bonds will increase the adjusted tax basis of the Bonds in the hands of such beneficial owner.

Premium

If a beneficial owner purchases a Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the Bond with "amortizable Bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the Bond and may offset interest otherwise required to be included in respect of the Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Bond. However, if the Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some Bond premium until later in the term of the Bond. Any election to amortize Bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Defeasance

Persons considering the purchase of a Bond should be aware that a defeasance of a Bond by the City could result in the realization of gain or loss by the beneficial owner of the Bond for federal income tax purposes, without any corresponding receipts of monies by the beneficial owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange. Beneficial owners are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Medicare Contribution Tax

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8 percent of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the Bonds as well as gain on the sale of a Bond.

Disposition of Bonds and Market Discount

A beneficial owner of Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Bonds. Generally, the beneficial owner's adjusted tax basis in the Bonds will be the beneficial owner's initial cost, increased by the original issue discount previously included in the beneficial owner's income to the date of disposition and decreased by any amortized per bond premium. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Bonds.

Under current law, a purchaser of Bonds who did not purchase the Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of Bonds could have a material effect on the market value of the Bonds.

Backup Withholding

Under section 3406 of the Code, a beneficial owner of the Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to “backup withholding” on payments of current or accrued interest on the Bonds. This withholding applies if such beneficial owner of Bonds: (i) fails to furnish the payor such beneficial owner’s social security number or other taxpayer identification number (“TIN”); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other “reportable payments” as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding. To establish status as an exempt person, a beneficial owner will generally be required to provide certification on IRS Form W-9 (or substitute or replacement form). Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Bonds. **BENEFICIAL OWNERS OF THE Bonds SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THEIR QUALIFICATION FOR EXEMPTION FROM BACKUP WITHHOLDING AND THE PROCEDURES FOR OBTAINING SUCH EXEMPTION. THE BACKUP WITHHOLDING TAX IS NOT AN ADDITIONAL TAX AND TAXPAYERS MAY USE AMOUNTS WITHHELD AS A CREDIT AGAINST THEIR FEDERAL INCOME TAX LIABILITY OR MAY CLAIM A REFUND AS LONG AS THEY TIMELY PROVIDE CERTAIN INFORMATION TO THE SERVICE.**

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30 percent on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30 percent withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner’s United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Bonds pursuant to a loan agreement entered into in the ordinary course of the bank’s trade or business. The treatment described under this section may have been modified by an applicable tax treaty.

Assuming payments on the Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code impose a 30 percent withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the United States Treasury to, among other things, undertake to identify accounts held by certain United States persons or United States-owned entities, annually report certain information about such accounts, and withhold 30 percent on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act (“FATCA”) imposes a 30 percent withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial United States owners or the entity furnishes identifying information regarding each substantial United States owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30 percent withholding tax being imposed on payments of interest and principal under the Bonds and sales proceeds of Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of United States source interest (including original issue discount) and will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (ii) certain “pass-thru” payments no earlier than January 1, 2017. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the Bonds, including the applicability and effect of any state, local, or foreign tax laws, and of any proposed changes in applicable laws.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution and in the Contract, the Corporation and the Cities (collectively, the “Obligated Parties”), respectively, have made the following agreements for the benefit of the holders and beneficial owners of the Bonds. The Obligated Parties are required to observe the agreements for so long as they remain obligated to advance funds to pay the Bonds. Under the agreements, the Obligated Parties will be obligated to provide certain updated financial information and operating data annually, and timely

notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). 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.

Annual Reports

The Obligated Parties will provide certain updated financial information and operating data to the MSRB. The information to be updated includes the quantitative financial information and operating data with respect to the Obligated Parties of the general type included in this Official Statement in Appendices A, B, C, D and E. The Obligated Parties will update and provide this information within six months after the end of each fiscal year.

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

Each of the Obligated Parties’ current fiscal years end are September 30. Accordingly, they must provide updated information by the last day of March in each year, unless any of the Obligated Parties change their fiscal year. If any of the Obligated Parties change their fiscal year, the appropriate Obligated Party will file notice of the change with the MSRB.

Material Event Notices

The Corporation will file with the MSRB notice of any of the following events with respect to the Bonds not more than 10 business days after occurrence of the event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Registered Owners 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 Corporation, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the Corporation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the Corporation, 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 Corporation, any of which reflect financial difficulties. In the Resolution, the Corporation adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. Neither the Bonds nor the Resolution make any provision for credit enhancement (although the Corporation has sought bids from bond insurance companies), liquidity enhancement, or debt service reserves for the Bonds. In addition, the Corporation will provide timely notice of any failure by the Corporation to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.” The Corporation will file each notice described in this paragraph with the MSRB.

For these purposes, (a) any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Corporation 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 Corporation, 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 Corporation, and (b) the Corporation 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

Effective July 1, 2009 (the “EMMA Effective Date”), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the Obligated Parties 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.

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

Limitations and Amendments

The Obligated Parties have agreed to update information and the Corporation has agreed to provide notices of specified events only as described above. The Obligated Parties have not agreed to provide other information that may be relevant or material to a complete presentation of their financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The Obligated Parties make 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 Obligated Parties disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the Obligated Parties to comply with its agreement.

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

Compliance with Prior Undertakings

The Obligated Parties have previously made continuing disclosure agreements in connection with the issuance of the currently outstanding Priority Bonds and New Series Bonds. Except as stated below, the Obligated Parties believe that during the past five years they have each made all required filings under and are in compliance with the Rule.

Certain tables associated with the City of Schertz were not updated in accordance with its past continuing disclosure undertakings. Additionally, the City of Schertz and the City of Seguin audits for fiscal years ending 2013, 2014, 2016, and 2017 were not linked to the CUSIP associated with the Corporation's obligations. A corrective filing, which provided updated tables, has since been made. Additionally, the aforementioned audits have been properly linked. Procedures have been implemented in an attempt to eliminate future noncompliance in accordance with the Rule.

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

RATING

The Corporation has applied for a rating on the Bonds to S&P Global Ratings (“S&P”). An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the view of such company at the time the ratings are 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 such companies, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

OTHER INFORMATION

Litigation

On the date of delivery of the Bonds to the Underwriters, the Corporation will execute and deliver to the Underwriters a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Bonds.

The Corporation. The Corporation is frequently involved in administrative and regulatory proceedings related to applications for various permits and approvals required in connection with the development, construction and proposed operation of the Project. Any delay caused by protested applications to, or adverse rulings of, administrative bodies or regulatory agencies from which the Corporation must obtain a required permit or approval could delay the development, construction and proposed operation of the Project. Such delay could adversely affect the Project and could result in increased costs of development, financing, construction and/or operation of the Project.

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation intends to address these risks with appropriate insurance coverage.

Except as described herein, there is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Corporation and the Cities, threatened) that adversely affects the obligation of the Corporation to deliver the Bonds, the security for, or the validity of, the Bonds or the financial condition of the Corporation or the Cities. As stated above, the Corporation's permits to produce water from its wells are subject to renewal beginning in October 2024. The Corporation's permits for transportation of water outside the GCUWCD have a term of thirty years. In considering an application for renewal of a permit, the Corporation may be subjected to the imposition of additional limitations, including limitations on the amount of water that may be transferred under a permit, and conditions that may be difficult or expensive to satisfy. The rules of the district also provide that the district may revise or revoke a well production permit at any time if the district finds that the well is causing unreasonable effects on existing groundwater and surface water resources or existing permit holders. (See "INVESTMENT CONSIDERATIONS" and "PROJECT DESCRIPTION.")

The City of Schertz. Schertz is a defendant in various tort claims and lawsuits with respect to general liability, automobile liability, and various contractual matters. In the opinion of Schertz's management, the outcome of the pending litigation will not have a material adverse effect on Schertz, or Schertz's utility system, financial position or operations.

The City of Seguin. Seguin is a defendant in various tort claims and lawsuits with respect to general liability, automobile liability, and various contractual matters. In the opinion of Seguin's management, the outcome of the pending litigation will not have a material adverse effect on Seguin, or Seguin's utility system, financial position or operations.

Environmental Regulations

The Corporation and Cities are subject to the environmental regulations of the State and the United States in the operation of their utility systems. These regulations are subject to change and the Corporation and the Cities may be required to expend substantial funds to meet the requirements of such regulatory authorities.

Legal Matters

The Corporation will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding special obligations of the Corporation, and based upon examination of such transcript of proceedings, the legal opinion of Bond Counsel to the effect that the Bonds issued in compliance with the provisions of the Resolution are valid and legally binding special obligations of the Corporation. Though it represents the Financial Advisor, the Cities, and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been retained by and only represents the Corporation in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "PLAN OF FINANCING - Refunded Obligations," "THE BONDS" (except the subcaptions "Defaults and Remedies" and "Perfection of Security Interest for the New Series Bonds" as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE," "SELECTED PROVISIONS OF THE CONTRACT," "FEDERAL INCOME TAX TREATMENT OF THE BONDS," "CONTINUING DISCLOSURE OF INFORMATION" (except the subcaption "Compliance with Prior Undertakings" as to which no opinion is expressed), "OTHER INFORMATION - Legal Matters" (first paragraph only), "OTHER INFORMATION - Legal Investments in Texas," "OTHER INFORMATION - Registration and Qualification of Bonds for Sale," and "APPENDIX F - Certain Provisions of the Resolution," and is of the opinion that the information relating to the Bonds, the Contract and the Resolution contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Certain matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. Certain legal matters relating to the validity and enforceability of the Contract will be passed upon by the Attorney General of Texas, the Corporation's General Counsel, Davidson, Troilo, Ream & Garza PC, San Antonio, Texas, the City Attorney for the City of Seguin, and the Special City Attorney for the City of Schertz.

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.

Legal Investments in Texas

Section 1201.041, Texas Government Code (the "Public Security Procedures Act"), provides that the Bonds are negotiable instruments, investment securities to which Chapter 8, Texas Uniform Commercial Code applies, and legal and authorized investments for insurance companies, for fiduciaries or trustees and for a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. Texas law further provides that the Bonds are eligible to secure deposits of any public funds of the state, its agencies or political subdivisions and are lawful and sufficient security for those deposits to the extent of their market value. For political subdivisions in the State which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "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 Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The Corporation 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 Corporation has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Verification of Mathematical Computations

Ritz & Associates PA will deliver to the Corporation, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, as applicable, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations. Ritz & Associates PA relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the Corporation. In addition, Ritz & Associates PA has relied on any information provided to it by the Corporation's retained advisors, consultants and legal counsel.

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities act of any other jurisdiction. The Corporation and the Cities assume 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 Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The Corporation has agreed to cooperate, at the Underwriters' 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 Corporation shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the City of Schertz, the City of Seguin and the Corporation to assist in the issuance of the Bonds. In this capacity, the Financial Advisor 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 Corporation or the Cities 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 fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and the sale 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 Corporation 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.

Underwriting

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to \$_____ (representing the par amount of the Bonds of \$_____, plus a [net] reoffering premium of \$_____, less an Underwriters' discount of \$_____), plus accrued interest on the Bonds from their dated date to their date of initial delivery. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

UBS Financial Services Inc. ("UBS FSI"), the lead Underwriter of the Bonds, has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to such agreement UBS FSI will share a portion of its underwriting compensation with respect to the Bonds with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

Piper Sandler & Co. ("Piper"), an underwriter of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer'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 Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. It is important to note that the Issuer'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 Issuer. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

CONCLUDING STATEMENT

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

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.

MISCELLANEOUS

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

This Official Statement has been approved by the Board of Directors of the Corporation for distribution in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

President
Board of Directors

ATTEST:

Secretary
Board of Directors

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SCHEDULE I

**Schertz-Seguin Local Government Corporation
Schedule of Refunded Obligations**

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SCHEDULE I

**Schertz-Seguin Local Government Corporation
Schedule of Refunded Obligations***

**Schertz/Seguin Local Government Corporation
Contract Revenue Refunding Bonds, New Series 2014**

Maturity Date 1-Feb	Principal Amount (\$)	Coupon Rate (%)	Call Date	Call Price
2023	610,000	3.5000	3/3/2022	100.00%
2024	630,000	3.5000	3/3/2022	100.00%
2025	655,000	3.5000	3/3/2022	100.00%

**Schertz/Seguin Local Government Corporation
Contract Revenue Improvement and Refunding Bonds, New Series 2015**

Maturity Date 1-Feb	Principal Amount (\$)	Coupon Rate (%)	Call Date	Call Price
2024	900,000	5.000	2/1/2023	100.00%
2025	945,000	5.000	2/1/2023	100.00%
2026	1,805,000	5.000	2/1/2023	100.00%
2027	1,885,000	5.000	2/1/2023	100.00%
2028	1,990,000	5.000	2/1/2023	100.00%
2029	2,090,000	5.000	2/1/2023	100.00%
2030	2,190,000	5.000	2/1/2023	100.00%
2031 ⁽¹⁾	520,000	5.000	2/1/2023	100.00%
2032 ⁽¹⁾	550,000	5.000	2/1/2023	100.00%
2033 ⁽¹⁾	580,000	5.000	2/1/2023	100.00%
2034 ⁽²⁾	610,000	4.000	2/1/2023	100.00%
2035 ⁽²⁾	630,000	4.000	2/1/2023	100.00%
2036 ⁽²⁾	2,960,000	4.000	2/1/2023	100.00%
2037 ⁽²⁾	3,085,000	4.000	2/1/2023	100.00%
2038 ⁽²⁾	3,220,000	4.000	2/1/2023	100.00%
2039 ⁽²⁾	3,345,000	4.000	2/1/2023	100.00%
2040 ⁽²⁾	3,480,000	4.000	2/1/2023	100.00%
2041 ⁽²⁾	3,620,000	4.000	2/1/2023	100.00%
2042 ⁽³⁾	385,000	4.000	2/1/2023	100.00%
2043 ⁽³⁾	400,000	4.000	2/1/2023	100.00%
2044 ⁽³⁾	415,000	4.000	2/1/2023	100.00%

* Preliminary, subject to change.

(1) Term Bond with a final maturity of February 1, 2033.

(2) Term Bond with a final maturity of February 1, 2041.

(3) Term Bond with a final maturity of February 1, 2044.

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APPENDIX A

**Financial Information Regarding the
Schertz/Seguin Local Government Corporation**

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APPENDIX A

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

Schertz/Seguin Local Government Corporation, a public, non-profit corporation (the "Corporation" or the "Issuer") created by the Cities of Schertz and Seguin, Texas (individually, a "City," and collectively, the "Cities"), pursuant to Subchapter D of Chapter 431, Texas Transportation Code, as amended (the "Act"), to aid, assist and act on behalf of the Cities in acquiring, constructing, leasing, improving, enlarging, extending, repairing, maintaining, and operating a water utility system. The Corporation employs a full-time manager that is governed by a board of five directors who are appointed by the City Council of each City and two ex-officio members. (See "THE CORPORATION.")

Corporation's Debt Statement⁽¹⁾
(As of January 15, 2022)

<u>Priority Bonds</u>	
Contract Revenue Bonds, Series 2001	\$ 10,000,000
<u>New Series Bonds</u>	
Contract Revenue Refunding Bonds, New Series 2014	590,000 ⁽¹⁾
Contract Revenue Improvement and Refunding Bonds, New Series 2015	1,685,000 ⁽¹⁾
Contract Revenue Bonds, New Series 2016	39,920,000 ⁽³⁾
Texas Water Development Board Participation Loan, Series 2016	22,830,000
Contract Revenue Refunding Bonds, New Series 2018	17,990,000
Contract Revenue Refunding Bonds, Taxable New Series 2022 (the "Bonds")	<u>39,645,000⁽²⁾</u>
Total Bonds Outstanding	132,660,000 ⁽²⁾
Contract Revenue Refunding Bonds, Series 2019 (San Antonio Water System Expansion Water Treatment Project 2)	<u>18,940,000</u>
Total Bonds Outstanding	\$151,600,000 ⁽¹⁾⁽²⁾

⁽¹⁾ Excludes the Refunded Obligations.

⁽²⁾ Preliminary, subject to change.

⁽³⁾ "See - Project Description for a discussion of the Cost Allocation Agreement related to the New Series 2016 Bonds."

The Corporation has issued revenue bonds, currently outstanding in the amount of \$151,600,000⁽¹⁾ 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 (or to refund previously issued bonds). The bond resolutions relating to \$132,660,000 in outstanding Bonds pledge intergovernmental contract revenues from the Cities of Schertz and Seguin (the participating governments) to bond holders. Under the intergovernmental water supply contract, the Cities of Schertz and Seguin are unconditionally obligated to pay their respective shares of annual contract revenue bond debt service on Priority Bonds and certain other amounts as operating expenses from their respective utility systems. Contributions to the Corporation are reflected as "Nonoperating Expenses" in the Utility Enterprise Fund. The Bonds represent the fifth series of junior lien obligations and, as such, are designated as "New Series Bonds." The bond resolution relating to Series 2019 issue, currently outstanding in the amount of \$18,940,000, pledges revenues to be paid by the City of San Antonio, Texas, acting by and through the San Antonio Water System ("SAWS") to the Corporation pursuant to the Mutual Regional Water Supply Contract.

⁽¹⁾ Includes the Bonds and excludes the Refunded Obligations. Preliminary, subject to change.

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Comparative State of Net Position

The City of Seguin is severally liable, together with the City of Schertz, Texas for operating deficits and long-term debt of the Corporation. Following is a summary of financial data as reported in the Corporation's audited financial statement dated September 30, 2020:

Assets	2020	2019
Current Assets:		
Cash and Cash Equivalents	\$14,103,879	\$14,505,979
Accounts Receivable	1,871,176	2,441,403
Notes Receivable – Current	-	-
Other Receivables	79,763	18,332
Inventory	80,980	63,015
Total Current Assets	\$16,135,798	\$17,028,729
Restricted Assets:		
Cash and Cash Equivalents	74,306,769	75,252,982
Total Restricted Assets	74,306,769	75,252,982
Property, Plant & Equipment:		
Land	19,248,307	16,828,592
Water Distribution System	100,041,108	92,691,058
Building & Improvements	1,703,377	943,377
Equipment & Vehicles	649,954	618,807
System Expansion - Projects in Progress	3,968,782	8,690,911
Accumulated Depreciation	(27,458,980)	(24,927,525)
Net Property, Plant & Equipment	98,152,548	94,845,220
Total Other Assets	-	-
Total Assets	188,595,115	\$187,126,931
Deferred Outflows of Resources		
Deferred Charge on Refunding	2,781,377	2,712,824
Total Deferred Outflows of Resources	2,781,377	2,712,824
Liabilities		
Current Liabilities:		
Accounts Payable – Trade	860,344	\$ 802,918
Accounts Payable - Construction	-	-
Accrued Interest Payable	855,944	855,107
unearned Revenue	91,963	55,686
Current Portion of Revenue Bonds	3,780,000	3,755,000
Total Current Liabilities	5,588,251	5,468,711
Revenue Bonds Payable	154,226,349	157,992,682
Total Liabilities	159,814,600	163,461,393
Net Position:		
Invested in Capital Assets, Net of Related Debt	6,117,596	175,297
Restricted:		
Debt Service	1,454,888	1,342,955
Repairs and Replacement	500,000	500,000
Impact Fees	5,860,000	6,475,254
Unrestricted	17,628,831	17,884,856
Total Net Position	\$31,561,892	\$ 26,378,362

Schertz/Seguin Local Government Corporation
Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Revenue		
Water Usage Fees	\$18,284,415	\$17,692,947
Rents, Royalties & Leases	391,255	122,996
Impact Fees	683,719	504,488
Management Services Provided	50,000	82,360
Miscellaneous Fees	89,789	83,197
Total Operating Revenues	\$19,499,178	\$18,485,988
Operating Expenses		
<i>Operations & Maintenance:</i>		
Personnel Costs	1,141,382	1,076,171
Professional Services	289,678	192,108
Technical Services	331,491	470,826
Utilities	1,620,001	1,731,391
Repairs and Maintenance	781,600	720,393
General Supplies	597,115	514,700
Insurance	126,287	103,855
Other Operating Costs	61,420	79,627
<i>Total Operations & Maintenance</i>	<i>4,948,974</i>	<i>4,889,071</i>
<i>Other Operating Expenses:</i>		
Amortization of Lease Acquisition Costs	-	7,597
Annual Lease Payments - Water Rights	2,630,257	2,586,720
Depreciation	2,531,455	2,512,789
<i>Total Other Operating Expenses</i>	<i>5,161,712</i>	<i>5,107,106</i>
Total Operating Expenses	10,110,686	9,996,177
Operating Income (Loss)	9,388,492	8,489,811
Nonoperating Revenues (Expenses):		
Interest Income	810,812	1,960,714
Gains on Sale of Assets	-	73,471
Interest Expense and Fiscal Fees	(4,658,091)	(4,713,034)
Bond Insurance Costs	(357,683)	(396,488)
Total Nonoperating Revenues (Expenses)	(4,204,962)	(3,075,337)
Change in Net Position	5,183,530	5,414,474
Net Position - Beginning of Year	26,378,362	20,963,888
Net Position - End of Year	\$31,561,892	\$26,378,362

Source: The Corporation's audited financial statements.

Schertz/Seguin Local Government Corporation Debt Service*

FISCAL YEAR 30-Sep	EXISTING PRIORITY LIEN DEBT SERVICE	EXISTING SUBORDINATE LIEN DEBT SERVICE	LESS REFUNDED OBLIGATIONS DEBT SERVICE	TAXABLE NEW SERIES 2022 REFUNDING BONDS			TOTAL SUBORDINATE LIEN DEBT SERVICE	TOTAL COMBINED DEBT SERVICE
				PRINCIPAL	INTEREST	TOTAL		
2022	\$ 520,000	\$ 6,904,333	\$ 812,538		\$ 571,334	\$ 571,334	\$ 6,663,130	\$ 7,183,130
2023	520,000	6,987,845	2,224,400	\$ 1,040,000	1,043,992	2,083,992	6,847,437	7,367,437
2024	520,000	7,106,316	3,100,200	1,935,000	1,024,527	2,959,527	6,965,643	7,485,643
2025	520,000	7,234,494	3,101,588	1,970,000	993,241	2,963,241	7,096,148	7,616,148
2026	520,000	7,478,092	3,226,375	2,130,000	955,554	3,085,554	7,337,271	7,857,271
2027	520,000	7,591,646	3,214,125	2,160,000	912,718	3,072,718	7,450,239	7,970,239
2028	520,000	7,596,528	3,222,250	2,215,000	865,776	3,080,776	7,455,054	7,975,054
2029	520,000	7,982,408	3,220,250	2,265,000	815,312	3,080,312	7,842,469	8,362,469
2030	520,000	8,356,318	3,213,250	2,310,000	762,049	3,072,049	8,215,117	8,735,117
2031	2,268,330	6,614,073	1,475,500	610,000	726,938	1,336,938	6,475,511	8,743,841
2032	2,272,390	6,618,361	1,478,750	630,000	710,975	1,340,975	6,480,586	8,752,976
2033	2,271,250	6,618,197	1,480,500	645,000	694,092	1,339,092	6,476,789	8,748,039
2034	2,269,780	6,621,347	1,483,800	665,000	676,179	1,341,179	6,478,726	8,748,506
2035	2,272,590	6,916,944	1,479,000	680,000	657,130	1,337,130	6,775,074	9,047,664
2036		9,183,569	3,737,200	2,995,000	602,709	3,597,709	9,044,078	9,044,078
2037		9,209,514	3,741,300	3,090,000	510,529	3,600,529	9,068,743	9,068,743
2038		9,213,141	3,750,200	3,200,000	412,158	3,612,158	9,075,099	9,075,099
2039		9,212,133	3,743,900	3,295,000	308,292	3,603,292	9,071,525	9,071,525
2040		9,216,151	3,742,400	3,400,000	199,755	3,599,755	9,073,506	9,073,506
2041		9,209,722	3,740,400	3,515,000	85,707	3,600,707	9,070,029	9,070,029
2042		4,577,419	425,300	260,000	22,796	282,796	4,434,915	4,434,915
2043		4,570,326	424,600	270,000	13,921	283,921	4,429,647	4,429,647
2044		4,563,983	423,300	280,000	4,698	284,698	4,425,381	4,425,381
2045		4,131,833					4,131,833	4,131,833
2046		4,124,178					4,124,178	4,124,178
2047		1,912,522					1,912,522	1,912,522
2048		1,910,063					1,910,063	1,910,063
2049		1,905,635					1,905,635	1,905,635
2050		1,904,238					1,904,238	1,904,238
2051		1,900,693					1,900,693	1,900,693
	\$16,034,340	\$187,372,020	\$56,461,125	\$39,560,000	\$13,570,381	\$53,130,381	\$184,041,376	\$200,075,616

* Preliminary, subject to change.

APPENDIX B

Financial Information Regarding the Cities' Systems

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APPENDIX B
CITY OF SCHERTZ, TEXAS

The City

The City of Schertz, Texas (“Schertz”), is located directly northeast of the City of San Antonio, Texas. Schertz is located at the geographical center of the San Antonio Metropolitan Statistical Area and has an area of over 29 square miles. Schertz is bisected by U.S. Interstate Highway (“IH”) 35 in the North and its Southern boundary is IH 10.

Schertz was incorporated in December 1958 and is a home rule municipality operating under its own Charter since 1974, as amended. Schertz operates under the Council/Manager form of government pursuant to the laws of the State of Texas. The City Manager, appointed by the seven-member elected City Council and Mayor, is the chief executive officer of the City.

The IH 35 corridor between San Antonio and Austin is one of the fastest developing areas in the State of Texas and the entire country according to the 2020 census. Schertz enjoys a favorable economic environment and continued growth surpassing 42,000 residents. The City of Schertz continues to be an extremely attractive option for logistics and distribution centers. Accelerated by the rising demand for delivery to consumer and changes in supply chain management philosophy moving from “just in time” to “just in case,” the Schertz’ location along IH-35 corridor continues to be a strong advantage.

SYSCO is expanding its 630,000 square foot distribution facility in 2022 by investing over \$10,000,000 in growing their ranks to nearly 500 team members at an average payroll of \$70,000. This is a regional distribution center for SYSCO. Amazon.com continues to invest in Schertz. In addition to their \$100M, 1.26 million sq. ft. fulfillment center Amazon has opened an additional 640,000 sq. ft. last mile delivery facility with investment of over \$35,000,000 and the creation of over 300 new jobs. Companies such as Caterpillar, Amazon, FedEx and Sysco have built more than 3 million square feet of space in Schertz. Schertz continues to see strong speculative development in both traditional and cold storage distribution facilities. Phelan-Bennett Development, which is based in Houston, is heading the 170,000-square-foot industrial project at 17670 Four Oaks Lane adjacent to the Tri-County Industrial Park along I-35. In 2022, Schertz is slated to grow past 10 million square feet of new commercial development as close to 1,000,000 sq ft of new development set to announce or break ground in late 2022. Major tenants include FAMSA USA, Restoration Hardware, Farmer Bros. Coffee, CDS Moving, Major Wire Texas.

Medical office space has also been accelerating as strong population growth by the aging Baby Boomer generation continues to drive strong demand for need for health care services throughout the region. Nexus constructed a 36,5000 sq ft building and employs nearly 100 health care professionals. Speculative development in this market is also very strong. The Kellum Medical Center is a 10-acre medical office development in Schertz anticipated to cost up to \$40 million. A 22,944-square-foot building will be the first and largest of the Kellum Schertz Medical Center project west of the intersection of Roy Richard Drive and Green Valley Road. Plans call for the site to eventually include more than 90,000 square feet of medical space. The region has a manufacturing and industrial base that adds to the relative stability of the unemployment rate which was 3.8 in November 2021, lower than the San Antonio-New Braunfels Metro and the State of Texas. The region has a labor force of approximately 1,200,000 and this number is expected to increase in the next several years as the region continues to experience population and business growth. Local indicators point to a strong and growing housing market. Schertz planned well and has an abundant water supply for meeting its future growth.

Utility System Operating Statement

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

	Fiscal Year Ended				
	9/30/20	9/30/19	9/30/18	9/30/17	9/30/16
Revenues	\$30,284,539	\$28,311,457	\$28,016,064	\$25,955,276	\$22,455,674
Expenses*	21,190,967	22,620,644	20,802,263	18,697,162	17,603,487
Net Revenue Available for Debt Service	<u>\$ 9,093,572 *</u>	<u>\$ 5,690,813</u>	<u>\$7,213,801</u>	<u>\$7,258,114</u>	<u>\$4,852,187</u>
Customer Count:					
Water	15,471	15,020	14,678	14,124	13,877
Sewer	13,112	12,853	12,866	12,398	12,282

Source: The City's Comprehensive Annual Financial Reports for Fiscal Year Ending September 30, 2020.

** Expenditures exclude depreciation and include the following contractual payments:*

	9/30/20	9/30/19	9/30/18	9/30/17	9/30/16
Cibolo Creek Municipal Authority	\$ 717,400	\$ 577,775	\$ 410,650	\$ 413,650	\$ 411,550
Schertz/Seguin LGC	3,892,799	2,906,068	2,906,068	2,242,314	1,410,309
Cibolo Valley LGC	100,000	480,000	300,000	300,000	750,000

Water System

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 ten water storage tanks which can hold 16,500,000 gallons. The city maintains 231.42 miles of water lines. Schertz's total water usage for fiscal year September 30, 2020 was 2,139,526,000 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, 120 acre feet is leased for irrigation for City parks. The water is utilized when the Schertz utility system water 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, 2021 the City obtained 99% of its water from the Schertz/Seguin Local Government Corporation.

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, 2021 are \$130,515,000. Water began to flow from the SSLGC Project to the City of Schertz on February 20, 2003.

Water Rates (New Rates Effective 2021)

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	\$ 24.61	\$ 3.04
	6,000	42.85	3.40	42.85	3.40
	12,000	63.25	3.98	63.25	3.98
	18,000	87.13	4.86	87.13	4.86
	30,000	145.45	6.17	145.45	6.17
3/4 IN CODE 2	0	36.89	3.04	36.89	3.04
	6,000	55.13	3.40	55.13	3.40
	12,000	75.53	3.98	75.53	3.98
	18,000	99.41	4.86	99.41	4.86
	30,000	157.73	6.17	157.73	6.17
1.0 IN CODE 3	0	61.49	3.04	61.49	3.04
	6,000	79.73	3.40	79.73	3.40
	12,000	100.13	3.98	100.13	3.98
	18,000	124.01	4.86	124.01	4.86
	30,000	182.33	6.17	182.33	6.17
1 1/2 IN CODE 4	0	122.99	3.04	122.99	3.04
	6,000	141.23	3.40	141.23	3.40
	12,000	161.63	3.98	161.63	3.98
	18,000	185.51	4.86	185.51	4.86
	30,000	243.83	6.17	243.83	6.17
2 IN SIMPLE COMPOUND CODE 5	0	196.78	3.04	196.78	3.04
	6,000	215.02	3.40	215.02	3.40
	12,000	235.42	3.98	235.42	3.98
	18,000	259.30	4.86	259.30	4.86
	30,000	317.62	6.17	317.62	6.17

Meter	Block Gallons	Inside City		Outside City	
		Block Rate	Rate 1000	Block Rate	Rate 1000
2 IN SIMPLE COMPOUND CODE 5	0 6,000 12,000 18,000 30,000	196.78 215.02 235.42 259.30 317.62	3.04 3.40 3.98 4.86 6.17	196.78 215.02 235.42 259.30 317.62	3.04 3.40 3.98 4.86 6.17
2 IN TURBINE CODE 6	0 6,000 12,000 18,000 30,000	\$245.96 264.20 284.60 308.48 366.80	\$3.04 3.40 3.98 4.86 6.17	\$245.96 264.20 284.60 308.48 366.80	\$3.04 3.40 3.98 4.86 6.17
3 IN COMPOUND CODE 7	0 6,000 12,000 18,000 30,000	393.55 411.79 432.19 456.07 514.39	3.04 3.40 3.98 4.86 6.17	393.55 411.79 432.19 456.07 514.39	3.04 3.40 3.98 4.86 6.17
3 IN TURBINE CODE 8	0 6,000 12,000 18,000 30,000	590.13 608.57 628.97 652.85 711.17	3.04 3.40 3.98 4.86 6.17	590.13 608.57 628.97 652.85 711.17	3.04 3.40 3.98 4.86 6.17
4 IN COMPOUND CODE 9	0 6,000 12,000 18,000 30,000	614.93 633.17 653.57 677.45 735.77	3.04 3.40 3.98 4.86 6.17	614.93 633.17 653.57 677.45 735.77	3.04 3.40 3.98 4.86 6.17
4 IN TURBINE CODE 10	0 6,000 12,000 18,000 30,000	1,033.08 1,051.32 1,071.72 1,095.60 1,153.92	3.04 3.40 3.98 4.86 6.17	1,033.08 1,051.32 1,071.72 1,095.60 1,153.92	3.04 3.40 3.98 4.86 6.17
6 IN COMPOUND CODE 11	0 6,000 12,000 18,000 30,000	1,229.86 1,248.10 1,268.50 1,292.38 1,350.70	3.04 3.40 3.98 4.86 6.17	1,229.86 1,248.10 1,268.50 1,292.38 1,350.70	3.04 3.40 3.98 4.86 6.17
6 IN TURBINE CODE 12	0 6,000 12,000 18,000 30,000	2,262.93 2,281.17 2,301.57 2,325.45 2,383.77	3.04 3.40 3.98 4.86 6.17	2,262.93 2,281.17 2,301.57 2,325.45 2,383.77	3.04 3.40 3.98 4.86 6.17
8 IN COMPOUND CODE 13	0 6,000 12,000 18,000 30,000	1,987.74 2,005.98 2,026.38 2,050.26 2,108.58	3.04 3.40 3.98 4.86 6.17	1,987.74 2,005.98 2,026.38 2,050.26 2,108.58	3.04 3.40 3.98 4.86 6.17

Meter	Block Gallons	Inside City		Outside City	
8 IN	0	3,975.48	3.04	3,975.48	3.04
TURBINE	6,000	3,993.72	3.40	3,993.72	3.40
CODE 14	12,000	4,014.12	3.98	4,014.12	3.98
	18,000	4,038.00	4.86	4,038.00	4.86
	30,000	4,096.32	6.17	4,096.32	6.17
10 IN	0	\$2,857.37	3.04	\$2,857.37	3.04
COMPOUND	6,000	2,875.61	3.40	2,875.61	3.40
CODE 15	12,000	2,896.01	3.98	2,896.01	3.98
	18,000	2,919.89	4.86	2,919.89	4.86
	30,000	2,978.21	6.17	2,978.21	6.17
10 IN	0	6,211.67	3.04	6,211.67	3.04
TURBINE	6,000	6,229.91	3.40	6,229.91	3.40
CODE 16	12,000	6,250.31	3.98	6,250.31	3.98
	18,000	6,274.19	4.86	6,274.19	4.86
	30,000	6,332.51	6.17	6,332.51	6.17
12 IN	0	8,199.42	3.04	8,199.42	3.04
TURBINE	6,000	8,217.66	3.40	8,217.66	3.40
CODE 17	12,000	8,238.06	3.98	8,238.06	3.98
	18,000	8,261.94	4.86	8,261.94	4.86
	30,000	8,320.26	6.17	8,320.26	6.17

Historical Water Consumption (Gallons)

Fiscal Year Ended 9-30	Estimated City Population ⁽¹⁾	Number of Customers	Water Usage			Total Usage	Water Sales \$\$\$
			Daily Average	Peak Day	Peak Month		
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	8,385,050	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
2020	42,612	15,020	6,169,463	14,011,000	253,588,000	2,251,854,000	12,343,795
2021	43,300	15,748	5,907,287	13,299,444	239,390,000	2,156,160,000	11,566,510

⁽¹⁾ Source: The City of Schertz.

Principal Water Customers
(Year Ending 9/30/2021)
Unaudited

Name of Customer	Total Water Consumption (in Gallons) ⁽¹⁾⁽²⁾
1. Caterpillar Inc.	172,401,000
2. Scenic Hill Lawn Care	167,238,000
3. Crossvine Master Community	125,061,000
4. Pecan Grove	110,736,000
5. Sycamore Creek Apartments	87,606,000
6. Sebastian Apartments	66,390,000
7. Legacy Oaks Apartments	66,172,000
8. Republic Beverage Company	58,243,000
9. DDC Ashton, LTD	48,081,000
10. City of Schertz	<u>46,163,000</u>
Total	948,091,000

⁽¹⁾ Through September 30, 2021. Unaudited

⁽²⁾ The top 10 water users represent approximately 43.97% of total water usage for the fiscal year ending September 30, 2021.

Wastewater System

Schertz's Wastewater System consists of a 119 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 74 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.

New Rates

(Effective November 1, 2021)

Residential Rates (Single Family)

Base rate per month	\$14.43
Per 1,000 gallon charge, per month	
Per 1,000 gal charge Total – 12,000 or less	\$ 4.75
Greater the 12,000 gallons	\$10.79

Business and Multi-Family Dwelling Units:

Base rate per month	\$18.15
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The base rate shall be assessed in terms of connection equivalents which shall be as follows: the customer's previous 12-month water consumption as determined at the annual re-rating in February divided by 365, with the results of such division then divided by 245 gallons. The figure arrived at by the second division shall be the customer's "connection equivalent." Each business shall be assessed a base rate.

Per 1,000 Gallon Charge, Per Month	
Per 1,000 gal charge Total – 12,000 or less	\$ 4.87
Greater then 12,000 gallons	\$10.89

YMCA

Per 1,000 gal charge, Per Month	\$3.20
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Source: City of Schertz

Schertz's Water and Sewer System Debt Service

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:

<u>Fiscal Year Ending 9/30</u>	<u>Self-Supporting General Obligation Debt</u>
2022	\$ 1,617,426
2023	1,827,076
2024	1,831,483
2025	1,827,586
2026	1,609,563
2027	1,148,463
2028	1,147,888
2029	1,152,788
2030	1,148,513
2031	1,151,563
2032	1,152,163
2033	1,114,331
2034	938,600
2035	943,581
2036	937,553
2037	936,941
2038	941,613
2039	542,134
2040	307,394
2041	305,628
2042	<u>303,563</u>
Total	\$22,885,846

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CITY OF SEGUIN, TEXAS

The City of Seguin, Texas (“Seguin”), is the county seat and principal commercial center of Guadalupe County. Seguin is located in South Central Texas along Interstate 10, just 35 minutes east of San Antonio, 1 hour south of Austin, and 2.5 hours west of Houston. Seguin’s location along Interstate 10 provides businesses and residents with fast and easy connectivity to major thoroughfares and key logistical infrastructure. The Interstate 35 corridor is just north of Seguin and can be accessed via State highway 46, 123 or 130. There are two major international airports within an hour drive of Seguin; San Antonio International Airport and Austin Bergstrom International Airport. Two and a half hours east of Seguin, businesses can access the Port of Houston, the second-busiest port in the U.S. Seguin’s strategic location provides businesses with great access to get materials in and finished products out to their customers around the world.

Incorporated in 1853, Seguin operates under a home-rule charter, which was adopted on December 7, 1971. Seguin has a council-manager type of government composed of the manager, mayor and eight councilpersons elected for four-year terms.

Seguin's population has grown from 17,854 in 1980 to 18,853 in 1990 (5.6% increase), to 22,011 in 2000 (16.75% increase), and 25,175 in 2010 (14.37% increase). In 2020 Seguin’s population grew again to 29,433 (16.91% increase).

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

<u>Name</u>	<u>Product</u>	<u>Number of Employees</u>
Vitesco Technologies	Automotive Manufacturing	1,750
Caterpillar	Engine Assembly	1,500
Seguin Independent School District	Education	1,103
CMC Steel Texas	Steel Products Manufacturing	850
Tyson Foods, Inc.	Poultry Processing	750
<u>Guadalupe Regional Medical Center</u>	<u>Healthcare</u>	<u>835</u>
<u>Guadalupe County</u>	<u>County Government</u>	<u>600</u>
<u>City of Seguin</u>	<u>City Government</u>	<u>462</u>
<u>HEB</u>	<u>Retail</u>	<u>437</u>
<u>Wal Mart Supercenter</u>	<u>Retail</u>	<u>300</u>
<u>Texas Lutheran University</u>	<u>Higher Education</u>	<u>280</u>
<u>Total</u>		<u>8,867</u>

Many people commute to nearby San Antonio and Randolph Air Force Base for employment. With the development of SH-130 providing an alternate route from the IH-35 gridlock, commercial traffic is diverted from just north of Austin to Seguin. This places Seguin as a very strategic location for distribution centers and manufacturers alike and will impact both retail and industrial market growths complementing the already accelerated growth trend.

Utility System Customer Count

Customer Count:	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Electric	8,879	8,555	8,541	8,549	8,538
Water	7,936	7,549	7,518	7,516	7,393
Wastewater	<u>7,501</u>	<u>7,347</u>	7,092	7,204	6,821

FIVE-YEAR CONSOLIDATED OPERATING STATEMENT SHOWING COMBINED EARNINGS OF CITY'S ELECTRIC, WATER AND SEWER SYSTEM AND APPLICATION OF NET EARNINGS FOR PAYMENT OF INDEBTEDNESS

Fiscal Year Ending	<u>9-30-2020</u>	<u>9-30-2019</u>	<u>9-30-2018</u>	<u>9-30-2017</u>	<u>9-30-2016</u>
Income:	\$56,181,996	\$54,671,288	\$53,025,594	\$50,369,518	\$46,694,348
Expenses:					
Power Purchased	17,895,999	16,830,729	16,970,475	18,351,972	16,367,503
Other	<u>26,539,157</u>	<u>28,629,186</u>	<u>24,142,389</u>	<u>23,355,181</u>	<u>21,986,954</u>
Total Expenses	44,235,156	45,459,915	41,112,864	\$41,707,153	\$38,354,457
Net Revenue Available for Debt Service	11,946,840	9,211,373	11,912,730	\$ 8,662,365	\$ 8,339,891
Annual Requirement Prior Lien Debt	2,503,299	2,609,069	2,260,175	\$ 1,761,445	\$ 1,881,744
Coverage of Outstanding Annual Requirement for Prior Lien Debt	4.77%	3.53%	5.27%	18,351,972 4.92x	16,367,503 4.43%

DESCRIPTION OF THE UTILITY SYSTEM

The complete management and control of the City of Seguin Utilities (the “CSU”) is the responsibility of the City Council. The City Council consists of a Mayor and eight Council members elected by district for staggered four-year terms. The approval of the policies governing the CSU by the City Council is pursuant to the authority granted by the statutes of the State of Texas and by the Home Rule Charter of the City (the “Charter”). The City Council appoints a City Manager who services as the Chief Executive Officer. The overall management of the CSU is the responsibility of the City Manager and the day-to-day management of the CSU is the responsibility of the Director of Utilities appointed by the City Manager.

The CSU is a municipally owned utility providing electric, water, and wastewater services to a population of 30,006 in a 38.4 square mile area in the City. The service territory is completely within Guadalupe County.

UTILITY RATE REGULATIONS

Under existing law, the City is free from the rate setting jurisdiction and control of any federal, state, or local agency and has the exclusive authority to set rates and charges for electric, water, and wastewater services. The City is, however, subject to the Public Utility Commission of Texas' (“PUC”) jurisdiction for its electric service areas outside the City limits and is subject to certain rate review procedures by the Texas Commission on Environmental Quality for its water and wastewater service areas beyond the City limits. Approximately 0.13% of the City’s electric customers are located outside the City limits. The number of water customers located outside the City limits is approximately 2.2% of the total and there are no wastewater customers outside the City limits.

THE ELECTRIC SYSTEM

The City

The City serves 8,879 electric meters while supplying a total energy requirement of 311.202 and a peak system demand of 79.28 MW. Sales of electricity to individual City electric customers are made in accordance with one of five consumer rate classifications.

The residential customer classification includes service to 7,440 single family residential consumers where all energy is taken through a single meter, as well as domestic use multiple dwelling units individually metered.

The small commercial classification includes all commercial customers having peak demands no greater than 25 kilowatts. This class currently has 1,037 accounts.

The medium commercial and industrial category included service to all large power customers whose monthly peak demand is between 25 and 500 kilowatts. The number of customers in this classification is 356 meters. This growth trend is expected to continue in light of the City’s ongoing efforts to attract outside concerns and the anticipation of continued development in the industrial parks.

The large commercial and industrial classification is comprised of all electric customers whose peak demand is equal to or exceeds 500 kilowatts. At present, this class includes 14 accounts. Additional customers are anticipated as the industrial parks continue to grow.

The energy requirements of the City are supplied through three delivery points; these include the Lower Colorado River Authority’s (the “LCRA”) Seguin, Cushman and Seguin West Substations. Together, these three substations supply all of the City’s energy requirements. Currently CPS Energy supplies 100% of the City’s wholesale electric power needs through a “Power Supply Agreement” effective as of April 12, 2011, and effective through December 31, 2023, with an option to extend the term of the agreement through December 31, 2026. By the terms of the Power Supply Agreement, any shortfall in the baseload capacity provided to the City may be remedied by an adjustment of the agreement upon coal/gas pricing ratio or by exercising commercially reasonable efforts to secure a third-party energy supplier.

The present installed capacity of the LCRA Seguin Substations is 140 MVA, Seguin Substation has a capacity of 50MVA and is supplied by one 20 MVA transformer and one 30 MVA transformer. Cushman Substation has a capacity of 40 MVA and is supplied by two 20 MVA transformers. Seguin West Substation has a capacity of 50 MVA and is supplied by one 30 MVA and one 20 MVA transformer. The measured peak demand for the summer of 2017 on the Seguin T-4, Seguin T-5, and Cushman T-1, Cushman T-2 substation and Seguin West substation transformers were 19.42MVA, 12.45MVA, 12.32MVA, 12.93MVA and 24.15MVA, respectively.

The City’s electric system (referred to in this section of Appendix B as the “System”) is currently served by nineteen distribution feeder. The distribution system is comprised of 120 miles of overhead distribution line to include single phase, two phase and three phase. The City also has 32 miles of underground distribution lines to include three-phase, two-phase, single-phase, and underground.

The Electric Utility Industry Generally

The electric utility industry in the State in general has been, and in the future may be, affected by a number of factors that could impact the financial condition and competitiveness of the System. Such factors include:

- Legislation passed by the Texas Legislature to restructure the electric utility industry in Texas or any amendments that may be enacted to that legislation in future Texas legislative sessions, including particularly legislation related to the 2021 Event;
- Prevailing governmental policies and regulatory actions, including those of the FERC, EPA, TCEQ, the PUC and ERCOT, with respect to:
 - Wholesale market design, including allocation of transmission congestion costs;
 - Transmission cost rate structure;
 - Purchased power and recovery of investments;
 - Acquisitions and disposal of assets and facilities;
 - Operation and construction of facilities;
 - Present or prospective wholesale and retail competition;
 - Changes in and compliance with environmental and safety laws and policies;
 - Developments in federal law with respect to the ability of the City to finance and operate facilities in a manner that permits it to finance facilities with, and honor existing covenants with respect to, tax-exempt debt;
 - Federal and state environmental regulation including regulations of mercury emission and other greenhouse regulation; and
 - Reliability standards put forth by Electric Reliability Organizations under FERC authority;
- Federal legislation seeking to expand FERC authority to address cyber-security vulnerabilities in the electric utility industry;
- Power costs and availability, including the continued development, and financial stability of owners of, merchant power plants in the State;
- Increased costs or decreased revenues resulting from conservation and demand-side management programs on the timing and use of electric energy;
- Increased costs of compliance and production resulting from possible federal legislation to curb the generation of greenhouse gases, primarily carbon dioxide;
- Power costs and availability, including the continued development, and financial stability of owners of, merchant power plants in the State;
- Global pandemics, such as COVID-19;
- Unanticipated population growth or decline, and changes in market demand and demographic patterns;
- Issues related to cyber and physical security;
- Competition from “self-generation” of electric energy by certain industrial and commercial customers;
- Weather conditions and other natural phenomena, and acts of sabotage, wars or terrorist activities;
- Unanticipated population growth or decline, and changes in market demand and demographic patterns;
- Changes in business strategy, development plans or vendor relationships;
- Competition for retail and wholesale customers;
- Access to adequate and reliable transmission facilities to meet changing demands;
- Pricing and transportation of coal, natural gas and other commodities that may affect the cost of energy sold to the City;
- Unanticipated changes in interest rates, commodity prices or rates of inflation;
- Unanticipated changes in operating expenses and capital expenditures;
- Commercial bank market and capital market conditions;
- Competition for new energy development and other business opportunities;
- Legal and administrative proceedings and settlements;
- Significant changes in the System’s relationship with its employees, including the availability of qualified personnel;
- Significant changes in critical accounting policies material to the Transmission System; and
- Actions of rating agencies.

The City cannot predict what effects such factors will have on the operations and financial condition of its electric utility portion of the System, but the effects could be significant. The discussion of such factors herein does not purport to be comprehensive or definitive, and any or all of these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the Bonds should obtain and review such information.

Texas 2021 Winter Weather Event

For a general description of the 2021 Event, see “INTRODUCTORY STATEMENT - Texas 2021 Weather Event” in the body of the Official Statement.

2021 Winter Weather Event's Direct Impact to the City ... As a result of the 2021 Event, Seguin and the entire State of Texas were exposed to unprecedented weather and high energy prices. Usage of electricity by customers of the City's System was above February 2020's total consumption of 23,882.44 MWh, while February 2021's total usage was 24,674.35 MWh, a 3.3% increase in usage. At the time of the 2021 Event, the System's power supply was secured through an agreement with the CPS Energy. During the storm, 100% of the System's requirements were met through the CPS Energy agreement (defined below as the "Wholesale Power Agreement"). The System's total cost for power supply during February 2021 was \$1,498,274 compared to \$313,269 for February 2020. Seguin's renewable positions resulted in approximately \$3.1 million in revenue to the City, exceeding the additional ERCOT expenses and fixed costs for energy. As a result, there was no impact to the System's ratepayers and fund balance as a direct result of the 2021 Event.

The ERCOT Market - Settlements and Market Participant Short Payments and Uplift . . . ERCOT settlements occur daily. The ERCOT Protocols require that ERCOT collect payments due from the market participants serving load the day before payments are due to generation market participants. As a result of the 2021 Event, on February 22, 2021, ERCOT announced a temporary deviation from the protocol deadlines and timing related to settlements, collateral obligations, and invoice payments. On February 23, 2021, ERCOT ended its temporary deviation from the protocol deadlines. As a result of the temporary deviation from protocols, ERCOT aggregated the settlement activity for multiple days and invoiced market participants for that aggregate activity, which (because of extremely elevated prices) produced extraordinarily large invoices to market participants.

In the immediate aftermath of the 2021 Event and continuing today, ERCOT has experienced short payments from some of its market participants. Short payments occur when a market participant fails to make a complete payment for settlement invoices. When market participants do not pay the amount owed, ERCOT in turn pays amounts to market participants that are less than what their settlement statements from ERCOT reflect (i.e., they are "short paid"). ERCOT previously estimated the cumulative aggregate short pay amount at \$2.9 billion (which is a gross amount that does not factor ERCOT's stated application of \$800 million in congestion revenue rights auction revenue funds to mitigate the short-pay impacts of some market participants' non-payment in the immediate aftermaths of the 2021 Event). This amount reflects payments received for previously short-paid invoices and the application of financial security to short-paid balances, where available. This information is provided through short payment notices issued to market participants.

All ERCOT market participants could be exposed to the liability of non-paying or bankrupt ERCOT market participants. ERCOT is a membership-based nonprofit corporation, and thus revenue neutral (meaning that it has no independent revenue source and is a clearinghouse that passes on losses to other participants). If sufficient funds continue to be unavailable from short-paying entities, ERCOT also "uplifts" shortages to market participants on a pro-rata share as established through the ERCOT Protocols (this process is referred to as "Uplift"). Typical timelines of Uplift invoices are no earlier than 90 days and no more than \$2.5 million per month until ERCOT uplifts the total short-paid amount. Such invoices must be at least 30 days apart. To address extraordinary purchased power costs incurred during the storm, the 87th Texas Legislature passed HB 4492 and SB 1580. SB 1580 sets forth the ability for electric cooperatives to securitize certain costs. HB 4492 pertains to the securitization of other ERCOT market participants. Separately, the legislature passed HB 1520 to securitize the exceptionally high gas expenses incurred by investor-owned gas utilities and HB 1510 to assist electric utilities located within the state but outside of ERCOT by securitizing the elevated costs of power incurred during the 2021 Event.

State Response to the 2021 Event . . . In the aftermath created by the 2021 Event, many challenges were created for the ERCOT market as a whole. The storm exposed deficiencies in the natural gas supply as well as deficiencies in the winterization programs implemented by the generator owners. As a result, numerous changes have occurred at both the PUC and ERCOT, including the following:

- All three commissioners of the PUC resigned their positions. The PUC was expanded from three to five commissioners and four new commissioners have been appointed by the Governor and confirmed by the Texas Senate: Peter Lake, Chair, Will McAdams, Lori Cobos, and Jimmy Glotfelty.
- All out-of-state board members of the ERCOT Board of Directors submitted a letter of resignation from the ERCOT board; shortly thereafter, three other ERCOT board members resigned.
- The ERCOT board voted to terminate its CEO, Bill Magness.
- The ERCOT board selected Brad Jones to serve as interim President and CEO effective May 4, 2021.
- Paul Foster was named Chair of the new board of ERCOT.
- Bill Flores, Elaine Mendoza, and Zin Smati were appointed to the ERCOT board.
- On December 29, 2021, the final two ERCOT board seats were filled by Julie England and Peggy Heeg.

The Texas Legislature also addressed events from the 2021 Event during the 87th Texas Legislature regular session, which ended on May 31, 2021. Senate Bill 3 ("SB 3") was the comprehensive bill approved by the Texas Legislature and signed into law by the Governor on June 8, 2021, addressing the vulnerabilities exposed during the 2021 Event. Among other items, SB 3 requires electric and other energy companies to implement a number of reforms, including (i) engaging in winterization measures for natural gas, electric generating facilities, water production, and supply systems, (ii) the mapping and identification of the electricity supply chain, including natural gas facilities, (iii) identification of such systems and process as "critical load", and (iv) implementing a statewide energy outage alert system. Section 38.075 was added to the Utilities Code and (i) applies to municipal owned utilities ("MOUs") that provide transmission service in the ERCOT power region, (ii) requires the PUC to adopt weatherization standards to prepare for weather emergencies, (iii) requires ERCOT to inspect the covered entities for compliance, (iv) requires ERCOT to inform the

PUC of violations, and (v) authorizes the PUC to impose an administrative penalty for each violation, not to exceed \$1 million for each day of noncompliance. SB 3 requires the PUC to adopt the reliability standards within 6 months after June 8, 2021, the effective date of SB 3. In addition, SB 3 calls on the PUC to implement certain market reforms to increase the reliability of the ERCOT grid. The Governor has directed the regulatory agency to rely on existing legislative authority to make additional market reforms to incentivize investment in new dispatchable generation.

Rulemaking by the PUC for electric and water utilities, and the Texas Railroad Commission (the "RRCT") for natural gas facilities and utilities, needed to implement the mandates of SB 3 began in the summer of 2021. As the PUC, RRCT, ERCOT and other oversight bodies continue their investigation, the ERCOT market expects additional rules will be implemented to mitigate market and fuel risks.

Electric Rate Regulation

Texas Deregulation Structure, Status and Issues... The following discussion, as well as the discussion set forth under "The New Nodal Design Rule," is presented for the purpose of providing information concerning the current Texas legal and market structure. The Texas market is unique in many respects from deregulated markets in other parts of the United States, in part due to the isolation of the market in ERCOT, which is essentially a transmission grid and associated generation facilities with few interconnects to other transmission grids. The City has not "opted in" to full retail competition.

The wholesale energy market in ERCOT was established by legislation enacted in the 1995 Texas Legislature, and has been significantly modified and developed through enactment of Senate Bill 7, approved by the 1999 Texas Legislature ("SB 7") and the commencement of retail electric choice in Texas on January 1, 2002. The discussion below describes some of the effects on the market and the challenges presented to the market as a whole, as well as, in some instances, local regions within ERCOT that are facing particular effects of deregulation.

The information in this section is derived from various PUC and ERCOT source materials, and in particular, portions of this section are excerpted from 2007, 2009, 2011, 2013, 2015, 2017, 2019 and 2021 PUC Reports to the Texas Legislature (The 2007, 2009, 2011, 2013, 2015, 2017, 2019 and 2021 PUC Reports, collectively the "PUC Legislative Reports"). The 2021 PUC Report is available in full on the PUC website at http://www.puc.texas.gov/agency/resources/reports/bar/2021_Biennial_Agency_Report.pdf and previous biennial reports to the Texas Legislature are available in full on the PUC website at <http://www.puc.texas.gov/industry/electric/reports/scope/ScopeArchive.aspx>. Except for specific references to the City or as otherwise noted as being provided by another source or entity, all expressions of opinion, summaries of events and statistical information contained in such sections are from the PUC Legislative Reports. The City does not take responsibility for the content of the PUC Legislative Reports on either the PUC or ERCOT websites or in ERCOT reports. References to website 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 websites and information or links contained therein are not incorporated into, and are not part of, this official statement.

In general, the restructuring of the electric utility industry in accordance with SB 7 continues to evolve, and the City is observing and evaluating the changes in the developing energy market in the State. The elimination of the price to beat ("PTB") rate on January 1, 2007 and the "go-live" implementation of the Nodal Market in ERCOT on December 1, 2010 are key dates in the evolution of the restructured market.

Since January 1, 2002 when consumer choice began in competitive areas of ERCOT, there has been continued development within ERCOT of a market-driven wholesale market in which energy is a commodity. It is apparent that traditional planning methods using known generation resources paired with known load has become less important as a planning approach in the market in general. As the competitive market matures in Texas, the market will almost certainly experience ebbs and flows in the construction of new generation and transmission facilities, and some of the existing generation will be displaced by newer resources, which may affect the market price of energy on both the retail and wholesale levels, as well as the demands on, and capacity of, the existing electric transmission system.

Overview of Senate Bill 7 Market Structure... SB 7 dramatically altered the production and sale of electricity to retail customers in the State. Prior to SB 7, all retail customers in Texas were served by integrated investor owned electric utilities, electric cooperatives ("Electric Co-ops"), or MOUs. The PUC certificated the service areas of utilities, Electric Co-ops, and MOUs, where, for the most part, these entities were granted the exclusive right and obligation to service retail customers in an area. Integrated utilities, MOUs, and Electric Co-ops built generation plants and constructed transmission and distribution facilities and performed retail functions such as billing and customer service to meet their obligations to serve. The PUC set electric rates, for those utilities over which it had rate-making authority, that gave those utilities the opportunity to earn a reasonable return on prudent investments and to recover reasonably incurred expenses, but that were also just and reasonable to retail customers. As described below, the Nodal Design Rule dramatically altered market dynamics in ERCOT.

The wholesale electric market was opened to competition as a result of the amendments to the Texas Public Utility Regulatory Act ("PURA") adopted by the Legislature in 1995. As a part of these amendments, independent power producers ("IPPs") were granted access to the transmission lines of utilities, Electric Co-ops, and MOUs in order for IPPs and power marketers to move power to wholesale customers.

SB 7 established a framework to allow retail electric customers to select a provider of electricity other than the traditional utility beginning on January 1, 2002, unless the PUC delayed competition for a utility’s service area. The governing boards of Electric Co-ops and MOUs were granted the authority to decide if and when to open their service areas to customer choice.

Transmission facilities are regulated by the PUC. Distribution facilities are regulated by the PUC in competitive areas but not in areas served by Electric Co-ops and MOUs.

The prices for the production and sale of electricity to both wholesale and retail customers in areas other than those served by Electric Co-ops and MOUs are now predominantly dictated by market forces instead of regulatory rate-setting procedures.

SB 7 established a framework for retail competition that is different from that adopted in other states. Formerly integrated investor owned utilities were required to separate their business functions into three distinct companies: a power generation company (“PGC”), a transmission and distribution utility (“TDU”), and a retail electric provider (“REP”). PGCs operate as wholesale providers of generation services, in the same manner as independent generators. REPs operate as retail providers of electricity and energy services, and are the entities that have the primary contact with retail customers in the new market. TDUs remain regulated by the PUC, and are required to provide non-discriminatory access to the transmission and distribution grid at rates and terms of access prescribed by the PUC.

In Texas, ERCOT performs functions in the retail market that are performed by the TDUs in other states that have introduced retail competition. Key elements in the design of the ERCOT retail market are the creation of a single, large retail market throughout the region and the use of a neutral third party to perform tasks related to the scheduling of power and settlement functions. ERCOT also serves as the registration agent for all retail transactions. All customer switch requests, move-in and move-out requests, and monthly electricity usage data flow through ERCOT.

REPs generally provide electricity to customers by purchasing wholesale electricity from generators located within the ERCOT region. REPs use a qualified scheduling entity (“QSE”) to schedule power through ERCOT to meet their customers’ daily energy needs. All schedules and transactions within ERCOT “flow,” which means that schedules are not contingent upon a determination that there is adequate transmission capacity available to move power from the generation resource to the load. If all of the schedules submitted for a particular day or hour cannot be accommodated because of transmission constraints, ERCOT uses a market-based congestion management system to clear the congestion and maintain reliability. The costs associated with clearing the congestion are assigned to market participants under methods outlined in the protocols adopted by ERCOT (the “ERCOT Protocols” or the “Protocols”) and approved by the PUC. All REPs compete on an equal basis for customers.

Generation Capacity Adequacy... According to the ERCOT Long-Term Hourly Peak Demand and Energy Forecast January 2021 (the “ERCOT LTDEF”), the peak demand on the ERCOT system from 2011-2020 has increased at a rate of 0.9% per year.

The current forecast for 2021 through 2030 indicates a 1.2% average annual increase in ERCOT’s peak demand. Currently there are almost 11,500 MW of generation within ERCOT that is from generating units over 40 years in age. Generation maturity is important to ERCOT planners in determining available capacity, long-range reliability, and whether there will be enough new capacity to compensate for load growth requirements. Age is one indication of the efficiency and maintenance cost of a generating unit, which are major factors in the decommissioning of units. Most of the older capacity is located in and around the larger metropolitan areas of the state.

The chart below provides information on ERCOT projected summer reserve margin for the years 2022 through 2026, based on the ERCOT Report on the Capacity, Demand and Reserves in the ERCOT Region, 2022 – 2031 (the “ERCOT December 2021 CDR Report”), dated December 29, 2021. ERCOT experiences peak demand during the summer; projected winter reserve margins are substantially higher than the projected summer margins.

Year	Summer Load Forecast (MW) ⁽¹⁾	Total Resources Available (MW) ⁽²⁾	Reserve Margin
2022	74,977	92,884	23.9%
2023	76,542	106,684	39.4%
2024	77,767	110,179	41.7%
2025	78,795	110,521	40.3%
2026	79,819	110,683	38.7%

Source: ERCOT December 2021 EDR Report
⁽¹⁾ Summer Load Forecast is ERCOT’s firm load forecast, not peak summer load.
⁽²⁾ Total Resources Available include installed capacity, capacity from private networks, peak average capacity (“PAC”) of wind generation, RMR units, non-synchronous ties, switchable units, available mothballed generation, planned thermal resources with signed interconnection agreement (“IA”) and air permits and water permits and PAC of planned wind units with signed IA. Total Resources Available excludes switchable units unavailable to ERCOT and retiring units.

ERCOT has performed technical studies and reviewed the appropriate level of reserve margins. As a result of such studies, ERCOT has established a 13.75% reserve margin goal for the ERCOT market for planning purposes.

PUC Regulatory Activities

Wholesale Market Oversight...In September 2006, the PUC selected Potomac Economics to serve as the independent market monitor ("IMM") for ERCOT, a function that was legislated at the request of the PUC by the 2005 Texas Legislature. The IMM has the authority to conduct monitoring, analysis and reporting activities but has no enforcement authority. A PUC rule provides that the IMM shall report directly to the PUC any potential market manipulations, including market power abuse, and any violations of PUC rules or ERCOT Protocols.

The PUC rule establishes the IMM as an office independent from ERCOT, which is not subject to the supervision of ERCOT with respect to its monitoring and investigative activities. ERCOT funds the operations of the IMM, but the budget and expenditures of the IMM are subject to PUC supervision and oversight. The ethical standards governing the IMM director and staff are intended to prevent conflicts of interest between the IMM and a market participant or an affiliate of a market participant. The rule took effect in April 2006. The IMM publishes an annual ERCOT state of the market report.

Emerging Issues

System Hardening...PUC staff initiated a project to identify ways to improve electric and telecommunications infrastructure, and to minimize the utilities' downtime occurring as the result of Gulf Coast hurricanes. To accomplish this, staff conducted industry workshops at the PUC as well as town hall meetings in the Houston, Beaumont, and Corpus Christi areas. Additional information was obtained directly from the utilities as well as interested parties. The final report concluded with three recommendations for utilities along the Gulf Coast and nine recommendations for all of the utilities in the state. Eight recommendations will ultimately require related rulemakings to define the requirements thoroughly for the utilities.

Demand Response...Demand response, the ability of customers to reduce usage in response to high prices or grid conditions, will play an increasing role in the electricity market in the coming years. Certain customers have some ability to respond to high prices by reducing usage at times when the price of electricity rises to a high level. This option may be attractive to additional customers, if developments in metering allow smaller customers to have their consumption metered at intervals shorter than one month and if they take advantage of retail prices that are based on wholesale prices. For ERCOT's settlement system to allow smaller customers to respond readily to spot market prices, advanced metering will be required. When advanced meters are deployed, REPs will have the chance to offer demand response products to smaller customers, which will in turn allow customers to have more control over their electric bills. The PUC adopted a rule on advanced metering in May 2007. Many of the State's utilities have commenced deploying advanced meters in accordance with the rule.

Alternative Transmission Models...According to the PUC, there has been interest in building transmission under a different set of rules. A power generation company might, for example, be willing to build and operate transmission facilities at its own expense (with no support from regulated rates) to connect to the transmission grid, without incurring the obligation to provide open-access to other entities. Such an arrangement might, for example, permit one or more generation companies that are outside of ERCOT to connect their facilities to the ERCOT transmission network at their own expense, without running the risk that they would be obligated to provide service to other customers. A similar transmission arrangement might permit a group of wind generators to build transmission to move the power they generate from West Texas to a location closer to population centers in East and Central Texas. Developers might also be interested in building merchant transmission connections between ERCOT and other power regions (the eastern or western United States or Mexico), where the interconnections are limited today.

The ERCOT Nodal Electric Market

In August 2003, the PUC adopted an order setting forth the parameters of a new nodal electric market within ERCOT. Pure theoretical nodal market design is based upon the costs incurred for delivery of energy to a specific location on the electric grid, and assessing that cost to the specific location as opposed to spreading the cost to all participants on the grid, as in the prior "zonal" wholesale market design of ERCOT. This nodal approach is used in the service areas of several national independent system operators, particularly those in the northeast region of the United States (i.e., the Midwest Independent System Operator, the Pennsylvania, New Jersey, Maryland Independent System Operator, the New York Independent System Operator and the New England Independent System Operator). The Texas nodal electric market design, however, differs from such other nodal approaches in that the ERCOT nodal electric market is a variation of that theoretical approach in which load costs are settled by zones and all other participant costs are settled by specific location (node). The ERCOT nodal electric market went into effect on December 1, 2010.

The prior ERCOT zonal market operated in a manner that allowed parties to meet their contractual requirements and deliver power based upon those contracts. It also allowed entities to self-supply their energy requirements from their owned resources without any market impacts other than the potential of reliability related transmission congestion costs. In the prior ERCOT zonal market design, the sale and purchase of electric power was determined by bilateral agreements.

In the ERCOT nodal electric market design, there are three separate markets, intended to work together to bring efficiency and economy to the ERCOT system: the real-time market, the day-ahead market and the congestion revenue rights market. Prior to any given day of service, ERCOT operates the day-ahead market for energy, ancillary services and some types of congestion revenue rights, as a hedge to the real-time market. On the day of service, ERCOT runs the real-time market, monitors real-time market operations and dispatches energy in the most economic manner consistent with security constraints. Following the day of service, ERCOT settles the financial obligations of the parties.

Electric pricing in the real-time market is determined at each “node” in the electric transmission system. “Nodes” include each onramp for electric generation onto the ERCOT transmission grid, each transmission substation within the ERCOT transmission grid and each distribution off-ramp from the ERCOT transmission grid. Electric pricing paid to electric generators is determined by ERCOT. ERCOT requests (i) “offers” from all electric generators (in terms of price and amount of electric output) and (ii) “bids” for electric load demand from all load serving entities, including Qualified Scheduling Entities, (“QSE”) acting on behalf of its respective electric customers. Such QSEs are the entities approved by ERCOT to submit bids to buy and/or offers to sell energy in the ERCOT markets on behalf of both resource entities and load serving entities, as applicable. Each QSE is responsible for settling financially with ERCOT for its transactions.

Balancing the supply and demand, ERCOT determines the “locational marginal price” or “LMP” which is the cost of the last MWh required to serve the requested aggregate demand. The LMP is, however, subject to certain maximum offer caps, currently \$9,000 per MWh. See “Generation Capacity In ERCOT.” The LMP is paid to all dispatched electric generators who bid up to that clearing price (without regard to a lesser price bid by a generator) which also corresponds to the necessary amount of electric generation to meet the requested demand. Every load serving entity pays the LMP for electric power requested, which may also include any nodal congestion costs related to such entity’s offload “node.” This price determination method is done on an ERCOT-wide basis in the real-time market for every fifteen minute settlement period.

Federal Regulation of Electric Transmission Services

The Energy Policy Act of 1992...The Federal Energy Policy Act of 1992 (the “Energy Act”) greatly expanded the authority of the Federal Energy Regulatory Commission (“FERC”) to order utilities, including utilities within ERCOT, to provide transmission service for other utilities, qualifying facilities, and independent power producers. FERC also has authority to determine the prices that may be charged for transmission, but has generally deferred to the PUC electric transmission open access rules for access and pricing within ERCOT.

Retail Wheeling...The authority to order retail wheeling, which allows a retail customer to be located in one utility’s service area and to obtain power from another utility or non-utility source, is specifically excluded from the enhanced authority granted to FERC under the Energy Act. However, while individual states may have authority to determine whether retail wheeling will be permitted, FERC has determined that it has jurisdiction over the rates, terms and conditions of retail wheeling.

FERC Final Rules and Proposed Rulemaking in Federal Regulation of Electric Utilities...To establish foundations necessary to develop a competitive wholesale electricity market and effectuate the transmission access provisions of the Energy Policy Act, on April 24, 1996, FERC issued two final rules (“FERC Final Rules”) on non-discriminatory open access transmission services by public utilities and stranded cost recovery. The first of the FERC Final Rules, Order No. 888, requires all public utilities that own, control or operate facilities used for transmitting electric energy in interstate commerce to (i) file open-access, non-discriminatory transmission tariffs containing, at a minimum, the non-price terms and conditions set forth in the order and (ii) functionally unbundle wholesale power services by (1) applying unified transmission tariffs system to all customers, (2) providing separate rate systems for wholesale generation, transmission and ancillary services, and (3) relying on the same electronic information dissemination network that its transmission customers rely on in selling and purchasing energy. The second of the FERC Final Rules, Order No. 889, requires all public utilities to establish or participate in an Open Access Same-Time Information System (OASIS) that meets certain specifications, and comply with standards of conduct designed to prevent employees of a public utility (or any employees of its affiliates) engaged in wholesale power marketing functions from obtaining preferential access to pertinent transmission system information.

FERC stated that its overall objective is to ensure that all participants in wholesale electricity markets have non-discriminatory open access to transmission service, including network transmission service and ancillary services. FERC also indicated that it intends to apply the principles set forth in the FERC Rules to the maximum extent to municipal and other non-FERC regulated utilities, both in deciding cases brought under the Federal Power Act and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional investor-owned utilities under open access tariffs.

Although the FERC Rules do not directly regulate municipally-owned and other non-FERC regulated utilities, the FERC Rules have a significant impact on such utilities’ operations. The FERC Rules have significantly changed the competitive climate in which the non-FERC regulated utilities operate, giving their customers much greater access to alternative sources of electric transmission services. The rules require them to provide open access transmission service conforming to the requirements for investor owned utilities whenever they are properly requested to do so under the Energy Policy Act or as a condition of taking transmission service from an investor owned utility. In certain circumstances, the non-FERC regulated utilities are required to pay compensation to their present suppliers of wholesale power and energy for stranded costs that may arise when the non-FERC regulated utilities exercise their option to switch to an alternative supplier of electricity.

Over past years, various efforts have been made to provide some interstate connections with the ERCOT transmission grid. These efforts have resulted in protracted judicial and administrative proceedings involving ERCOT members. FERC has issued orders, which, among other things, permit the ERCOT members to avoid Federal regulation of rates as the result of the ordered interconnections with another interstate connected utility.

Reliability Compliance...The Federal Energy Policy Act of 2005 (the “2005 Energy Act”) significantly changed the electric regulatory climate in North America. The 2005 Energy Act requires all electric utilities in the United States to comply with reliability standards promulgated and enforced by the North American Electric Reliability Corporation (“NERC”), under the supervision of FERC. Such mandatory and enforceable reliability standards include the ability to assess civil penalties for violations of such standards. The 2005 Energy Act also allows NERC to delegate enforcement authority to a regional entity, subject to FERC approval, and NERC has designated the Texas Regional Entity as the regional enforcement entity within ERCOT.

Proposed Federal and State Legislation...Many bills have been introduced in the United States House of Representatives, the United States Senate and the Texas Legislature to further deregulate the electric utility industry on the federal or state level. Many of the bills provide for open competition in the furnishing of electricity to all retail customers (i.e., retail wheeling). In addition, various bills have been introduced that would impact the issuance of debt by or the operations of Electric Co-ops and MOUs. No prediction can be made as to whether these bills or any future proposed federal bills will become law or, if they become law, what their final form or effect would be.

Environmental Regulation

Electric utilities, in general, are subject to numerous environmental statues, regulations, and other rules administered at the federal, state, and local level. These environmental rules generally tend to increase and become more stringent over time and are subject to change especially with changes in Presidential Administrations.

Electric Distribution

The City Peak Electrical use for 2019 was 75.1 MW and by 2020 it hit 93.4 MW. The City continues to grow in residential and commercial.

The Electric Department is currently working on a number of projects for the 2019/20 capital improvements budgets.

1. New Substation on N123 Bypass to feed everything on the North side of I-10.
2. Upgrading TWACS for Substations communications.
3. Working on ESRI mapping, work orders and mobile orders and trying to tie in with Tyler.
4. Distribution System Capacitors.
5. Star Meter MTU/twacs Conversion.
6. Tree trimming on our system.
7. Underground projects on new developments.
8. Work order and inventory system.

10 Largest Electric Customers¹

<u>Name</u>	<u>Type of Entity</u>	<u>kWh Sales</u>	<u>Revenues</u>
Niagara Bottling LLC	Manufacturing	41,900,400	\$3,218,146
Tyson	Chicken Processing Plant	18,270,000	1,418,842
Seguin ISD	School	11,457,426	1,097,540
Texas Lutheran University	University	11,399,850	898,200
Minigrip LLC	Manufacturing	11,015,100	845,944
Guadalupe Regional Medical Center	Hospital	10,932,922	896,308
Hexel Corp/Post Petition	Manufacturing	10,492,800	820,307
Guadalupe County Admin	Hospital	6,951,696	639,391
Continental Structural Plastic	Manufacturing	5,342,400	478,008
HEB	Retail	4,415,000	371,183

¹ For October 2020 – September 2021

kWh Energy Analysis

<u>Year</u>	<u>kWh Purchased</u>	<u>Growth</u>	<u>kWh Consumption</u>	<u>Growth</u>	<u>Customer Count</u>	<u>Growth</u>
2010-11	310,175,128	2.67%	293,799,122	4.15%	8,210	3.4%
2011-12	306,960,799	-1.04%	281,673,636	-4.13%	8,247	0.5%
2012-13	335,747,515	9.38%	283,520,517	.66%	8,293	0.6%
2013-14	344,327,169	2.56%	287,631,799	1.45%	8,340	0.6%
2014-15	305,143,171	-11.38%	269,528,056	-6.29%	8,500	1.9%
2015-16	297,035,140	- 2.66%	282,255,073	4.72%	8,438	-0.7%
2016-17	329,736,280	10.77%	313,410,061	11.04%	8,549	1.19%
2017-18	337,952,510	2.49%	322,494,973	2.90%	8,549	0.13%
2018-19	332,880,050	-1.50%	319,654,993	-0.88%	8,564	0.17%
2019-20	327,112,900	-1.73%	308,671,697	-3.44%	8,581	0.20%
2020-21	332,783,880	1.73%	311,202,790	0.82%	8,879	3.40%

Electric Sales and Peak Demand

<u>Year</u>	<u>kWh Sales</u>	<u>Revenues</u>	<u>Peak Demand (kWh)</u>
2010-11	293,799,122	26,804,696	66,000
2011-12	281,673,636	25,975,472	62,000
2012-13	283,520,517	25,448,070	63,000
2013-14	287,631,799	25,852,212	68,000
2014-15	269,528,056	26,747,282	68,000
2015-16	282,255,073	27,334,190	70,230
2016-17	313,410,061	29,730,883	81,287
2017-18	322,494,973	30,603,981	70,933
2018-19	319,654,993	30,122,089	75,125
2019-20	308,671,697	29,420,120	<u>77,219</u>
2020-21	311,202,790	29,157,919	<u>79,228</u>

Note: Data on Peak Demand furnished by LCRA.

Electric Rates (Effective October 1, 2021)

Residential Electric - RES: Applicable to individually metered residential dwellings.

Applicable to individually metered residential dwellings.

Customer Charge, per meter:	\$14.50
Energy Charge per kWh:	\$.03757
PCRF Charge per kWh:	\$.05700

Large Power Industrial - IND: Applicable to non-residential customers whose peak KW is greater than 500.

Customer Charge, per meter:	\$350.00
SECONDARY Customer Energy Charge per kWh:	\$.01218
SECONDARY Customer Demand Charge per KW:	\$4.00
PCRF Charge per kWh both SECONDARY & PRIMARY:	\$.05700
PRIMARY Customer Energy Charge per kWh:	\$.01181
PRIMARY Customer Demand Charge per KW:	\$4.00

SECURITY LIGHTS

100 watt lamp per month:	\$ 7.00
150 watt lamp per month:	\$10.64
1500 watt lamp per month:	\$52.00

LED SECURITY LIGHTS

50 watt lamp per month:	\$ 5.94
80 watt lamp per month:	\$ 9.20

Setup fee for 100 or 150 watt lamps:	
Existing Pole	\$100.00
Wood Pole installation	\$250.00
Steel or Composite Pole	Actual Cost
Setup fee for 1500 watt lamps:	
Existing Pole	\$430.00
Wood Pole installation	\$580.00
Steel or Composite Pole	Actual Cost

Rio Nogales Power Project

The commercial operation of the Rio Nogales Power Project commenced on June 1, 2002. This electric power plant is located in the Seguin Industrial Park and was developed by Constellation Power Source, a wholly owned subsidiary of Baltimore Gas & Electric. On December 15, 2006 the ownership interest in Rio Nogales was acquired by an affiliate of Tenaska Power Fuel, LP from Constellation. On April, 2012, the ownership interest in Rio Nogales was acquired by City Public Service of San Antonio (“CPS Energy”). As part of this acquisition, CPS Energy made a significant cash contribution to CSU. The plant is a state-of-the-art, highly efficient power generation facility utilizing clean burning natural gas. The project is an 940.2 MW natural gas fired combined cycle power plant.

WATER PLANT AND DISTRIBUTION SYSTEM

The Seguin’s Surface Water Treatment Plant has a peak production capacity that exceeds 11.635 million gallons per day with an additional allotment per contract of 7.3 million gallons of groundwater per day that may be purchased from the Schertz-Seguin Local Government Corporation.

The Seguin distribution system is supported by a three million, two million and two seventy thousand gallons ground storage tank with three hundred twenty thousand gallons in storage at the clear well. This is enhanced by the addition of four elevated storage tanks, three with a capacity of one million gallons each, and one with a capacity of five hundred thousand gallons.

The City water customers are classified into commercial and residential. Both residential and commercial classifications have shown a growth through the years.

The Texas Commission on Environmental Quality has authorized the City to divert and use an amount of water not to exceed 7,200 acre-feet (2,280,957,000 gallons) annually from the impoundment reservoir (Lake Seguin) maintained for municipal purposes in and around the City. The City has also entered into a contract with the Guadalupe-Blanco River Authority to purchase 1,000 acre-feet of water from Canyon Lake per year. This supply was purchased to ensure that the City would have ample supply of water during drought conditions.

WATER AND SEWER PROJECTS

Seguin is currently in the design / construction phase of several major water and sewer improvement projects during Fiscal Year 2020-21. The projects are part of the Utility Capital Projects as set by City Council or Utility System Revenue Bonds. Following is a list of some of those projects:

- Geronimo Creek Wastewater Treatment Plant Expansion
- Walnut Branch Wastewater Treatment Plant Decommission and Wastewater Transfer Station
- Water Plant Sludge Line Replacement
- Water Storage Tank Rehabilitation
- 24” water transmission main
- 30” wastewater collection main

Classification of Customers

<u>Year</u>	<u>Residential Inside</u>	<u>Residential Outside</u>	<u>Commercial Inside</u>	<u>Commercial Outside</u>
2011	5,864	4	1,199	2
2012	5,896	4	1,204	2
2013	5,911	4	1,199	2
2014	5,951	1	1,184	2
2015	6,007	0	1,250	0
2016	6,093	0	1,277	0
2017	6,176	0	1,381	0
2018	6,316	0	1,252	0
2019	6,309	0	1,218	0
2020	6,415	0	1,229	0
2021	6,695	0	1,241	0

Water Rates (Effective October 1, 2021)

Residential:

Capacity Charge	\$24.14
1 - 10,000 gallons used	\$ 4.20 (per 1,000 gal)
10,001 - 35,000 gallons used	\$ 4.79 (per 1,000 gal)
35,000 and above gallons used	\$ 5.41 (per 1,000 gal)

Commercial, Industrial, Governmental, and Multi-Family:

Capacity Charge	\$52.09
First 12,000,000 gallons used (per 1,000 gal)	\$ 4.76
All additional gallons used (per 1,000 gal))	\$ 4.06

INDUSTRIAL SURFACE WATER (Effective October 1, 2021)

Capacity Charge per meter	\$52.09
All gallons used	\$ 3.58 (per 1,000 gal)
If ground water has to be used	\$ 4.06 (per 1,000 gal)

Historical Water Consumption

<u>Gallons</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Yearly Use	2,285,596,000	2,566,207,753	2,576,415,837	2,904,299,562	2,876,619,051
Daily Average	6,261,907	7,030,706	7,058,674	7,956,985	7,881,148
Daily Maximum	7,206,000	7,280,000	8,410,000	7,813,000	8,413,000
	09/30/17	09/30/18	9/30/19	9/30/20	9/30/21

Top Ten Water Customers

Twelve Month Period (10-01-20 thru 9-30-21)

<u>Name</u>	<u>Gallons Used (1,000)</u>	<u>Water Revenues</u>
<u>CPS Energy</u>	<u>886,637.410</u>	<u>\$3,146,892</u>
<u>Niagra Bottling LLC</u>	<u>390,789.017</u>	<u>1,410,829</u>
<u>Tyson</u>	<u>278,100.400</u>	<u>975,288</u>
<u>CPS Reuse</u>	<u>214,765.790</u>	<u>103,101</u>
<u>Vitesco Technologies</u>	<u>21,989.000</u>	<u>95,163</u>
<u>Guadalupe Regional Medical Center</u>	<u>16,015.000</u>	<u>75,254</u>
<u>TLU</u>	<u>13,840.000</u>	<u>65,131</u>
<u>Guadalupe County Administration</u>	<u>9,565.000</u>	<u>45,187</u>
<u>Stone Ranch Townhomes</u>	<u>9,440.000</u>	<u>44,613</u>
<u>Summers Bend Apartments</u>	<u>7,310.000</u>	<u>34,707</u>
<u>Hexel</u>	<u>4,482.920</u>	<u>21,503</u>
<u>Seguin ISD</u>		

WASTEWATER PLANT

The Walnut Branch Treatment Plant is an activated aeration type plant. The design capacity of the Walnut Branch Wastewater Treatment Plant is 4.9 MGD and its present daily average and peak flows are: 2.49 MGD (average) and an average 2-hour peak load of 3044 gpm. See discussion under "WATER PLANT AND DISTRIBUTION SYSTEM - Water and Sewer Projects" herein. Units at the facility are as follows:

- Head Works (Lift Station, Manual Bar Screen, Mechanical Screen)
- Two Primary Clarifiers
- Aeration Basin
- Three Final Clarifiers
- Chlorine Contact Basin
- Drying Beds
- Dechlorination System

Present influent and effluent quality is as follows:

	<u>Influent</u>	<u>Effluent</u>	<u>% Removal</u>
COD	65.96 mg/l	2.45 mg/l	94.51%

The Geronimo Creek Treatment Plant is an activated aeration type plant. Its design capacity is 2.13 MGD, a daily average flow of 1.85 MGD, and an average 2-hour peak load of 1664.3 gpm. Units at the facility are as follows:

Head Works (Lift Station, Manual Bar Screen, Mechanical Screen)
 Oxidation Channel
 Final Clarifiers
 Chlorine Contact Basin
 Drying Beds
 Dechlorination System

This treatment plant is able to meet its effluent requirements at this time. Present influent and effluent quality is as follows:

	<u>Influent</u>	<u>Effluent</u>	<u>% Removal</u>
BOD	77.92 mg/l	3.82 mg/l	94.99%

SEWER RATES: (effective October 1, 2021)

Residential:

Up to the first 2,000 Gallons of water used	\$34.49
The next 6,000 gallons used	\$ 5.17 (per 1,000 gal)
Max charge for 8,000 gallons of water used)	\$65.51
Fixed sewer fee for wastewater service only and no metered water	\$43.11

Residential Outside:

Up to first 2,000 gallons of water used	\$43.11
The next 6,000 gallons used per 1,000 gallons	\$ 6.46

Commercial and Industrial:

Capacity Charge	\$56.88
First 8,000,000 gallons of water used	\$ 5.30 (per 1,000 gal)
All additional gallons used	\$ 4.18 (per 1,000 gal)
Fixed sewer for wastewater service only and no metered water	\$56.88

Industrial User Charge and Fee:

Permit Fee for all Commercial & Industrial users	\$4.00/month
Permit Fee for all discharge to the POTW (per 1,000)	\$.06
Based on water usage monthly above 200,000 gallons of water per month or document of metered discharge	

Industrial User Metered Sewer:

Capacity Charge	\$56.88
First 8,000,000 gallons of water used	\$ 5.17 (per 1,000 gal)
All additional gallons used	\$ 3.92 (per 1,000 gal)

Solid Wastewater Services: Garbage Effective October 1, 2021
 Recycling Effective October 1, 2021

Each residential account has one garbage container	\$15.13
Each additional container	\$ 6.65
Each residential account has one recycle container	\$ 3.38

SALES TAX:

Charged to non-residential customers for electric and to residential customers for garbage and recycling:

State Sales Tax	6.25%
City Sales Tax	1.50%
County Sales Tax	<u>.50%</u>
Total Sales Tax	8.25%

Top Wastewater Customers

Twelve Month Period (10-01-20 thru 9-30-21)

<u>Name</u>	<u>Gallons Used (1,000)</u>	<u>Revenues</u>
Guadalupe Regional Medical Center	20,294,500	\$104,631
Texas Lutheran University	16,015,000	82,795
Guadalupe County	13,840,000	69,916
Stone Ranch Townhomes	9,565,000	49,652
Summers Bend Apts	9,440,000	49,043
Housing Authority	8,187,600	42,619
Hexcel	7,310,000	38,186
Melissa Ann Mackno	5,968,000	31,259
Housing Authority	5,925,500	30,256
Seguin Manor Apartments	5,803,000	29,658
METERED SEWER		
Tyson	246,721,823	1,057,334
Niagra Bottling, LLP	153,892,598	701,648
CPS Energy	122,296,700	613,028
Vitesco Technologies	11,822,140	59,667

APPENDIX C

**General Purpose Financial Statements for the City of Schertz, Texas
For the Fiscal Year Ended September 30, 2020**

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CITY OF SCHERTZ, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020



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OFFICIALS ISSUING REPORT

James M. Browne
City Manager

James Walters
Director of Finance

CITY OF SCHERTZ, TEXAS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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INTRODUCTORY SECTION

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March 19, 2021

To the Honorable Mayor, City Council, and the Citizens of Schertz:

Slate law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Schertz for the fiscal year ended September 30, 2020.

This report consists of management's representations concerning the finances of the City of Schertz. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Schertz has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Schertz's financial statements in conformity with U.S. GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Schertz comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Schertz's financial statements have been audited by Patillo, Brown & Hill, LLP a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Schertz for the fiscal year ended September 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Schertz's financial statements for the fiscal year ended September 30, 2020, are fairly presented in conformity with U.S. GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Schertz's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Schertz, incorporated in 1958, is located in the central part of Texas, which is considered to be a top growth area in the state, and one of the top growth areas in the country. The City of Schertz currently occupies a land area of 32.21 square miles with a population of 41,199 in 2019 according to the US Census Bureau. The City of Schertz is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City of Schertz has operated under the council-manager form of government since November 30, 1972. Policymaking and legislative authority are vested in a City Council consisting of the Mayor and seven at-large

councilmembers. The City Council is responsible for establishing public policy on City matters by the passage of appropriate ordinances and resolutions. The City Manager is responsible for overseeing the day-to-day operations of the government, implementing policy established by City Council, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve three-year staggered terms, with two council members elected every three years and then three council members elected the final three years in the cycle. The mayor is elected to serve a three-year term.

The City of Schertz provides a full range of services, including police and fire protection, EMS services, library services, the construction and maintenance of streets, recreational facilities, cultural events, and water and sewer services.

The annual budget and five-year forecast serve as the foundation for the City of Schertz's financial planning and control. All city departments are required to submit requests for appropriation to the City Manager by June of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents the proposed budget to the council for review in early August. The council then holds public hearings and community meetings on the proposed budget and to adopt a final budget by September 30th. The fiscal year for Schertz is from October 1 through September 30. The appropriated budget is prepared by each department (e.g. police). The City Manager may make transfers of appropriations within a department. The City Manager may make transfers between departments and funds with City Council approval. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 55-56 as part of the required supplementary information.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Schertz operates.

Local economy. Economic growth in Schertz remained strong in 2020. The surrounding metro area saw some contractions evidenced by the Federal Reserve Bank of Dallas reporting the San Antonio Business-Cycle Index decreased 4.33% year over year for September 2020. This Index potentially indicates a new period of economic contraction around the state. As of September 2020, the unemployment rate for Texas was 8.3% and several metro areas including Austin, Dallas-Fort Worth, and San Antonio, are below the state average. Schertz in particular had an **unemployment rate of 6.2 percent during this time.**

Despite these indicators for the surrounding area, the City of Schertz realized a **15.3% increase year-over-year in sales tax collections** during the fiscal year. Despite the pandemic, Schertz' retail outlets and restaurants remained open and doing business during the pandemic. The businesses in the industrial complex also remained open, many of whom reworked their product lines to assist with creations of masks and other goods needed during the pandemic.

Further showcasing Schertz' economic resilience, it also saw a diverse range of new products developed its real estate and land markets with approximately 270,000 square feet of new commercial and industrial space. Nexus Medical's new facility located on Schertz Parkway. The 36,450 sf building a project is host to 100 employees. Other new facilities included Casa Mechanical's new facility (71,255 sf) located on 7770 FM 482 and Ryder Truck's facility expansion (19,226 sf) on 9993 Doerr Ln. The industrial vacancy rate decreased from 9.4% to 9.0% from the previous quarter.

Long-term financial planning. The community approved bond propositions in November 2010 for quality of life projects which included an aquatic facility, improvements to the baseball fields and soccer fields, building a new animal adoption facility, and improvements to Main Street. The only remaining project are the Main Street improvements.

In November 2015, the City placed 2 bond propositions before the voters totaling \$15 million. \$7 million was for FM roadways which the City will partner with the Texas Department of Transportation, who will provide matching funds, and \$8 million for a new Fire Station located in the southern portion of Schertz. \$2 million for the FM roadways have been issued and sent to the Texas Department of Transportation for improvements on FM 1103 as of July 2018. In June 2018, the second \$4 million was issued for the Fire Station to begin construction. The fire station was completed in November 2020.

Current Year Budget Initiatives. For FY 2020-21, the City is using the momentum from the previous year and is putting an additional \$500,000 into city infrastructure from the General Fund Fund Balance and undergoing a new Comprehensive Land Use Plan. Due to growing needs the City will also hire a Police Captain and Senior Planner.

Financial Information:

Internal Control. Management is responsible for establishing and maintaining internal controls designed to ensure that assets of the City are protected from loss, theft or misuse and to provide adequate accounting information compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The internal control system is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of an internal control should not exceed the benefits derived from the internal control. The City utilizes financial accounting software which is designed with a system of internal controls. These controls are continually being reevaluated to provide reasonable, but not absolute, assurances.

Budget Controls. The City also utilizes budgetary controls. Legally expenditures cannot exceed the appropriated amount. The objective of these budgetary controls is to ensure compliance with the adopted budget approved by the City Council as mandated by the city charter and state law. The levels of budgetary control are established at the line-item basis and at the fund level. Staff believes these controls help monitor and direct approved expenditures to a level within the budget parameters which directly results in a strong financial performance.

Financial Results. Assets and fund balances continue to grow as the City grows and financial results remain strong. While additional debt was issued during the year, Staff closely monitors and plans the amount of issuance to keep steady debt ratios per capita, per revenue, and per operations tax rate to the debt tax rate. Examples of these ratios can be found in the Statistical Section on pages 121, 123, 125, and 127. A more detailed summary of the City's Financial Performance is available in the Management Discussion and Analysis section on page 4.

Independent Audit. Every year an independent audit is performed of the general ledger, accounts, financial records, and transactions of all city departments. The audit is completed by an independent certified public accounting firm selected by the City Council. The City is in compliance with this requirement and the independent auditor's report by Pattillo, Brown & Hill, LLP. Certified Public Accountants, has been included in this report.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Schertz for its comprehensive annual financial report for the fiscal year ended September 30, 2019. This was the 35th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

In conclusion, we would have none of the success we have enjoyed without the assistance of each and every staff member, as well as the support and strategic direction from the Mayor and the City Council during the strategic planning, pre-budget, and budget approval process.

Respectfully submitted,



James M. Browne
City Manager



James P. Walters
Finance Director

CITY OF SCHERTZ, TEXAS

CITY OFFICIALS

MAYOR

MAYOR PRO-TEM

CITY COUNCIL

RALPH GUTIERREZ

ROSEMARY SCOTT

MARK E. DAVIS

SCOTT LARSON

MICHAEL DAHLE

DAVID SCAGLIOLA

ALLISON HEYWARD

TIM BROWN

JAMES M. BROWNE

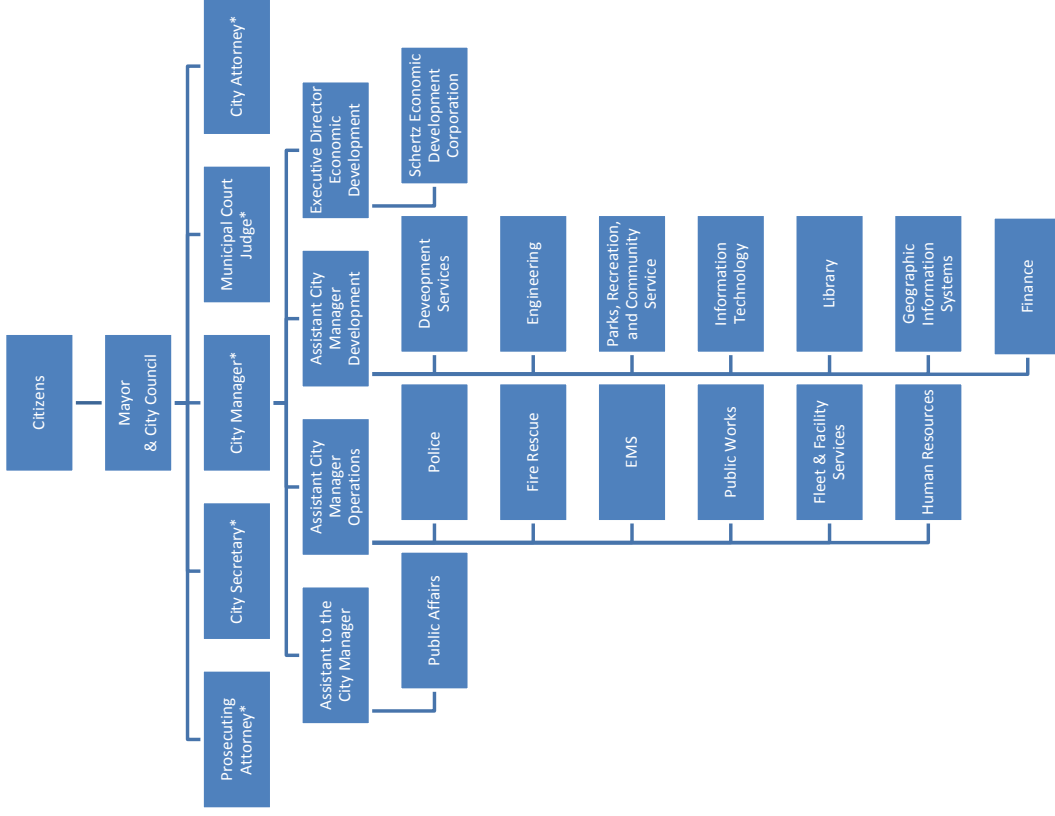
CITY MANAGER

JAMES WALTERS

DIRECTOR OF FINANCE

CHARLES ZECH, DENTON, NAVARRO, ROCHA, BERNAL & ZECH, P. C.

**CITY OF SCHERTZ
ORGANIZATIONAL CHART
FY 2019-20**



*Appointed by City Council



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Schertz
Texas**

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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2019

Christopher P. Morill
Executive Director/CEO

FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
 401 West State Highway 6
 Waco, Texas 76710
 254-772-4901 | pbhpa.com

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, 2020, 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 10.0 percent and 11.9 percent, respectively, of the assets and net position of the Water and Sewer Fund, and 9.7 percent and 11.8 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 or 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, 2020, 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

We have previously audited the City of Schertz, Texas' fiscal year 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 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 19, 2021, 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.

Patillo, Brown & Hill, L.L.P.

Waco, Texas
March 19, 2021

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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, 2020. 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 \$243,392,976 (net position). Of this amount, \$34,728,518 (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 \$7,756,417. The primary reason for this increase was a decrease in the City's net pension liability of approximately \$4.1 million from the prior year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$50,993,654, a decrease of \$5,840,724 in comparison with the prior year. The primary cause of this decrease was a payment of \$3.7 million by the City of Schertz Economic Development Corporation to Schertz 312, LLC related to an economic development performance agreement.

At the end of the fiscal year, the combined total of the General Fund assigned and unassigned fund balances was \$12,098,536 which is 35.51% of the general fund expenditures not including capital outlay. The fund balance policy is to reserve at least a 26% balance.

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 and deferred outflows exceeded liabilities and deferred inflows by \$243,392,976 at the close of the most recent fiscal year. The largest portion of the City's total net position (68%) 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 (18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$34,728,518, 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.

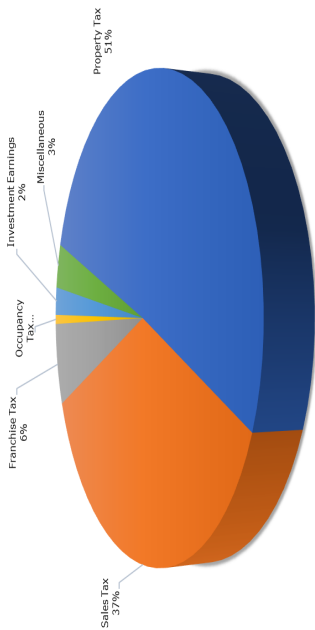
	City of Schertz's Net Position Government-Wide		
	Governmental Activities	Business-Type Activities	Total
	2020	2019	2020
Current and other assets	\$ 62,199,597	\$ 62,483,126	\$ 54,664,167
Capital assets	144,079,930	143,600,297	92,643,825
Total assets	206,279,527	206,083,423	147,307,992
Deferred outflows of resources	3,267,540	5,026,512	806,262
Current liabilities	12,527,345	8,595,801	5,245,378
Long-term liabilities	73,002,458	81,400,396	20,706,167
Total liabilities	85,529,803	89,996,197	25,951,545
Deferred inflows of resources	2,235,923	434,900	551,074
Net position:			
Unrestricted	88,959,102	89,849,766	75,969,319
Restricted	28,664,438	28,088,355	15,071,599
Total net position	\$ 121,781,341	\$ 120,878,838	\$ 121,611,635

	City of Schertz's Net Position Government-Wide		
	Governmental Activities	Business-Type Activities	Total
	2020	2019	2020
Charges for services	\$ 5,619,998	\$ 5,080,958	\$ 35,824,170
Operating grants & contributions	2,113,673	692,042	-
Capital contributions	531,096	1,319,793	292,408
Property taxes	19,844,912	19,151,005	-
Other taxes	17,076,462	15,439,226	-
Investment earnings	804,674	1,470,258	431,555
Miscellaneous	767,799	984,257	706,296
Total revenues	46,758,611	44,137,539	37,254,429
General government	10,310,363	6,534,013	-
Public safety	16,575,191	15,448,886	-
Public environment	8,825,099	5,495,192	-
Parks and recreation	3,012,134	3,022,278	-
Cultural	1,089,564	1,119,660	-
Administration	3,419,407	3,853,255	-
Interest and other fees	2,028,065	2,196,180	-
Water and sewer	-	-	24,349,219
EMS	-	-	6,051,296
Total expenses	45,856,111	38,186,344	30,400,515
Increase in net position before transfers	902,503	5,951,195	6,853,914
Transfers	-	(81,525)	-
Change in net position	902,503	5,869,670	6,853,914
Net position - beginning of year	120,878,838	115,009,168	114,757,721
Prior period adjustment	-	-	11,416,770
Net position - end of year	\$ 121,781,341	\$ 120,878,838	\$ 121,611,635

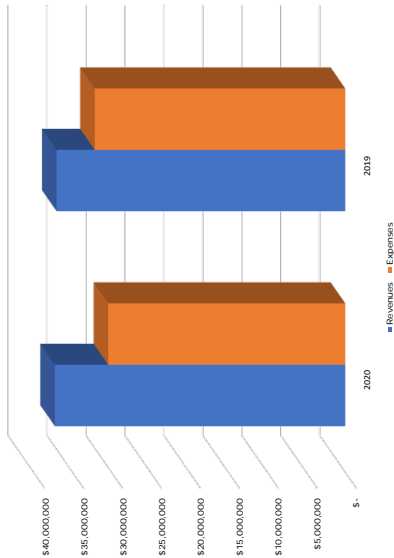
The government's net position increased by \$7,756,417 during the current fiscal year. Approximately \$4.1 million of this increase represents a decrease in the City's net pension liability from the previous year. The following table indicates changes in net position for governmental and business-type 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
	2020	2019	2020
Program revenues:			
Charges for services	\$ 5,619,998	\$ 5,080,958	\$ 35,824,170
Operating grants & contributions	2,113,673	692,042	-
Capital contributions	531,096	1,319,793	292,408
Property taxes	19,844,912	19,151,005	-
Other taxes	17,076,462	15,439,226	-
Investment earnings	804,674	1,470,258	431,555
Miscellaneous	767,799	984,257	706,296
Total revenues	46,758,611	44,137,539	37,254,429
Expenses:			
General government	10,310,363	6,534,013	-
Public safety	16,575,191	15,448,886	-
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Net position - end of year	\$ 121,781,341	\$ 120,878,838	\$ 121,611,635

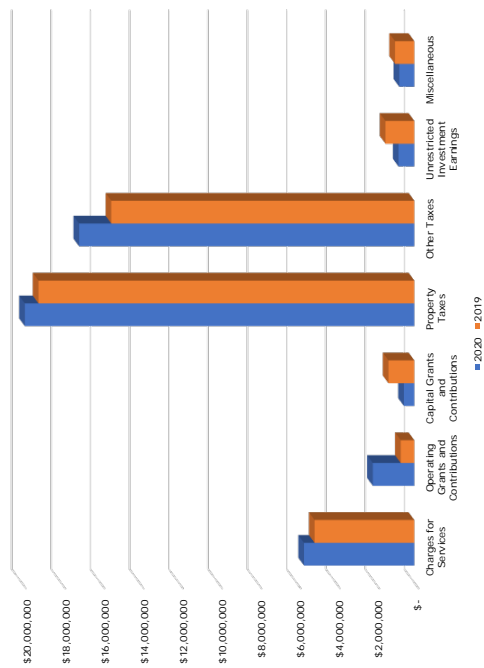
GENERAL REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



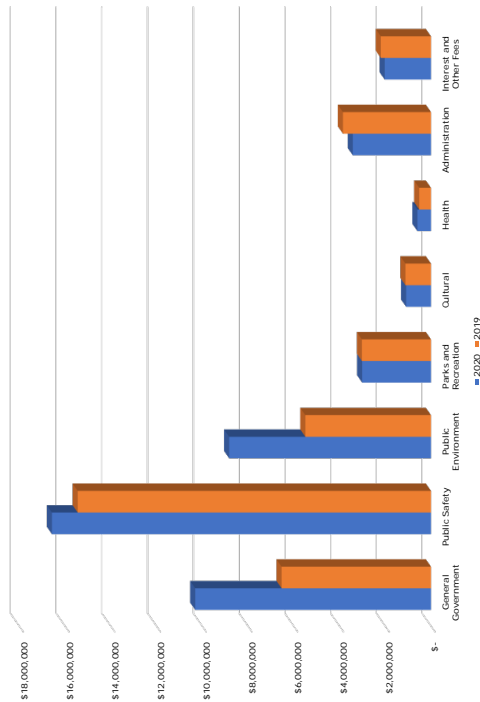
TOTAL REVENUES AND EXPENSES – BUSINESS-TYPE ACTIVITIES



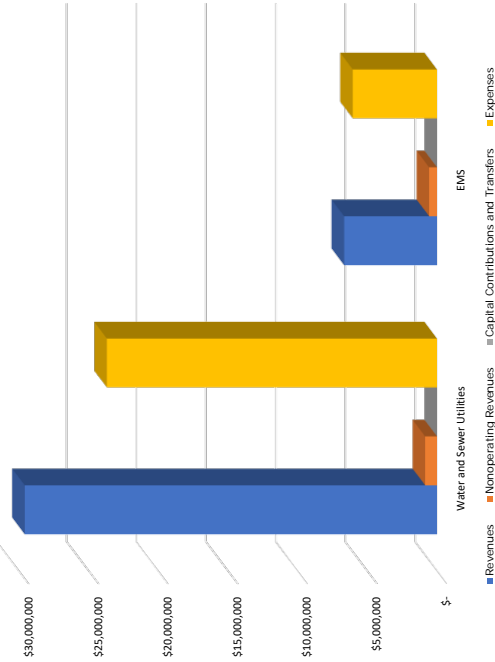
TOTAL REVENUES – GOVERNMENT-WIDE



TOTAL EXPENSES – GOVERNMENT-WIDE



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 \$50,993,654. Of this total amount, \$10,126,057 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 \$10,126,057, while total fund balance was \$14,897,460, a decrease of \$2,568,208 from the prior year. Overall, the decrease was caused by a large budgeted transfer out for capital projects, but the fund also experienced increases in property and sales tax revenues in spite of the COVID-19 pandemic. 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 35.51% of total general fund expenditures, not including capital outlay.

The debt service fund has a total fund balance of \$785,919, 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 \$216,307. This decrease was due to regular principal and interest payments on long-term debt exceeding interest and sinking property tax revenue during the year. Over time, however, the debt service fund has sufficient cash and equivalents on hand to remain liquid.

The capital projects fund has a total fund balance of \$10,137,558, a decrease of \$3,050,113. This decrease was caused by the expenditure of accumulated funds for planned capital projects, which were supplemented by amounts transferred from the general and Economic Development Corporation funds.

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 year end, the EDC fund reported an ending fund balance of \$21,018,626, which is a decrease of \$758,630 compared to the prior year. The primary cause of this change was a planned use of fund balance that was less than the \$3 million budgeted.

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 \$29,368,969 and those for the Schertz EMS fund amounted to \$1,201,748, which are 124% and 20% of fund operating costs, respectively.

General Fund Budgetary Highlights

The General Fund expenditures were \$2,129,055 less than the \$31,816,758 budget. This was the result of cost savings across most of the General Fund due to decreased demand for services. Generally, activities citywide decreased because of the COVID-19 pandemic beginning in March 2020. Revenues were \$592,075 more than budgeted, primarily due to increased property and sales tax revenues over the budgeted amount. Overall, ending fund balance in the general fund was \$2,326,686 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, 2020, amounts to \$236,723,755 (net of accumulated depreciation). Developers contributed \$823,504 in infrastructure during the year. The City also has several projects in progress from voter approved bonds.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 8,074,199	\$ 8,073,199	\$ 1,844,488	\$ 1,696,942	\$ 9,918,687	\$ 9,770,141
Buildings and Improvements	44,447,749	46,367,441	70,245	70,245	70,245	70,245
Machinery, equipment, and vehicles	14,552,416	12,958,097	5,976,040	6,007,550	20,528,456	18,965,647
Infrastructure	1,045,232	1,414,346	100,568,293	108,248,855	204,533,785	210,707,011
Construction in progress	24,891,912	21,476,612	36,737,046	36,737,046	42,628,962	40,213,657
Accumulated depreciation	(67,766,786)	(62,058,454)	(36,737,046)	(35,998,689)	(104,503,832)	(98,057,143)
TOTALS	\$ 144,079,930	\$ 143,800,297	\$ 92,643,825	\$ 86,809,556	\$ 236,723,755	\$ 230,609,853

Significant capital asset activity for the year included continued construction on the Corbett Elevated Tank project for \$2.5 million, various sewer system improvements amounting to \$3.6 million, and an additional \$1 million spent on the new Fire Station 3.

Additional information on the City's capital assets can be found in the notes to the basic financial statements.

LONG TERM DEBT

At the end of the current fiscal year, the City of Schertz had total long-term debt outstanding of \$79,905,573. 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 "AAA+" rating from Standard and Poors.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 44,620,000	\$ 48,320,000	\$ 3,685,000	\$ 4,445,000	\$ 48,305,000	\$ 52,765,000
Certificates of obligation	15,235,000	16,235,000	11,505,000	12,330,000	26,740,000	28,565,000
Tax notes and leases	362,134	555,699	282,468	659,421	644,602	1,215,120
Premium on bonds	2,170,381	2,338,297	828,781	871,608	2,999,162	3,209,905
Compensated absences	967,540	1,226,399	249,269	336,139	1,216,809	1,562,538
TOTALS	\$ 63,355,055	\$ 68,675,395	\$ 16,550,518	\$ 18,642,168	\$ 79,905,573	\$ 87,317,563

Total debt decreased compared to the prior year due to continued payment on existing debt without any additional issuances. Additional information on the City's long-term debt can be found in the notes to the basic financial statements.

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 \$14.2 million. The City of Schertz has appropriated \$1.1 million of this amount for spending in the 2021 fiscal year budget in accordance to the City's fund balance policy. The approved tax rate decreased from \$0.5146 to \$0.5087 per \$100 of valuation.

The City also considered the effects of the ongoing COVID-19 pandemic. Although the pandemic has resulted in an economic downturn and presents significant future uncertainty, the City's property tax revenues were not significantly affected, as those tax revenues were due in January before the pandemic began. 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**

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CITY OF SCHERTZ, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 48,999,891	\$ 13,084,856	\$ 62,084,747
Investments	4,677,758	1,139,981	5,817,739
Receivables, net of allowances:			
Taxes	3,332,944	-	3,332,944
Accounts and other	3,420,493	6,538,364	9,958,857
Service concession arrangement receivable	90,909	-	90,909
Accrued interest	-	6,324	6,324
Inventories	99,871	236,682	336,553
Prepays	14,916	2,311	17,227
Internal balances	(16,139)	16,139	-
Total Current Assets	60,620,643	21,024,657	81,645,300
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	867,708	17,504,886	18,372,594
Investments	-	1,831,586	1,831,586
Service concession arrangement receivable	711,246	-	711,246
Investment in joint venture	-	14,303,038	14,303,038
Capital assets:			
Land	8,074,199	1,844,488	9,918,687
Water rights	-	70,245	70,245
Buildings and improvements	44,447,749	3,635,532	48,083,281
Equipment and vehicles	14,552,416	5,976,040	20,528,456
Infrastructure	119,945,442	100,588,293	220,533,735
Construction in progress	24,826,910	17,266,273	42,093,183
Accumulated depreciation	(67,766,786)	(36,737,046)	(104,503,832)
Total Noncurrent Assets	145,658,884	126,283,335	271,942,219
Total Assets	206,279,527	147,307,992	353,587,519
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on debt refunding	591,766	40,743	632,509
Deferred OPEB related outflows	464,967	133,129	598,096
Deferred pension related outflows	2,210,807	632,390	2,843,197
Total Deferred Outflows of Resources	3,267,540	806,262	4,073,802
LIABILITIES			
Current liabilities:			
Accounts payable	5,446,713	3,491,409	8,938,122
Accrued liabilities	1,209,493	321,460	1,530,953
Retainage payable	111,135	332,514	443,649
Due to other governments	123,911	-	123,911
Unearned revenue	39,159	444,762	483,921
Accrued interest payable	328,322	95,042	423,364
Customer deposits	7,040	560,191	567,231
Total Current Liabilities	7,265,773	5,245,378	12,511,151

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

CITY OF SCHERTZ, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES (continued)			
Noncurrent liabilities:			
Current Portion:			
Compensated absences	\$ 193,508	\$ 56,048	\$ 249,556
Total OPEB liability	49,258	14,087	63,345
Service concession arrangement	55,241	-	55,241
Long-term debt	4,963,565	1,856,953	6,820,518
Long-term liabilities:			
Compensated absences	774,032	224,190	998,222
Total OPEB liability	2,263,331	647,333	2,910,664
Net pension liability	12,108,954	3,463,260	15,572,214
Service concession arrangement	432,191	-	432,191
Long-term debt	57,423,950	14,444,296	71,868,246
Total Non Current Liabilities	78,264,030	20,706,167	98,970,197
Total Liabilities	85,529,803	25,951,545	111,481,348
DEFERRED INFLOWS OF RESOURCES			
Deferred service concession arrangement	314,723	-	314,723
Deferred OPEB related inflows	390,190	111,750	501,940
Deferred pension related inflows	1,531,010	439,324	1,970,334
Total Deferred Inflows of Resources	2,235,923	551,074	2,786,997
NET POSITION			
Net investment in capital assets	88,959,102	75,969,319	164,928,421
Restricted for:			
Police and municipal court	2,008,135	-	2,008,135
PEG capital fees	807,140	-	807,140
Tourism development	2,116,464	-	2,116,464
Economic development	21,018,626	-	21,018,626
Parks and tree mitigation	755,464	-	755,464
Debt service	906,735	-	906,735
Scholarships and other purposes	1,051,874	-	1,051,874
Construction	-	15,071,599	15,071,599
Unrestricted	4,157,801	30,570,717	34,728,518
Total Net Position	\$ 121,781,341	\$ 121,611,635	\$ 243,392,976

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

CITY OF SCHERTZ, TEXAS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Primary government:	Expenses		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Functions/Programs	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 10,310,363	\$ 836,246	\$ -	\$ -	\$ (9,474,117)	\$ -	\$ (9,474,117)
Public safety	16,575,191	3,276,129	2,100,164	-	(11,198,898)	-	(11,198,898)
Public environment	8,825,099	850,201	-	531,096	(7,443,802)	-	(7,443,802)
Parks and recreation	3,012,134	331,174	-	-	(2,680,960)	-	(2,680,960)
Cultural	1,089,564	299,944	13,509	-	(776,111)	-	(776,111)
Health	596,288	26,304	-	-	(569,984)	-	(569,984)
Administration	3,419,407	-	-	-	(3,419,407)	-	(3,419,407)
Interest	2,028,065	-	-	-	(2,028,065)	-	(2,028,065)
Total Governmental Activities	<u>45,856,111</u>	<u>5,619,998</u>	<u>2,113,673</u>	<u>531,096</u>	<u>(37,591,344)</u>	<u>-</u>	<u>(37,591,344)</u>
Business-type activities:							
Water and sewer	24,349,219	29,709,279	-	292,408	-	5,652,468	5,652,468
EMS	6,051,296	6,114,891	-	-	-	63,595	63,595
Total Business-Type Activities	<u>30,400,515</u>	<u>35,824,170</u>	<u>-</u>	<u>292,408</u>	<u>(37,591,344)</u>	<u>5,716,063</u>	<u>5,716,063</u>
Total Primary Government	<u>\$ 76,256,626</u>	<u>\$ 41,444,168</u>	<u>\$ 2,113,673</u>	<u>\$ 823,504</u>	<u>(37,591,344)</u>	<u>5,716,063</u>	<u>(31,875,281)</u>
General revenues:							
Taxes:							
Ad valorem					19,844,912		19,844,912
Sales					14,432,152		14,432,152
Franchise fees					2,305,225		2,305,225
Hotel/motel					268,946		268,946
Mixed drink					70,139		70,139
Investment earnings					804,674	431,555	1,236,229
Miscellaneous					767,799	706,296	1,474,095
Total General Revenues					<u>38,493,847</u>	<u>1,137,851</u>	<u>39,631,698</u>
Change in Net Position					<u>902,503</u>	<u>6,853,914</u>	<u>7,756,417</u>
Net Position - Beginning					<u>120,878,838</u>	<u>114,757,721</u>	<u>235,636,559</u>
Net Position - Ending					<u>\$ 121,781,341</u>	<u>\$ 121,611,635</u>	<u>\$ 243,392,976</u>

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

CITY OF SCHERTZ, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 11,379,721	\$ 10,677,080	\$ 785,919	\$ 22,032,946	\$ 4,124,225	\$ 48,999,891
Investments	2,507,998	-	-	2,169,760	-	4,677,758
Receivables (net of allowances)	-	-	-	-	-	-
Taxes	2,393,311	-	120,816	818,817	-	3,332,944
Accounts and other	3,381,019	-	-	7,949	31,525	3,420,493
Inventory	99,871	-	-	-	-	99,871
Prepaid items	14,916	-	-	-	-	14,916
Restricted assets:						
Cash and cash equivalents	867,708	-	-	-	-	867,708
Total Assets	<u>20,644,544</u>	<u>10,677,080</u>	<u>906,735</u>	<u>25,029,472</u>	<u>4,155,750</u>	<u>61,413,581</u>
LIABILITIES						
Accounts payable	1,005,821	428,387	-	4,010,846	1,659	5,446,713
Accrued salaries and benefits	1,209,493	-	-	-	-	1,209,493
Retainage payable	-	111,135	-	-	-	111,135
Customer deposits	7,040	-	-	-	-	7,040
Due to other governments	123,911	-	-	-	-	123,911
Due to other funds	16,139	-	-	-	-	16,139
Unearned revenues	39,159	-	-	-	-	39,159
Total Liabilities	<u>2,401,563</u>	<u>539,522</u>	<u>-</u>	<u>4,010,846</u>	<u>1,659</u>	<u>6,953,590</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	3,345,521	-	120,816	-	-	3,466,337
Total Deferred Inflows of Resources	<u>3,345,521</u>	<u>-</u>	<u>120,816</u>	<u>-</u>	<u>-</u>	<u>3,466,337</u>
FUND BALANCES						
Nonspendable for:						
Inventory	99,871	-	-	-	-	99,871
Prepaid items	14,916	-	-	-	-	14,916
Restricted for:						
Police and public safety/municipal court	226,092	-	-	-	255,787	481,879
Municipal court	823,452	-	-	-	-	823,452
PEG capital fees	807,140	-	-	-	-	807,140
Capital improvement	-	6,065,616	-	-	937,627	7,003,243
Debt service	-	-	785,919	-	-	785,919
Tourism development	-	-	-	-	2,116,464	2,116,464
Parks and tree mitigation	-	-	-	-	755,464	755,464
Historical Committee and library	-	-	-	-	88,749	88,749
Economic development	-	-	-	21,018,626	-	21,018,626
Animal control	33,408	-	-	-	-	33,408
Veterans	2,109	-	-	-	-	2,109
Scholarships	104,156	-	-	-	-	104,156
Committed for:						
Capital Projects	-	4,071,942	-	-	-	4,071,942
Civic Center/CIED	687,780	-	-	-	-	687,780
Assigned for:						
Property replacement	891,319	-	-	-	-	891,319
Subsequent year's budget	1,081,160	-	-	-	-	1,081,160
Unassigned	10,126,057	-	-	-	-	10,126,057
Total Fund Balances	<u>14,897,460</u>	<u>10,137,558</u>	<u>785,919</u>	<u>21,018,626</u>	<u>4,154,091</u>	<u>50,993,654</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>20,644,544</u>	\$ <u>10,677,080</u>	\$ <u>906,735</u>	\$ <u>25,029,472</u>	\$ <u>4,155,750</u>	\$ <u>61,413,581</u>

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

CITY OF SCHERTZ, TEXAS

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

SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds	\$	50,993,654
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.		144,079,930
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.	(61,184,674)
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.	(328,322)
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	(2,170,381)
Deferred loss		591,766
Receivables from grants, 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.		3,466,337
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	(12,108,954)
Deferred outflows related to pensions		2,210,807
Deferred inflows related to pensions	(1,531,010)
Total OPEB liability	(2,312,589)
Deferred outflows related to OPEB		464,967
Deferred inflows related to OPEB	(390,190)
Net Position of Governmental Activities	\$	<u>121,781,341</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, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 25,000,163	\$ -	\$ 6,714,516	\$ 4,819,288	\$ 268,946	\$ 36,802,913
Permits and fees	1,750,837	-	-	-	56,427	1,807,264
Service fees	1,724,150	-	-	-	859,448	2,583,598
Fines and fees	833,148	-	-	-	47,509	880,657
Intergovernmental	951,604	-	-	-	-	951,604
Investment earnings	300,369	154,977	19,900	288,740	40,688	804,674
Miscellaneous	559,393	132,901	75,000	-	505	767,799
Total Revenues	<u>31,119,664</u>	<u>287,878</u>	<u>6,809,416</u>	<u>5,108,028</u>	<u>1,273,523</u>	<u>44,598,509</u>
EXPENDITURES						
Current:						
General government	5,381,790	-	-	4,886,456	96,123	10,364,369
Public safety	15,324,530	-	-	-	42,063	15,366,593
Public environment	1,270,894	-	-	-	-	1,270,894
Parks and recreation	2,067,649	-	-	-	34,434	2,102,083
Cultural	1,034,435	-	-	-	10,456	1,044,891
Health	589,616	-	-	-	-	589,616
Administration	2,799,004	-	-	480,202	74,428	3,353,634
Capital outlay	1,175,241	7,837,991	-	-	263,654	9,276,886
Debt service:						
Principal	44,544	-	4,885,000	-	-	4,929,544
Interest and fiscal charges	-	-	2,136,523	-	-	2,136,523
Bond issue costs	-	-	4,200	-	-	4,200
Total Expenditures	<u>29,687,703</u>	<u>7,837,991</u>	<u>7,025,723</u>	<u>5,366,658</u>	<u>521,158</u>	<u>50,439,233</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,431,961</u>	<u>(7,550,113)</u>	<u>(216,307)</u>	<u>(258,630)</u>	<u>752,365</u>	<u>(5,840,724)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	4,500,000	-	-	169	4,500,169
Transfers out	(4,000,169)	-	-	(500,000)	-	(4,500,169)
Total Other Financing Sources (Uses)	<u>(400,169)</u>	<u>4,500,000</u>	<u>-</u>	<u>(500,000)</u>	<u>169</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(2,568,208)</u>	<u>(3,050,113)</u>	<u>(216,307)</u>	<u>(758,630)</u>	<u>752,534</u>	<u>(5,840,724)</u>
FUND BALANCES - BEGINNING	<u>17,465,668</u>	<u>13,187,671</u>	<u>1,002,226</u>	<u>21,777,256</u>	<u>3,401,557</u>	<u>56,834,378</u>
FUND BALANCES - ENDING	<u>\$ 14,897,460</u>	<u>\$ 10,137,558</u>	<u>\$ 785,919</u>	<u>\$ 21,018,626</u>	<u>\$ 4,154,091</u>	<u>\$ 50,993,654</u>

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

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, 2020

Net Changes in Fund Balances - Governmental Funds

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

Depreciation expense

The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, or donations) is to decrease net position.

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

Grants

Property taxes

Court fines

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.

Repayment of principal of long-term debt

Amortization of:

Loss on refunding

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

Net pension liability

Total OPEB liability

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.

Change in Net Position of Governmental Activities

\$(5,840,724)

(6,893,784)

(6,612,811)

(1,340)

(1,526,256)

(15,708)

118,461

5,061,481

(80,729)

258,859

(263,110)

(167,387)

25,471

902,503

CITY OF SCHERTZ, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2020

	Business-Type Activities		Total Enterprise Fund	Governmental Activities
	Water and Sewer System	Schertz EMS		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 11,686,996	\$ 1,397,860	\$ 13,084,856	\$ -
Investments	1,139,981	-	1,139,981	-
Accounts receivable, net of allowance:				
Customer accounts	4,052,754	2,485,610	6,538,364	-
Due from other funds	-	16,139	16,139	-
Accrued interest	6,324	6,324	12,648	-
Inventory	112,717	123,965	236,682	-
Prepays	-	2,311	2,311	-
Total Current Assets	16,998,772	4,025,885	21,024,657	-
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	17,504,886	-	17,504,886	-
Investments	1,831,586	-	1,831,586	-
Investment in joint ventures	14,303,038	-	14,303,038	-
Capital assets:				
Land	1,844,488	-	1,844,488	-
Water rights	70,245	-	70,245	-
Buildings and improvements	3,635,532	-	3,635,532	-
Machinery, equipment, and vehicles	3,231,083	2,744,957	5,976,040	-
Infrastructure	100,588,293	-	100,588,293	-
Construction in progress	17,266,273	-	17,266,273	-
Less: accumulated depreciation	(34,684,251)	(2,052,795)	(36,737,046)	-
Total Noncurrent Assets	125,591,173	692,162	126,283,335	-
Total Assets	142,589,945	4,718,047	147,307,992	-
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	40,743	-	40,743	-
Deferred OPEB related outflows	76,987	56,142	133,129	-
Deferred pension related outflows	235,622	396,768	632,390	-
Total Deferred Outflows of Resources	353,352	452,910	806,262	-

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

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

CITY OF SCHERTZ, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2020

	Business-Type Activities Enterprise Funds		Governmental Activities Internal Service Fund
	Water and Sewer System	Schertz EMS	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,415,313	\$ 76,096	\$ -
Accrued liabilities	110,467	210,993	-
Retainage payable	332,514	-	-
Customer deposits	560,191	-	-
Accrued interest	92,897	2,145	-
Unearned revenue	444,738	24	-
Current portion of long-term liabilities:			
Compensated absences	25,206	30,842	-
Total OPEB liability	5,289	8,798	-
Long-term debt	1,680,000	176,953	-
Total Current Liabilities	6,666,615	505,851	-
Noncurrent liabilities:			
Compensated absences	100,823	123,367	-
Total OPEB liability	347,542	299,791	-
Net pension liability	1,300,280	2,162,980	-
Long-term debt	14,256,021	188,275	-
Total Noncurrent Liabilities	16,004,666	2,774,413	-
Total Liabilities	22,671,281	3,280,264	-
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB related inflows	55,943	55,807	-
Deferred pension related inflows	133,120	306,204	-
Total Deferred Outflows of Resources	189,063	362,011	-
NET POSITION			
Net investment in capital assets	75,642,385	326,934	-
Restricted for construction	15,071,599	-	-
Unrestricted	29,368,969	1,201,748	-
Total Net Position	\$ 120,082,953	\$ 1,528,682	\$ 121,611,635

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

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities Enterprise Funds		Governmental Activities Internal Service Fund
	Water and Sewer System	Schertz EMS	
OPERATING REVENUES			
Fees charged to users	\$ 29,354,240	\$ 6,114,891	\$ 35,469,131
Charges for premiums	-	-	-
Other charges	82,921	-	82,921
Miscellaneous	134,344	551,952	706,296
Total Operating Revenues	29,591,505	6,666,843	36,258,348
OPERATING EXPENSES			
Personnel services	2,544,981	4,106,827	6,651,808
General and administrative	2,944,215	564,911	3,509,126
Contractual services	14,809,760	674,540	15,484,300
Supplies and maintenance	892,011	371,259	1,263,270
Depreciation	2,504,881	329,218	2,834,099
Total Operating Costs	23,695,848	6,046,755	29,742,603
Operating Income (Loss)	5,895,657	620,088	6,515,745
NON-OPERATING REVENUES (EXPENSES)			
Investment revenue	420,916	10,639	431,555
Lease revenue	272,118	-	272,118
Interest expense	(653,371)	(4,541)	(657,912)
Total Non-Operating Revenues (Expenses)	39,663	6,098	45,761
Income before contributions	5,935,320	626,186	6,561,506
Capital contributions	292,408	-	292,408
CHANGE IN NET POSITION			
NET POSITION - BEGINNING	6,227,728	626,186	6,853,914
NET POSITION - END OF YEAR	113,855,225	902,496	114,757,721
	\$ 120,082,953	\$ 1,528,682	\$ 121,611,635

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

CITY OF SCHERTZ, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities Enterprise Funds		Total Enterprise	Governmental Activities Internal Service Fund
	Sewer System	Schertz EMS		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 29,475,501	\$ 7,028,440	\$ 36,503,941	\$ -
Cash received from interfund services	(2,256,072)	(4,301,834)	(6,557,906)	(3,367,441)
Cash paid to employees for services	(21,121,626)	(1,624,259)	(22,745,885)	-
Cash paid to suppliers for goods and services	6,097,753	1,102,347	7,200,100	-
Net Cash Provided By operating Activities	\$ 29,191,882	\$ 1,397,860	\$ 30,589,742	\$ -
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(8,300,305)	(84,138)	(8,384,443)	-
Interest paid on long-term debt	(394,102)	5,879	(388,223)	-
Principal paid on long-term debt	(1,895,000)	(350,133)	(2,255,133)	-
Net Cash Used in Capital and Related Financing Activities	(10,589,407)	(438,392)	(11,027,799)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	27,577,692	616,919	28,194,611	-
Payments from leases	272,118	-	272,118	-
Interest and investment earnings	420,916	10,639	431,555	-
Net Cash Provided By (Used in) Investing Activities	28,270,726	627,558	28,898,284	-
Net (Decrease) Increase in Cash and Cash Equivalents	23,779,072	1,291,513	25,070,585	-
Cash and cash equivalents at beginning of year:				
Cash and cash equivalents	1,955,132	106,347	2,061,479	-
Restricted cash and cash equivalents	3,457,678	-	3,457,678	-
Cash and cash equivalents at end of year	5,412,810	106,347	5,519,157	-
Cash and cash equivalents	11,686,996	1,397,860	13,084,856	-
Restricted cash and cash equivalents	17,504,886	-	17,504,886	-
	\$ 29,191,882	\$ 1,397,860	\$ 30,589,742	\$ -

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

CITY OF SCHERTZ, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities Enterprise Funds		Total Enterprise	Governmental Activities Internal Service Fund
	Sewer System	Schertz EMS		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 5,895,657	\$ 620,088	\$ 6,515,745	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	(2,504,881)	329,218	2,834,099	-
Change in investment in joint venture	(2,886,268)	-	(2,886,268)	-
Decrease (increase) in accounts receivable	(57,065)	362,724	305,659	-
Decrease (increase) in inventory	(27,702)	(62,059)	(89,761)	-
Decrease (increase) in prepaids	-	(2,311)	(2,311)	-
Increase (decrease) in deferred pension outflows	166,030	392,631	558,661	-
Increase (decrease) in deferred OPEB outflows	(57,969)	(18,764)	(76,733)	-
Increase (decrease) in accounts payable	438,280	50,821	489,101	-
Increase (decrease) in accrued liabilities	31,875	-	31,875	-
Increase (decrease) in customer deposits	(72,589)	(1,135)	(73,724)	-
Increase (decrease) in unearned revenue	13,650	8	13,658	-
Increase (decrease) in compensated absences	6,329	(62,230)	(55,901)	-
Increase (decrease) in net pension liability	(178,259)	(742,911)	(921,170)	-
Increase (decrease) in deferred OPEB inflows	46,950	38,133	85,083	-
Increase (decrease) in deferred pension inflows	131,184	302,398	433,582	-
Increase (decrease) in total OPEB liability	142,769	(104,264)	38,505	-
Net cash provided by operating activities	\$ 6,097,753	\$ 1,102,347	\$ 7,200,100	\$ -
SCHEDULE OF NON-CASH CAPITAL ACTIVITIES				
Developer contributions of capital assets	292,408	-	292,408	-

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

CITY OF SCHERTZ, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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 Capital Projects Fund accounts for the acquisition and construction of major capital facilities financed from bond proceeds, grants, and transfers from other funds.

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.

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.

For purposes of the statement of cash flows, the City considers cash and other investments with maturities of three months or less from the date of purchase to be cash and cash equivalents.

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:

Assets	Use Lives (Years)
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, 2020 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, 2020, the City had the following cash, cash equivalents and investments:

	Reported Value	Weighted Average Maturity (days)
Investment type:		
LOGIC	\$ 16,517,388	52
Lone Star Investment Pool	26,805,191	40
Texas CLASS	28,316,948	56
Certificates of Deposit	4,352,113	111
U.S. Agency Securities	3,297,212	389
Subtotal	79,288,852	
Plus: depository and petty cash	8,822,544	
Total cash and investments	\$ 88,111,396	

LOGIC, Lone Star Investment Pool and Texas CLASS are recorded as cash equivalents in the financial statements. All of the pools have redemption notice periods of one day and may redeem daily. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pools' liquidity.

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 Depositor Insurance Corporation, or its successor or the National Credit Union Share Insurance Fund, or its successor or 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, 2020, 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 Home Credit Banks, and U.S. Treasury Notes. As of September 30, 2020, 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, 2020, 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, 2019, upon which the fiscal 2020 levy was based, was \$3,794,711,341 (i.e., market value less exemptions). The estimated market value was \$5,135,969,482, making the taxable value 73.9% 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, 2020, was \$0.5087 per \$100 of assessed value, which means that the City has a tax margin of \$1.9913 for each \$100 value and could increase its annual tax levy by approximately \$75,564,087 based on 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, 2020 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	Debt Service	Water and Sewer Fund	Schertz EMS
Receivables:					
Property taxes	\$ 256,219	\$ -	\$ 128,527	\$ -	\$ -
Sales tax	1,637,634	818,817	-	-	-
Occupancy taxes	-	-	-	-	-
Franchise taxes	493,400	-	-	31,525	-
Customers	-	-	-	-	-
Court fines	3,878,178	-	-	4,183,673	4,850,568
Grants	1,500,854	-	-	-	-
Other	328,344	7,949	-	-	112,189
Gross receivables	8,096,865	826,766	128,527	4,183,673	4,962,757
Less: allowance for uncollectible accounts	(2,322,535)	-	(7,711)	(35,029)	(2,477,147)
Net receivables	\$ 5,774,330	\$ 826,766	\$ 120,816	\$ 4,148,644	\$ 2,485,610

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:

	Unavailable
General Fund	
Grants	\$ 1,526,256
Delinquent property taxes receivable	240,847
Court fines	1,578,418
Total General Fund	3,345,521
Debt Service Fund	
Delinquent property taxes receivable	120,816
Total Debt Service Fund	120,816
Total Governmental Funds	\$ 3,466,337

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	\$ 591,766	\$ 40,743	\$ -	\$ -	\$ 632,509
Related to pensions	2,210,807	235,622	396,768	-	2,843,197
Related to OPEB - SDBF	176,022	17,839	32,554	-	226,415
Related to OPEB - Retiree Health Plan	288,945	28,962	53,774	-	371,681
Total deferred outflow	\$ 3,267,540	\$ 323,166	\$ 483,096	\$ -	\$ 4,073,802
Deferred inflows:					
Service concession arrangement	\$ 314,723	\$ -	\$ -	\$ -	\$ 314,723
Related to pensions	1,531,010	133,120	306,204	-	1,970,334
Related to OPEB - SDBF	100,508	10,039	18,741	-	129,288
Related to OPEB - Retiree Health Plan	289,682	28,533	54,437	-	372,652
Total deferred inflow	\$ 2,235,923	\$ 171,692	\$ 379,382	\$ -	\$ 2,786,997

E. Interfund Balances and Transfers

The composition of interfund balances as of September 30, 2020 is as follows:

	Due From	Due To	Amount	Purpose
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, 2020:

Transfer From	Transfer To	Amount	Purpose
General	Nonmajor governmental	\$ 169	Supplement funds sources
General	Capital Projects	4,000,000	Funding for various capital projects
EDC	Capital Projects	500,000	Funding for various capital projects

F. Capital Assets

Capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Transfers/Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,073,199	\$ 1,000	\$ -	\$ 8,074,199
Construction in progress	21,045,668	3,864,741	(83,499)	24,826,910
Total capital assets not being depreciated	29,118,867	3,865,741	(83,499)	32,901,109
Capital assets being depreciated:				
Buildings and improvements	46,367,441	-	(1,919,692)	44,447,749
Machinery, equipment, and vehicles	12,958,097	2,496,947	(902,638)	14,552,416
Street and infrastructure	117,414,346	531,096	2,000,000	119,945,442
Total assets being depreciated	176,739,884	3,028,043	(822,320)	178,945,607
Less accumulated depreciation for:				
Buildings and improvements	(15,113,305)	(1,569,679)	(140,652)	(16,823,636)
Machinery, equipment, and vehicles	(7,142,846)	(1,177,719)	(889,747)	(7,430,818)
Street and infrastructure	(39,802,303)	(3,865,413)	155,384	(43,512,332)
Total accumulated depreciation	(62,058,454)	(6,612,811)	904,479	(67,766,786)
Total capital assets being depreciated, net	114,681,430	(3,584,768)	82,159	111,178,821
Governmental activities capital assets, net	\$ 143,800,297	\$ 280,973	\$ (1,340)	\$ 144,079,930
				37

H. Long-Term Debt

Changes in long-term debt for the year ending September 30, 2020 are as follows:

	Beginning Balance	Issued	Refunded/Retired	Ending Balance	Amount Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 36,965,000	\$ -	\$(2,350,000)	\$ 34,615,000	\$ 2,350,000
Certificates of Obligation	16,235,000	-	(1,000,000)	15,235,000	1,035,000
General Obligation Bonds-Private Placement	11,355,000	-	(1,350,000)	10,005,000	1,380,000
Tax Notes-					
Private Placement	530,000	-	(185,000)	345,000	190,000
Premium from Debt	2,338,297	-	(167,916)	2,170,381	-
Capital Lease	25,699	-	(8,565)	17,134	8,565
Compensated Absences	1,226,399	182,752	(441,611)	967,540	193,508
Total governmental	\$ 68,675,395	\$ 182,752	\$(5,503,092)	\$ 63,355,055	\$ 5,157,073
Business-type activities:					
General Obligation Bonds	\$ 3,215,000	\$ -	\$(570,000)	\$ 2,645,000	\$ 590,000
Certificates of Obligation	12,330,000	-	(825,000)	11,505,000	850,000
General Obligation Bonds-Private Placement	1,230,000	-	(190,000)	1,040,000	200,000
Tax Notes-					
Private Placement	460,000	-	(310,000)	150,000	150,000
Unamortized Premium	871,608	-	(42,827)	828,781	-
Capital Lease	199,421	-	(66,953)	132,468	66,953
Compensated Absences	336,139	47,894	(134,764)	249,269	49,854
Total business-type	\$ 18,642,168	\$ 47,894	\$(2,139,544)	\$ 16,550,518	\$ 1,906,807

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 \$36.3 million and sales tax revenue was \$14.4 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.

	Beginning Balance	Additions	Transfers/Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,696,942	\$ 147,546	\$ -	\$ 1,844,488
Water rights	70,245	-	-	70,245
Construction in progress	9,248,459	8,017,834	-	17,266,273
Total capital assets, not being depreciated	11,015,626	8,165,380	-	19,181,006
Capital assets being depreciated:				
Buildings and improvements	5,489,184	237,865	(1,853,652)	3,635,532
Machinery, equipment, and vehicles	6,007,550	292,408	(269,375)	5,976,040
Infrastructure	100,295,885	-	-	100,588,293
Total assets being depreciated	11,792,619	530,273	(2,123,027)	110,199,865
Less accumulated depreciation for:				
Buildings and improvements	(2,696,375)	(152,395)	1,880,059	(968,711)
Machinery, equipment, and vehicles	(5,352,311)	(622,266)	215,683	(5,758,894)
Infrastructure	(27,950,003)	(2,059,438)	-	(30,009,441)
Total accumulated depreciation	(35,998,689)	(2,834,099)	2,095,742	(36,737,046)
Total capital assets being depreciated, net	75,793,930	(2,303,826)	(27,285)	73,462,819
Business-type activities capital assets, net	\$ 86,809,556	\$ 5,861,554	\$(27,285)	\$ 92,643,825
Depreciation expense was charged to functions/programs of the primary government as follows:				
Governmental activities:				
General government	\$ 685,676			
Public safety	1,081,765			
Public environment	3,902,377			
Parks and recreation	893,563			
Cultural	42,377			
Administration	7,053			
Total	\$ 6,612,811			
Business-type activities:				
Water and sewer system	\$ 2,504,881			
EMS	329,218			
Total	\$ 2,834,099			
Total Depreciation	\$ 9,446,910			

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	Total
September 30,	
2021	\$ 238,749
2022	250,687
2023	263,221
2024	276,382
2025	290,201
2026-2028	960,602
	\$ 2,279,842

A summary of the terms of long-term debt outstanding at September 30, 2020, is as follows:

	Issue Amount	Maturity	Rate	Balance
Governmental Activities				
General Obligation Bonds				
2011 Series	\$ 8,250,000	2036	3.0% - 6.0%	\$ 6,320,000
2012 Series	7,625,000	2032	2.00%	5,085,000
2014 Series, Refunding	8,450,000	2030	2.0% - 4.0%	7,900,000
2015 Series, Refunding	4,185,000	2031	2.0% - 3.25%	1,830,000
2016 Series	5,880,000	2036	2.0% - 4.0%	4,830,000
2017 Series	3,935,000	2037	2.0% - 4.0%	3,495,000
2018 Series, Refunding	5,830,000	2033	3.125% - 5%	5,155,000
Private Placement Obligations				
2007 Series GO	6,000,000	2027	4.07%	2,590,000
2011A Series GO Refunding	6,745,000	2024	2.33%	2,490,000
2018 Series GO Refunding	6,035,000	2028	2.12%	4,925,000
2015 Tax Notes	245,000	2021	1.75%	40,000
2015A Tax Notes	1,020,000	2023	1.54%	305,000
Certificates of Obligation				
2016 Series A	2,375,000	2036	2.0% - 4.0%	1,685,000
2016 Series B	1,475,000	2036	3.0% - 3.75%	1,250,000
2017 Series	4,935,000	2037	3.0% - 3.75%	4,120,000
2018 Series	4,845,000	2038	3.0% - 5.0%	4,415,000
2019 Series	4,015,000	2039	2.5% - 5%	3,765,000
Total Governmental Long-Term Obligations				\$ 60,200,000

	Issue Amount	Maturity	Rate	Balance
Business-type Activities				
General Obligation Bonds				
2011 Series, Refunding	\$ 2,675,000	2021	2.0% - 3.0%	\$ 240,000
2018 Series, Refunding	2,740,000	2026	3.125% - 5%	2,405,000
Certificates of Obligation				
2013 Series	4,965,000	2033	2.0% - 4.0%	2,690,000
2017 Series	540,000	2022	3.0% - 3.75%	225,000
2018 Series	5,595,000	2028	3.0% - 5.0%	5,235,000
2019 Series	3,480,000	2039	2.5% - 5%	3,355,000
Private Placement obligations				
2013 Series GO Refunding	2,130,000	2025	2.58%	1,040,000
2015 Tax Notes	1,880,000	2021	1.75%	150,000
Total Business-Type Long-Term Obligations				\$ 15,340,000

Annual future debt service requirements of bonded debt as of September 30, 2020, are as follows:

Governmental activities:

Year Ended September 30,	General Obligation Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
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	2,250,000	889,602	3,139,602	905,000	352,719	1,257,719
2026-2030	13,290,000	3,108,828	16,398,828	3,680,000	1,329,200	5,009,200
2031-2035	9,000,000	889,983	9,889,983	4,115,000	706,353	4,821,353
2036-2040	1,435,000	30,613	1,465,613	2,300,000	109,431	2,409,431
Total	\$ 34,615,000	\$ 9,255,360	\$ 43,870,360	\$ 15,235,000	\$ 4,304,003	\$ 19,539,003
			Private Placement Debt			
			General Obligation Bonds			Tax Notes
Year Ended September 30,	Principal	Interest	Total	Principal	Interest	Total
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	1,010,000	88,758	1,098,758	-	-	-
2026-2030	2,755,000	95,698	2,850,698	-	-	-
Total	\$ 10,005,000	\$ 937,178	\$ 10,942,178	\$ 345,000	\$ 7,784	\$ 352,784

Business-type activities:

Year Ended September 30,	General Obligation Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
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	330,613	860,613
2025	435,000	39,375	488,375	550,000	310,550	860,550
2026-2030	450,000	11,250	461,250	3,155,000	1,165,962	4,320,962
2031-2035	-	-	-	3,290,000	547,025	3,837,025
2036-2040	-	-	-	2,015,000	89,944	2,104,944
Total	\$ 2,645,000	\$ 385,825	\$ 3,030,825	\$ 11,505,000	\$ 3,586,544	\$ 15,091,544
			Private Placement Debt			
			General Obligation Bonds			Tax Notes
Year Ended September 30,	Principal	Interest	Total	Principal	Interest	Total
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	215,000	2,774	217,774	-	-	-
2026-2030	-	-	-	-	-	-
Total	\$ 1,040,000	\$ 68,112	\$ 1,108,112	\$ 150,000	\$ 2,625	\$ 152,625

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, 2020:

Assets:	Governmental Activities	Business-type Activities
Equipment	\$ 54,275	\$ 332,967
Less: accumulated depreciation	(28,433)	(198,305)
Total	\$ 25,842	\$ 134,662

Future minimum lease payments are as follows:

	Year Ending September 30,	Governmental Activities	Business-type Activities
2021		\$ 8,565	\$ 67,313
2022		8,569	65,875
Total payments		17,134	133,188
Less: amount representing interest		-	(720)
Present value of minimum lease payments		\$ 17,134	\$ 132,468

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	Water/Sewer	Business-type Activities	Totals
Net pension liability	\$ 12,108,954	\$ 1,300,280	\$ 2,162,980	\$ 15,572,214
Total OPEB liability:				
Due within one year:				
TMRS SDBF	\$ 3,068	\$ 329	\$ 548	\$ 3,945
Retiree health plan	46,190	4,950	8,250	59,400
Total due within one year	49,258	5,289	8,798	63,345
Due in within more than one year:				
TMRS SDBF	626,855	171,814	7,472	806,141
Retiree health plan	1,636,476	1,75,728	292,319	2,104,523
Total due in more than one year	2,263,331	347,542	299,791	2,910,664
Total OPEB liability	\$ 2,312,589	\$ 352,831	\$ 308,589	\$ 2,974,009
	Governmental Activities	Water/Sewer	Business-type Activities	Totals
Pension expense	\$ 2,515,909	\$ 270,162	\$ 449,408	\$ 3,235,479
OPEB expense:				
TMRS SDBF	\$ 61,569	\$ 12,184	\$ 5,169	\$ 78,922
Retiree Health Plan	156,298	33,234	10,710	200,242
Total OPEB expense	\$ 217,867	\$ 45,418	\$ 15,879	\$ 279,164

III. OTHER INFORMATION

A. Retirement Plan

Plan Description. The City of Schertz participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Service Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	116
Inactive employees entitled to but not yet receiving benefits	209
Active employees	344
Total	669

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.92% and 16.04% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$3,235,479 and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Estate	10.00%	3.85%
Real Return	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
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, 2019:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2018	\$ 71,981,331	\$ 52,293,723	\$ 19,687,608
Changes for the year:			
Service cost	3,421,878	-	3,421,878
Interest	4,898,478	-	4,898,478
Difference between expected and actual experience	(108,478)	-	(108,478)
Change in assumptions	263,015	-	263,015
Contributions - employer	3,163,340	3,163,340	(3,163,340)
Contributions - employee	1,380,585	-	1,380,585
Net investment income	8,093,416	8,093,416	(8,093,416)
Benefit payments, including refunds or employee contributions	(2,244,447)	(2,244,447)	-
Administrative expense	-	(45,681)	45,681
Other changes	-	1,373	(1,373)
Net changes	6,230,446	10,345,840	(4,115,394)
Balance at 12/31/2019	\$ 78,211,777	\$ 62,639,563	\$ 15,572,214

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:

Net pension liability	\$ 28,805,341	\$ 15,572,214	\$ 4,920,053
1% Decrease in Discount Rate (5.75%)		Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions. For the year ended September 30, 2020, the City recognized pension expense of \$3,569,490. Also, as of September 30, 2020, 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	\$ 293,422	\$ 94,103
Changes in actuarial assumptions	222,869	-
Difference between projected and actual investment earnings	-	1,876,231
Contributions subsequent to the measurement date	2,326,906	-
Total	\$ 2,843,197	\$ 1,970,334

\$2,326,906 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year	
Ended September 30,	
2021	\$(373,727)
2022	(393,997)
2023	186,999
2024	(879,260)
2025	5,942

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.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

Membership in the plan at December 31, 2019, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	90
Inactive employees entitled to but not yet receiving benefits	59
Active employees	344
Total	<u>493</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 2020 and 0.12% for 2019, 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, 2020 were \$4,080 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, 2019 actuarial valuation was determined using the following actuarial assumptions and inputs:

Measurement year ended December 31,	2019
Inflation rate	2.50% per annum
Discount rate	2.75%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.5% including inflation
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational bases with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis with scale UMP to account for future mortality improvements subject to the floor.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate. 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, 2019.

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 (2.75%) in measuring the total OPEB liability.

1% Decrease in Discount Rate (1.75%)	\$ 1,012,834	Discount Rate (2.75%)	\$ 810,086	1% Increase in Discount Rate (3.75%)	\$ 657,204
Total SDB OPEB Liability					

Changes in the Total OPEB Liability. Total City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2019, the measurement and actuarial valuation date, was calculated as follows:

	Total OPEB Liability
Balance at 12/31/2018	\$ 710,387
Changes for the year:	
Service cost	33,528
Interest	26,904
Difference between expected and actual experience	(105,282)
Changes of assumptions or other inputs	148,494
Benefit payments, including refunds of employee contributions	(3,945)
Net changes	99,699
Balance at 12/31/2019	\$ 810,086

Changes in assumptions and other inputs reflect a change in the discount rate from 3.71% to 2.75%.

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB. For the year ended September 30, 2020, the City recognized OPEB expense of \$78,922. Also, as of September 30, 2020, the City reported deferred outflows and inflows of resources related to the TMRS OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 62,704	\$ 90,023
Changes in actuarial assumptions	160,764	39,265
Contributions subsequent to the measurement date	2,947	-
Total	\$ 226,415	\$ 129,288

\$2,947 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to the TMRS OPEB will be recognized in OPEB expense in future periods as follows:

	For the Year Ended September 30,
2021	\$ 18,490
2022	18,490
2023	18,490
2024	18,490
2025	13,171
Thereafter	7,049

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, 2019, the valuation date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	332
Active employees	340
Total	680

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, 2019, was calculated as follows:

	Total OPEB Liability
Balance at 12/31/2018	\$ 2,086,718
Changes for the year:	
Service cost	125,648
Interest	78,646
Difference between expected and actual experience	(343,086)
Changes of assumptions or other inputs	275,398
Benefit payments, including refunds of employee contributions	(59,401)
Net changes	77,205
Balance at 12/31/2019	\$ 2,163,923

The actuarial valuation was performed as of December 31, 2019. Changes of assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019, revised TMRS demographic assumptions, and updates to both the health care trend and participation assumptions.

The following presents the TOL of the City, calculated using the discount rate of 2.75% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (1.75%) and 1-percentage point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)		Discount Rate	1% Increase in Discount Rate (3.75%)
Total OPEB liability - retiree health	\$ 2,371,845		\$ 2,163,923	\$ 1,973,066

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

	1% Decrease		Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB liability - retiree health	\$ 1,906,398		\$ 2,163,923	\$ 2,469,777

For the year ended September 30, 2020, the City recognized OPEB expense of \$200,242. Also, as of September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,008	\$ 307,562
Changes in actuarial assumptions	314,511	65,090
Contributions subsequent to the measurement date	45,162	-
Total	\$ 371,681	\$ 372,652

\$45,162 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, 2021. 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,
	2021
	\$(4,051)
	2022
	(4,051)
	2023
	(4,051)
	2024
	(4,051)
	2025
	(25,878)
	Thereafter

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 \$6,942,912 for the year ended September 30, 2020. 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 \$161,747,682 (as of September 30, 2020) 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 \$13,189,181. This amount reflects the City's portion of the net position of SSLGC as of September 30, 2019, 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 \$100,000 for the year ended September 30, 2020. 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 \$1,113,857 as of September 30, 2020.

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 \$2,844,145 from taxing entities (net of administrative reimbursements) and remitted \$2,000,000 to the developer as of September 30, 2020.

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, 2020, the City reimbursed \$1,223,379 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, 2020, the City had nine active incentive agreements.

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

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

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

	FY 2019-20 Amt.	Est. Remaining Grant
City of Schertz - LGC 380.001	\$ 420,050	\$ 200,000
SEDC - LGC 501.101	811,445	522,819
SEDC - LGC 201.103	4,722,292	3,534,167

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
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	180,000	232,450	412,450
2026-2030	1,010,000	1,048,850	2,058,850
2031-2035	1,225,000	830,250	2,055,250
2036-2040	1,540,000	519,250	2,059,250
2041-2044	1,490,000	152,000	1,642,000
Total	\$ 6,115,000	\$ 3,762,000	\$ 9,877,000

Construction Commitments

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

Primary Government:	Estimated Project Cost to City	Expended to Date	Estimated Future Commitment
Governmental Activities:			
FM 78 and Main Street	\$ 1,000,000	\$ 235,006	\$ 764,994
Fire Station 3	8,480,775	8,480,775	-
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	149,234	200,766
Senior Center	800,000	793,181	6,819
YMCA-Bathroom Renovation	540,500	505,707	34,793
Window Replacement-Recreation Center	1,152,264	792,198	360,066
Total Governmental Commitments	19,330,596	11,629,317	7,701,279
Business-Type Activities:			
Woman Hollering Waste/Water	5,940,424	1,211,157	4,729,267
Corbett Ground Storage Tank & Pumps	1,650,000	930	1,649,070
Corbett Elevated Water Tank	5,500,000	4,892,528	607,472
Trainer Hale Road Distribution Main	500,000	-	500,000
Scenic Hills/Greenridge	73,252	12,495	60,757
Oil-Water Separator	120,000	79,883	40,117
E Dietz Creek De-Silting	573,055	508,834	64,221
FM1103 Utility Relocation	1,315,000	1,265,958	49,042
Total Business-Type Activities	15,671,731	7,971,785	7,699,946
Total Estimated Future Commitments	\$ 35,002,327	\$ 19,601,102	\$ 15,401,225

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.

REQUIRED SUPPLEMENTARY INFORMATION

E. Subsequent Event

In November 2020, the City issued General Obligation Refunding Bonds, Series 2020 in the amount of \$7,555,000. These bonds have interest rates ranging from 1.50% and 4.00% and will mature in February 2036. These bonds will be used to refund the General Obligation Refunding Bonds, Series 2011 to provide a present value savings and are secured by the City's ad valorem tax revenue.

F. 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 2021.

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 2022.

G. COVID-19

In early March 2020, the COVID-19 virus was declared a global pandemic, and it continues to cause market fluctuations. Business continuity and financial markets, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time.

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 24,085,050	\$ 24,085,050	\$ 25,000,163	\$ 915,113
Permits and fees	1,799,110	1,799,110	1,750,837	(48,273)
Service fees	1,901,742	1,901,742	1,724,150	(177,592)
Fines and fees	902,728	833,148	69,580	(69,580)
Intergovernmental	756,100	756,100	951,604	195,504
Investment earnings	480,000	480,000	300,369	(179,631)
Miscellaneous	570,760	602,859	559,393	(43,466)
Total Revenues	30,495,490	30,527,589	31,119,664	592,075
EXPENDITURES				
General government:				
Council	108,837	129,542	110,886	18,656
City manager	1,194,870	1,194,870	1,168,026	26,844
Municipal court	340,383	340,383	324,431	15,952
311 customer relations	107,747	107,747	110,238	(2,491)
Planning & zoning	253,322	253,322	182,849	70,473
Legal	150,000	150,000	107,721	42,279
City secretary	201,461	201,461	206,458	(4,997)
Nondepartmental	2,015,010	1,851,617	1,446,148	405,469
Public affairs	596,624	596,625	557,107	39,518
Engineering	767,011	767,011	659,373	107,638
Geographic information systems	182,674	182,674	187,173	(4,499)
Citizens assistance	330,000	330,000	287,962	42,038
Special events	24,510	29,510	31,690	(2,180)
Total General Government	6,272,449	6,134,762	5,380,062	754,700
Public safety:				
Police department	9,079,001	9,079,001	7,604,159	1,474,842
Fire department	5,458,243	5,595,724	5,056,610	539,114
Inspection	999,402	999,402	903,194	96,208
Total Public Safety	15,536,646	15,674,127	13,563,963	2,110,164
Public environment:				
Streets	1,522,166	1,749,074	1,521,425	227,649
Total Public Environment	1,522,166	1,749,074	1,521,425	227,649
Parks and recreation:				
Parks	1,553,939	1,620,028	1,312,154	307,874
Pools	569,878	569,878	471,528	98,350
Community/Civic Center	395,017	395,018	320,481	74,537
Total Parks and Recreation	2,518,834	2,584,924	2,104,163	480,761
Cultural:				
Library	1,025,736	1,025,897	1,034,435	(8,538)
Total Cultural	1,025,736	1,025,897	1,034,435	(8,538)

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
EXPENDITURES (CONTINUED)				
Health:				
Animal control	\$ 669,982	\$ 699,826	\$ 648,503	\$ 51,323
Total Health	669,982	699,826	648,503	51,323
Administration:				
Information technology	2,455,137	2,470,537	1,821,502	649,035
Human resources	639,174	704,174	668,638	35,536
Finance	608,893	608,893	634,266	(25,373)
Purchasing & asset management	233,183	233,183	235,505	(2,322)
Building maintenance	1,491,682	1,608,197	1,432,015	176,182
Fleet service	1,046,481	1,046,481	913,883	132,598
Interfund charges	(2,723,317)	(2,723,317)	(2,703,943)	(19,374)
Total Administration	3,751,233	3,948,148	3,001,866	946,282
Total Expenditures - general fund	31,297,046	31,816,758	27,254,417	4,562,341
Grant fund - sub-fund 405	-	-	2,433,286	(2,433,286)
Total Expenditures	31,297,046	31,816,758	29,687,703	2,129,055
Excess of revenues over expenditures	(801,556)	(1,289,169)	1,431,961	2,721,130
OTHER FINANCING SOURCES (USES)				
Transfers in	95,000	405,025	-	(405,025)
Transfers out	(4,010,750)	(4,010,750)	(4,000,169)	(10,581)
Total Other Financing Sources (Uses)	(3,915,750)	(3,605,725)	(4,000,169)	(394,444)
NET CHANGE IN FUND BALANCE	(4,717,306)	(4,894,894)	(2,568,208)	2,326,686
FUND BALANCE - BEGINNING	17,465,668	17,465,668	17,465,668	-
FUND BALANCE - ENDING	12,748,362	12,570,774	14,897,460	2,326,686

CITY OF SCHERTZ, TEXAS

NOTES TO BUDGETARY SCHEDULES

SEPTEMBER 30, 2020

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 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. A Grant sub-fund is included in the General Fund for financial reporting purposes, and was not included in the legally adopted budget of the General Fund. Therefore, the amount of the Grant sub-fund is presented as a reconciling item between the budgetary General Fund actual amounts and the General Fund amounts presented in the basic financial statements.

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, 2020, actual expenditures did not exceed budgeted expenditures at the fund level for any of the City's funds.

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

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, 2020

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 4,412,283	\$ 4,412,283	\$ 4,819,288	\$ 407,005
Investment Income	430,000	430,000	288,740	(141,260)
Total Revenues	<u>4,842,283</u>	<u>4,842,283</u>	<u>5,108,028</u>	<u>265,745</u>
EXPENDITURES				
Current:				
General government Administration	6,922,995	6,929,900	4,886,456	2,043,444
	529,936	523,031	480,202	42,829
Total Expenditures	<u>7,452,931</u>	<u>7,452,931</u>	<u>5,366,658</u>	<u>2,086,273</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(500,000)	(500,000)	(500,000)	-
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(3,110,648)</u>	<u>(3,110,648)</u>	<u>(758,630)</u>	<u>2,352,018</u>
FUND BALANCE - BEGINNING	<u>21,777,256</u>	<u>21,777,256</u>	<u>21,777,256</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 18,666,608</u>	<u>\$ 18,666,608</u>	<u>\$ 21,018,626</u>	<u>\$ 2,352,018</u>

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Measurement Date December 31,	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 3,421,878	\$ 3,301,265	\$ 3,073,538		\$ 2,724,337	\$ 2,558,743
Interest on total pension liability	4,898,478	4,505,483	4,111,517		3,556,428	3,245,266
Difference between expected and actual experience	(108,478)	34,393	416,585		120,434	(122,286)
Change of assumptions	263,015				59,193	
Benefit payments/refunds of contributions	(2,244,447)	(1,914,159)	(1,843,774)		(1,570,211)	(1,068,487)
Net Change in Total Pension Liability	6,230,446	5,926,982	5,757,866		4,890,181	4,613,236
Total Pension Liability, Beginning	71,981,331	66,054,349	60,296,483		55,119,232	45,615,815
Total Pension Liability, Ending (a)	<u>\$ 78,211,777</u>	<u>\$ 71,981,331</u>	<u>\$ 66,054,349</u>		<u>\$ 55,119,232</u>	<u>\$ 50,229,051</u>
Plan fiduciary net position						
Contributions - employer	\$ 3,163,340	\$ 3,033,936	\$ 2,793,644		\$ 2,542,565	\$ 2,403,929
Contributions - employee	1,380,585	1,326,518	1,232,232		1,095,260	1,077,097
Net investment income	8,093,416	(1,540,890)	5,999,805		53,742	1,841,586
Benefit payments/refunds of contributions	(2,244,447)	(1,914,159)	(1,843,774)		(1,570,211)	(1,068,487)
Administrative expenses	(45,681)	(29,768)	(31,080)		(32,727)	(19,219)
Other	(1,373)	(1,554)	(1,575)		(1,583)	(1,580)
Net Change in Fiduciary Position	10,345,840	874,083	8,149,252		2,087,013	4,233,326
Fiduciary Net Position, Beginning	52,293,723	51,419,640	43,270,388		38,499,857	32,179,518
Fiduciary Net Position, Ending (b)	<u>62,639,563</u>	<u>52,293,723</u>	<u>51,419,640</u>		<u>43,270,388</u>	<u>36,412,844</u>
Net pension liability = (a)-(b)	<u>\$ 15,572,214</u>	<u>\$ 19,687,608</u>	<u>\$ 14,634,709</u>		<u>\$ 17,026,095</u>	<u>\$ 13,816,207</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	80.09%	72.65%	77.84%	71.76%	69.85%	72.49%
Covered Payroll						
Net Pension Liability as a Percentage of Covered Payroll	\$ 19,722,641	\$ 18,896,766	\$ 17,603,310	\$ 16,478,620	\$ 15,648,114	\$ 15,389,154
	78.96%	104.19%	83.14%	103.32%	106.21%	89.78%

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.

CITY OF SCHERTZ, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Fiscal Year Ended September 30,						
Actuarially determined contribution	\$ 3,235,479	\$ 3,129,413	\$ 2,971,592	\$ 2,756,511	\$ 2,592,593	\$ 2,487,856
Contributions in relation to the actuarially determined contribution	<u>3,235,479</u>	<u>3,129,413</u>	<u>2,971,592</u>	<u>2,756,511</u>	<u>2,592,593</u>	<u>2,487,856</u>
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	20,401,412	19,520,269	18,605,654	17,347,849	16,175,988	15,486,735
Contributions as a percentage of covered payroll	15.86%	16.03%	15.97%	15.89%	16.03%	16.06%

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	26 years
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

CITY OF SCHERTZ, TEXAS
SCHEDULE OF CHANGES IN TMRS OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Measurement Date	December 31, 2019	2018	2017
Total OPEB liability			
Service cost	\$ 33,528	\$ 37,794	\$ 29,926
Interest on total OPEB liability	26,904	21,182	20,123
Differences in actuarial experience	(105,282)	86,276	-
Change of assumptions	148,494	(54,027)	57,257
Benefit payments	(3,945)	(3,779)	(3,521)
Net change in total OPEB liability	99,699	87,446	103,785
Total OPEB liability, beginning	710,387	622,941	519,156
Total OPEB liability, ending (a)	\$ 810,086	\$ 710,387	\$ 622,941
Covered-employee payroll	\$ 19,722,641	\$ 18,896,766	\$ 17,603,310
Total OPEB liability as a percentage of covered-employee payroll	4.11%	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 11.50% including inflation
 Discount rate 2.75%
 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 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
 Mortality rates - disabled retirees 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP 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.

Changes in actuarial assumptions reflect changes in the discount rate and, in 2019, changes in assumptions adopted from review of plan provisions.

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, 2020

Measurement Date	December 31, 2020	2019	2018
Total OPEB liability			
Service cost	\$ 125,648	\$ 121,821	\$ 107,517
Interest on total OPEB liability	78,646	67,947	69,435
Difference in actuarial experience	(343,086)	14,962	-
Change of assumptions	275,398	(81,106)	96,092
Benefit payments	(59,401)	(57,530)	(42,189)
Net change in total OPEB liability	77,205	66,094	230,855
Total OPEB liability, beginning	2,086,718	2,020,624	1,789,769
Total OPEB liability, ending (a)	\$ 2,163,923	\$ 2,086,718	\$ 2,020,624
Covered payroll	\$ 19,521,924	\$ 18,974,951	\$ 16,068,891
Total OPEB liability as a percentage of covered payroll	11.08%	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, 2020

Methods and Assumptions Used to Determine Contribution Rates:
 Actuarial cost method Individual entry-age
 Discount rate 2.75% as of December 31, 2019
 Inflation 2.50%
 Salary increases 3.50% to 11.50% including inflation
 Demographic assumptions Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
 Mortality For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
 Health care trend rates Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years.
 Participation rates For all non-Medicare retirees, 30% if retiring from age 50 to 59, and 35% if retiring from age 60 to 64.
 Other information The discount rate changed from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019. Additionally, the demographic assumptions were updated to reflect the 2019 TMRS Experience Study. Both the participation assumption and health care trend rates were updated to reflect the plan's anticipated experience.

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.

CITY OF SCHERTZ, TEXAS
 COMPARATIVE BALANCE SHEETS
 GENERAL FUND

SEPTEMBER 30, 2020
 (WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 11,379,721	\$ 1,211,660
Investments	2,507,998	15,105,396
Receivables (net of allowances)		
Taxes	2,393,311	2,134,563
Accounts and other	3,381,019	1,775,482
Inventory	99,871	117,009
Prepays	14,916	14,916
Restricted assets:		
Cash and cash equivalents	867,708	785,708
Total Assets	<u>20,644,544</u>	<u>21,144,734</u>
LIABILITIES		
Accounts payable	1,005,821	685,560
Accrued salaries and benefits	1,209,493	970,679
Customer deposits	7,040	22,251
Due to other governments	123,911	123,116
Due to other funds	16,139	16,139
Unearned revenues	39,159	33,314
Total Liabilities	<u>2,401,563</u>	<u>1,851,059</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	3,345,521	1,754,646
Total Deferred Inflows of Resources	<u>3,345,521</u>	<u>1,754,646</u>
FUND BALANCES		
Nonspendable for:		
Inventory	114,787	131,925
Restricted for:		
Police and public safety/municipal court	226,092	226,093
Municipal court	823,452	823,451
PEG capital fees	807,140	723,353
Animal control	33,408	33,408
Veterans	2,109	2,109
Scholarships	104,156	101,673
Committed for:		
Civic Center/CIED	687,780	687,779
Assigned for:		
Property replacement	891,319	891,321
Subsequent year's budget	1,081,160	4,689,305
Unassigned	10,126,057	9,228,612
Total Fund Balances	<u>14,897,460</u>	<u>17,539,029</u>
Total Liabilities; Deferred inflows of Resources, and Fund Balances	<u>\$ 20,644,544</u>	<u>\$ 21,144,734</u>

CITY OF SCHERTZ, TEXAS
 COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2019)

	2020	2019
REVENUES		
Taxes	\$ 25,000,163	\$ 23,488,223
Permits and fees	1,750,937	1,605,299
Service fees	1,724,150	1,909,300
Fines and fees	833,148	926,657
Intergovernmental	951,604	965,768
Investment earnings	300,369	489,051
Miscellaneous	559,393	684,882
Total Revenues	31,119,664	30,069,180
EXPENDITURES		
Current:		
General government	5,381,790	5,389,701
Public safety	15,324,530	13,926,364
Public environment	1,270,894	1,112,041
Parks and recreation	2,067,649	2,350,370
Cultural	1,034,435	998,445
Health	589,616	498,871
Administration	2,799,004	3,231,294
Capital outlay	1,175,241	649,055
Debt service:		
Principal	44,544	-
Interest	29,687,703	28,156,141
Total Expenditures	47,361,356	47,138,961
Excess (Deficiency) of Revenues Over Expenditures	(16,241,692)	(17,069,781)
OTHER FINANCING SOURCES (USES)		
Transfers out	(4,000,169)	(4,463)
Total Other Financing Sources (Uses)	(4,000,169)	(4,463)
NET CHANGE IN FUND BALANCE	(20,241,861)	(17,074,244)
FUND BALANCES - BEGINNING	17,465,668	15,630,453
FUND BALANCES - ENDING	\$ 14,897,460	\$ 17,539,029

CITY OF SCHERTZ, TEXAS
 COMPARATIVE BALANCE SHEETS
 ECONOMIC DEVELOPMENT CORPORATION

SEPTEMBER 30, 2020
 (WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 22,032,946	\$ 224,144
Investments	2,169,760	20,824,561
Receivables, net of allowances:		
Taxes	818,817	739,361
Accounts and other	7,949	8,448
Total Assets	25,029,472	21,796,514
LIABILITIES		
Accounts payable	4,010,846	19,258
Total Liabilities	4,010,846	19,258
FUND BALANCES		
Restricted for:		
Economic development	21,018,626	21,777,256
Total Fund Balances	21,018,626	21,777,256
Total Liabilities and Fund Balances	\$ 25,029,472	\$ 21,796,514

CITY OF SCHERTZ, TEXAS

COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ECONOMIC DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2019)

	2020	2019
REVENUES		
Taxes	\$ 4,819,288	\$ 4,172,238
Investment earnings	288,740	452,214
Miscellaneous	-	196,003
Total Revenues	<u>5,108,028</u>	<u>4,820,455</u>
EXPENDITURES		
Current:		
General government	4,886,456	358,810
Administration	480,202	496,357
Total Expenditures	<u>5,366,658</u>	<u>855,167</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(258,630)	3,965,288
OTHER FINANCING SOURCES (USES)		
Transfers out	(500,000)	-
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(758,630)	3,965,288
FUND BALANCES - BEGINNING	<u>21,777,256</u>	<u>17,811,968</u>
FUND BALANCES - ENDING	<u>\$ 21,018,626</u>	<u>\$ 21,777,256</u>

CITY OF SCHERTZ, TEXAS

COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND

SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 785,919	\$ 91,510
Investments	-	910,716
Receivables, net of allowances:		
Taxes	120,816	82,682
Total Assets	<u>906,735</u>	<u>1,084,908</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	120,816	82,682
Total Deferred Inflows of Resources	<u>120,816</u>	<u>82,682</u>
FUND BALANCES		
Restricted for:		
Debt service	785,919	1,002,226
Total Fund Balances	<u>785,919</u>	<u>1,002,226</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 906,735</u>	<u>\$ 1,084,908</u>

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, 2020
(WITH COMPARATIVE ACTUAL TOTALS FOR 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Variance With Final Budget Positive (Negative)	2019 Actual Amounts
REVENUES					
Property taxes	\$ 6,733,000	\$ 6,733,000	\$ 6,714,516	\$(18,484)	\$ 6,414,868
Investment income	50,000	50,000	19,900	(30,100)	70,318
Miscellaneous	100,000	100,000	75,000	(25,000)	100,272
Total Revenue	<u>6,883,000</u>	<u>6,883,000</u>	<u>6,809,416</u>	<u>(73,584)</u>	<u>6,585,463</u>
EXPENDITURES					
Debt service:					
Principal	4,952,413	4,952,413	4,885,000	67,413	4,565,000
Interest and fiscal charges	2,069,590	2,069,590	2,136,523	(66,933)	2,069,215
Bond issue costs	5,000	5,000	4,200	800	120,869
Payment to refunded bond escrow agent	-	-	-	-	5,489,912
Total Expenditures	<u>7,027,003</u>	<u>7,027,003</u>	<u>7,025,723</u>	<u>1,280</u>	<u>12,244,996</u>
Excess (Deficiency) of Revenues over Expenditures	(144,003)	(144,003)	(216,307)	(74,864)	(5,659,533)

OTHER FINANCING SOURCES (USES)

Issuance of refunding debt	-	-	-	-	5,225,000
Premiums from issuance of debt	-	-	-	-	336,901
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,561,901</u>

NET CHANGE IN FUND BALANCE (144,003) (144,003) (216,307) (72,304) (97,632)

FUND BALANCE - BEGINNING 1,002,226 1,002,226 1,002,226 1,002,226 1,099,858

FUND BALANCE - ENDING \$ 858,223 \$ 858,223 \$ 785,919 \$(72,304) \$ 1,002,226

CITY OF SCHERTZ, TEXAS
COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND

SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 10,677,080	\$ 34,120
Investments	-	14,147,499
Accounts receivable	-	52,248
Total Assets	<u>10,677,080</u>	<u>14,233,867</u>
LIABILITIES		
Accounts payable	428,387	825,769
Retainage payable	111,135	293,788
Total Liabilities	<u>539,522</u>	<u>1,119,557</u>
FUND BALANCES		
Restricted for:		
Capital improvement	6,065,616	13,114,310
Total Fund Balances	<u>6,065,616</u>	<u>13,114,310</u>
Total Liabilities and Fund Balance	<u>\$ 6,605,138</u>	<u>\$ 14,233,867</u>

CITY OF SCHERTZ, TEXAS

COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

(WITH COMPARTIVE TOTALS FOR THE YEAR ENDED 2019)

	2020	2019
REVENUES		
Intergovernmental	-	91,913
Investment earnings	154,977	382,850
Miscellaneous	132,901	-
Total Revenues	<u>287,878</u>	<u>474,763</u>
EXPENDITURES		
Capital outlay	7,837,991	8,308,326
Debt service:		
Bond issue costs	-	68,213
Total Expenditures	<u>7,837,991</u>	<u>8,376,539</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,550,113)	(7,901,776)
OTHER FINANCING SOURCES (USES)		
Issuance of debt	-	4,620,000
Premiums from issuance of debt	-	303,214
Transfers in	4,500,000	117,632
Transfers out	-	(81,525)
Total Other Financing Sources (Uses)	<u>4,500,000</u>	<u>4,959,321</u>
NET CHANGE IN FUND BALANCE	(3,050,113)	(2,942,455)
FUND BALANCES - BEGINNING	<u>13,187,671</u>	<u>16,056,765</u>
FUND BALANCES - ENDING	<u>\$ 10,137,558</u>	<u>\$ 13,114,310</u>

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CITY OF SCHERTZ, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020

	Special Revenue Funds				Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Hotel Occupancy Fund	Park Fund	Tree Mitigation	Treasury Forfeitures	Justice Forfeitures	State Forfeitures	Library Advisory Board	Historical Committee Fund	Capital Recovery Roadways	Capital Recovery Roadways	
ASSETS											
Cash and cash equivalents	\$ 2,084,939	\$ 292,236	\$ 464,828	\$ 32,560	\$ -	\$ 12,774	\$ 75,103	\$ 13,705	\$ 937,627	\$ -	\$ 4,124,225
Accounts receivable, net of allowance	31,525	-	-	-	-	-	-	-	-	-	31,525
Total Assets	<u>2,116,464</u>	<u>292,236</u>	<u>464,828</u>	<u>32,560</u>	<u>210,453</u>	<u>12,774</u>	<u>75,103</u>	<u>13,705</u>	<u>937,627</u>	<u>-</u>	<u>4,155,750</u>
LIABILITIES											
Accounts payable	-	-	1,600	-	-	-	59	-	-	-	1,659
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,659</u>
FUND BALANCES											
Restricted for:											
Tourism development	2,116,464	-	-	-	-	-	-	-	-	-	2,116,464
Tree mitigation	-	-	463,228	-	-	-	-	-	-	-	463,228
Parks	-	292,236	-	-	-	-	-	-	-	-	292,236
Police forfeiture	-	-	-	32,560	210,453	12,774	-	-	-	-	255,787
Roadways	-	-	-	-	-	-	-	-	937,627	-	937,627
Library	-	-	-	-	-	-	75,044	-	-	-	75,044
Historical committee	-	-	-	-	-	-	-	13,705	-	-	13,705
Total Fund Balances	<u>2,116,464</u>	<u>292,236</u>	<u>463,228</u>	<u>32,560</u>	<u>210,453</u>	<u>12,774</u>	<u>75,044</u>	<u>13,705</u>	<u>937,627</u>	<u>-</u>	<u>4,154,091</u>
Total Liabilities and Fund Balances	\$ <u>2,116,464</u>	\$ <u>292,236</u>	\$ <u>464,828</u>	\$ <u>32,560</u>	\$ <u>210,453</u>	\$ <u>12,774</u>	\$ <u>75,103</u>	\$ <u>13,705</u>	\$ <u>937,627</u>	\$ <u>-</u>	\$ <u>4,155,750</u>

CITY OF SCHERTZ, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Special Revenue Funds					Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Hotel Occupancy Fund	Park Fund	Tree Mitigation	Treasury Forfeiture		Justice Forfeitures	State Forfeitures	Library Advisory Board	Historical Committee Fund	Capital Recovery Roadways		
REVENUES												
Occupancy tax	\$ 268,946	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268,946
Permits and fees	-	4,000	52,427	-	-	-	-	-	-	-	-	56,427
Service fees	-	-	-	-	-	-	9,204	-	-	850,201	-	859,448
Fines and fees	26,224	3,325	5,569	4,400	-	7,665	-	-	-	-	-	47,509
Investment earnings	-	-	-	-	-	-	850	-	-	1,973	-	40,688
Miscellaneous	-	-	500	-	-	-	4	-	-	-	-	505
Total Revenues	295,170	7,326	58,496	4,400	-	38,191	7,665	10,058	43	852,174	-	1,273,523
EXPENDITURES												
Current:												
General government	95,954	-	-	-	-	-	-	-	169	-	-	96,123
Public safety	-	-	-	-	-	42,063	-	-	-	-	-	42,063
Parks and recreation	-	5,760	28,674	-	-	-	-	-	-	-	-	34,434
Cultural	-	-	-	-	-	-	10,456	-	-	-	-	10,456
Administration	74,428	-	-	-	-	-	-	-	-	-	-	74,428
Capital outlay	223,189	-	-	-	-	40,465	-	-	-	-	-	263,654
Total Expenditures	393,571	5,760	28,674	-	-	82,528	-	10,456	169	-	-	521,158
Excess (Deficiency) of Revenue Over Expenditures	(98,401)	1,566	29,822	4,400	-	(44,337)	7,665	(398)	(126)	852,174	-	752,365
OTHER FINANCING SOURCES (USES)												
Transfer In	-	-	-	-	-	-	-	-	-	-	-	169
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	169
NET CHANGE IN FUND BALANCES	(98,401)	1,566	29,822	4,400	-	(44,337)	7,665	(398)	43	852,174	-	752,534
FUND BALANCES - BEGINNING	2,214,865	290,670	433,406	28,160	-	254,790	5,109	75,442	13,662	85,453	-	3,401,557
FUND BALANCES - ENDING	\$ 2,116,464	\$ 292,236	\$ 463,228	\$ 32,560	-	\$ 210,453	\$ 12,774	\$ 75,044	\$ 13,705	\$ 937,627	\$	\$ 4,154,091

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, 2020
(WITH COMPARATIVE ACTUAL TOTALS FOR 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Variance With Final Budget Positive (Negative)	2019 Actual Amounts
REVENUES					
Occupancy tax	\$ 500,000	\$ 500,000	\$ 268,946	\$(231,054)	\$ 514,679
Investment earnings	53,000	53,000	26,224	(26,776)	48,015
Miscellaneous	-	-	-	-	3,071
Total Revenues	553,000	553,000	295,170	(257,830)	565,765
EXPENDITURES					
Current:					
General government	181,466	181,466	95,954	85,512	130,265
Administration	74,428	74,428	74,428	-	67,582
Capital outlay	250,000	250,000	223,189	26,811	-
Total Expenditures	505,894	505,894	393,571	112,323	197,847
NET CHANGE IN FUND BALANCE	47,106	47,106	98,401	(145,507)	367,918
FUND BALANCE - BEGINNING	2,214,865	2,214,865	2,214,865	-	1,846,947
FUND BALANCE - ENDING	2,261,971	2,261,971	2,116,464	\$(145,507)	2,214,865

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE ACTUAL TOTALS FOR 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Variance With Final Budget Positive (Negative)	2019 Actual Amounts
REVENUES					
Licenses and permits	\$ 70,000	\$ 70,000	\$ 4,000	\$(66,000)	\$ 11,000
Investment earnings	8,000	8,000	3,325	(4,675)	7,600
Investment earnings	-	-	1	1	7,600
Total Revenues	78,000	78,000	7,326	(70,674)	18,600
EXPENDITURES					
Current:					
Parks and recreation	-	-	5,760	(5,760)	15,250
Capital outlay	177,000	177,000	-	177,000	86,841
Total Expenditures	177,000	177,000	5,760	171,240	102,091
NET CHANGE IN FUND BALANCE	(99,000)	(99,000)	1,566	100,566	(83,491)
FUND BALANCE - BEGINNING	290,670	290,670	290,670	-	374,161
FUND BALANCE - ENDING	191,670	191,670	292,236	100,566	290,670

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE ACTUAL TOTALS FOR 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Variance With Final Budget Positive (Negative)	2019 Actual Amounts
REVENUES					
Licenses and permits	\$ 70,000	\$ 70,000	\$ 52,427	\$(17,573)	\$ 19,162
Investment earnings	8,750	8,750	5,569	(3,181)	10,306
Miscellaneous	-	-	500	500	-
Total Revenues	78,750	78,750	58,496	(20,254)	29,468
EXPENDITURES					
Current:					
Parks and recreation	-	75,000	28,674	46,326	27,867
Total Expenditures	-	75,000	28,674	46,326	27,867
NET CHANGE IN FUND BALANCE	78,750	3,750	29,822	26,072	1,601
FUND BALANCE - BEGINNING	433,406	433,406	433,406	-	431,805
FUND BALANCE - ENDING	512,156	437,156	463,228	26,072	433,406

CITY OF SCHERTZ, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TREASURY FORFEITURES FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
REVENUES		
Fines and fees	\$ 4,400	\$ 900
Investment earnings	-	-
Total Revenues	4,400	900
EXPENDITURES		
Capital outlay	-	206
Total Expenditures	-	206
NET CHANGE IN FUND BALANCE	4,400	694
FUND BALANCE - BEGINNING	28,160	27,466
FUND BALANCE - ENDING	32,560	28,160

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, 2020
(WITH COMPARATIVE ACTUAL TOTALS FOR 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Variance With Final Budget Positive (Negative)	2019 Actual Amounts
REVENUES					
Fines and fees	\$ -	\$ -	\$ 35,444	\$ 35,444	\$ 23,509
Investment earnings	-	-	2,747	2,747	6,600
Total Revenues	-	-	38,191	38,191	30,109
EXPENDITURES					
Current:					
Public safety	-	-	42,063	(42,063)	50,306
Capital outlay	-	-	40,465	(40,465)	39,144
Total Expenditures	-	-	82,528	(82,528)	89,450
NET CHANGE IN FUND BALANCE	-	-	(44,337)	(44,337)	(59,341)
FUND BALANCE - BEGINNING	254,790	254,790	254,790	-	314,131
FUND BALANCE - ENDING	254,790	254,790	210,453	(44,337)	314,131

CITY OF SCHERTZ, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
STATE FORFEITURES FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
REVENUES		
Fines and fees	\$ 7,665	\$ 2,548
Investment earnings	-	-
Total Revenues	7,665	2,548
EXPENDITURES		
Current:		
Public safety	-	8,773
Total Expenditures	-	8,773
NET CHANGE IN FUND BALANCE	7,665	(6,225)
FUND BALANCE - BEGINNING	5,109	11,334
FUND BALANCE - ENDING	12,774	5,109

CITY OF SCHERTZ, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIBRARY ADVISORY BOARD

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE ACTUAL TOTALS FOR 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Variance With Final Budget Positive (Negative)	2019 Actual Amounts
REVENUES					
Service fees	\$ 20,000	\$ 20,000	\$ 9,204	\$(10,796)	\$ 21,365
Investment earnings	1,550	1,550	850	(700)	1,853
Miscellaneous	200	200	4	(196)	7
Total Revenues	21,750	21,750	10,058	(11,692)	23,225
EXPENDITURES					
Current:					
Cultural	21,200	21,200	10,456	10,744	19,664
Total Expenditures	21,200	21,200	10,456	10,744	19,664
NET CHANGE IN FUND BALANCE	550	550	(398)	(948)	3,561
FUND BALANCE - BEGINNING	75,442	75,442	75,442	-	71,881
FUND BALANCE - ENDING	75,992	75,992	75,044	(948)	75,442

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, 2020
(WITH COMPARATIVE ACTUAL TOTALS FOR 2019)

	Original Budget	Final Budget	2020 Actual Amounts	Variance With Final Budget Positive (Negative)	2019 Actual Amounts
REVENUES					
Sale of merchandise	\$ 1,000	\$ 1,000	\$ 43	\$(957)	\$ 708
Miscellaneous	-	-	-	-	17
Total Revenues	1,000	1,000	43	(957)	725
EXPENDITURES					
Current:					
General government	11,750	11,750	169	11,581	2,871
Total Expenditures	11,750	11,750	169	11,581	2,871
Excess of Revenues Over Expenditures	(10,750)	(10,750)	(126)	10,624	(2,146)
OTHER FINANCING SOURCES (USES)					
Transfers in	10,750	10,750	169	(10,581)	2,871
Total Other Financing Sources (Uses)	10,750	10,750	169	(10,581)	2,871
NET CHANGE IN FUND BALANCE	-	-	43	43	725
FUND BALANCE - BEGINNING	13,662	13,662	13,662	-	12,937
FUND BALANCE - ENDING	13,662	13,662	13,705	43	13,662

CITY OF SCHERTZ, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

CAPITAL RECOVERY ROADWAYS

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
REVENUES		
Service fees	\$ 850,201	\$ 138,920
Investment earnings	1,973	1,451
Total Revenues	<u>852,174</u>	<u>140,371</u>
OTHER FINANCING SOURCES (USES)		
Transfers out	-	(116,040)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(116,040)</u>
NET CHANGE IN FUND BALANCE	<u>852,174</u>	<u>24,331</u>
FUND BALANCE - BEGINNING	<u>85,453</u>	<u>61,122</u>
FUND BALANCE - ENDING	<u>\$ 937,627</u>	<u>\$ 85,453</u>

STATISTICAL SECTION

**STATISTICAL SECTION
(Unaudited)**

This part of the City of Schertz, Texas Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	86 – 95
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources.	96 - 104
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	105 - 110
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	111 - 114
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	115 - 120

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CITY OF SCHERTZ, TEXAS

TABLE 1

NET POSITION BY COMPONENT

**LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 55,415,699	\$ 56,616,809	\$ 57,543,618	\$ 62,792,671	\$ 68,125,738	\$ 74,237,004	\$ 84,537,238	\$ 89,266,885	\$ 89,869,766	\$ 88,959,102
Restricted	2,089,971	1,917,098	7,788,354	10,401,728	13,343,280	17,095,325	20,437,116	23,391,047	28,088,355	28,664,438
Unrestricted	7,370,101	8,907,326	6,645,418	8,613,239	1,640,519	2,231,341	1,673,567	2,351,236	2,920,717	4,157,801
Total Governmental Activities Net Position	\$ 64,875,771	\$ 67,441,233	\$ 71,977,390	\$ 81,807,638	\$ 83,109,537	\$ 93,563,670	\$ 106,647,921	\$ 115,009,168	\$ 120,878,838	\$ 121,781,341
Business-type activities										
Net investment in capital assets	\$ 51,838,589	\$ 50,161,157	\$ 53,071,836	\$ 53,674,437	\$ 59,625,205	\$ 64,210,231	\$ 70,361,035	\$ 64,871,629	\$ 68,271,075	\$ 75,969,319
Restricted	-	-	-	-	-	-	10,565,463	12,626,526	13,232,638	15,071,599
Unrestricted	7,441,722	11,577,645	11,902,282	16,450,988	14,243,922	15,737,470	20,781,291	20,870,671	33,254,008	30,570,717
Total Business-Type Activities Net Position	\$ 59,280,311	\$ 61,738,802	\$ 64,974,118	\$ 70,125,425	\$ 73,869,127	\$ 79,947,701	\$ 101,707,789	\$ 98,368,826	\$ 114,757,721	\$ 121,611,635
Primary government										
Net investment in capital assets	\$ 107,254,288	\$ 106,777,966	\$ 110,615,454	\$ 116,467,108	\$ 127,750,943	\$ 138,447,235	\$ 154,898,273	\$ 154,138,514	\$ 158,140,841	\$ 164,928,421
Restricted	2,089,971	1,917,098	7,788,354	10,401,728	13,343,280	17,095,325	20,437,116	23,391,047	41,320,993	43,736,037
Unrestricted	14,811,823	20,484,971	18,547,700	25,064,227	15,884,441	17,968,811	22,454,858	35,848,433	36,174,725	34,728,518
Total Primary Government Net Position	\$ 124,156,082	\$ 129,180,035	\$ 136,951,508	\$ 151,933,063	\$ 156,978,664	\$ 173,511,371	\$ 197,790,247	\$ 213,377,994	\$ 235,636,559	\$ 243,392,976

TABLE 2

CITY OF SCHERTZ, TEXAS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 8,112,954	\$ 7,802,092	\$ 7,066,087	\$ 6,958,530	\$ 6,443,227	\$ 6,557,778	\$ 6,253,926	\$ 7,421,918	\$ 6,534,013	\$ 10,310,363
Public safety	8,390,740	9,103,676	9,567,595	10,025,703	10,836,712	12,141,968	13,061,120	13,899,278	15,448,886	16,575,191
Public environment	3,152,119	3,586,087	3,622,834	3,740,538	3,876,644	4,147,653	4,460,540	4,930,723	5,495,192	8,825,099
Parks and recreation	1,673,098	1,584,605	1,807,559	1,870,136	2,164,604	2,034,964	2,859,974	2,707,292	3,022,278	3,012,134
Cultural	876,339	916,967	907,676	870,159	892,194	954,871	1,004,747	1,042,085	1,119,650	1,089,564
Health	374,516	357,658	344,647	407,114	470,468	570,204	776,494	724,280	516,890	596,288
Administration	1,321,055	1,117,044	1,180,656	1,942,312	1,845,877	1,954,276	3,052,102	3,067,983	3,853,255	3,419,407
Interest and other fees	2,251,472	2,302,912	3,340,951	2,352,856	2,226,635	2,240,783	2,125,687	2,125,687	2,196,180	2,028,065
Total Governmental Activities Expenses	26,152,293	26,771,041	27,838,005	28,104,348	28,756,361	30,602,497	33,824,617	35,919,746	38,186,344	45,856,111
Business-type activities:										
Water and sewer	15,280,871	16,349,967	16,954,871	17,762,116	18,440,959	20,269,111	21,346,078	23,579,854	25,608,390	24,349,219
EMS	3,659,031	3,758,425	3,959,445	4,268,125	4,719,526	5,004,110	6,006,178	6,110,407	6,529,631	6,051,296
Total Business-Type Activities Expenses	18,939,902	20,108,392	20,914,316	22,030,241	23,160,485	25,273,221	27,352,256	29,690,261	32,138,021	30,400,515
Total Primary Government Expenses	45,092,195	46,879,433	48,752,321	50,134,589	51,916,846	55,875,718	61,176,873	65,610,007	70,324,365	76,256,626
Program Revenues										
Governmental activities:										
Charges for services:										
General government	1,495,563	2,286,488	2,230,800	1,974,637	1,840,547	1,507,252	874,737	1,013,698	947,538	836,246
Public safety	2,815,029	2,216,385	2,516,547	2,536,476	2,603,476	2,415,537	4,131,548	4,104,911	3,177,329	3,276,129
Public environment	524,443	541,512	721,222	917,639	794,003	788,727	544,460	640,231	484,495	850,201
Parks and recreation	228,242	279,267	305,932	309,897	325,178	326,079	330,412	313,668	311,575	331,174
Cultural	39,743	36,746	38,149	32,429	26,744	30,308	29,742	27,930	21,101	299,944
Health	717,105	764,997	234,084	220,264	336,252	342,485	552,878	776,942	692,042	26,304
Operating grants and contributions	2,998,115	1,178,573	1,531,740	5,756,456	5,509,530	6,227,664	10,043,483	4,744,489	1,319,793	2,113,673
Capital grants and contributions	8,818,240	7,303,968	7,578,474	11,747,798	11,435,730	11,638,052	16,507,260	11,621,869	7,092,793	531,096
Activities Program Revenues	8,818,240	7,303,968	7,578,474	11,747,798	11,435,730	11,638,052	16,507,260	11,621,869	7,092,793	8,264,767
Business-type activities:										
Charges for services:										
Water and sewer	17,073,075	17,411,568	17,696,327	19,147,872	20,700,369	22,003,794	25,390,713	27,099,237	27,333,475	29,709,279
EMS	3,564,852	3,561,114	4,459,600	4,533,753	4,415,126	5,921,223	6,366,894	6,092,559	6,596,618	6,114,891
Capital grants and contributions	2,175,889	828,853	1,301,235	2,809,110	4,158,552	2,831,126	6,111,474	3,132,348	1,975,524	292,408
Total Business-Type Activities Program Revenues	22,813,816	21,801,535	23,457,162	26,490,735	29,274,047	30,756,143	37,869,081	36,324,144	35,905,617	36,116,578
Total Primary Government Program Revenues	31,632,056	29,105,503	31,035,636	38,238,533	40,709,777	42,394,195	54,376,341	47,946,013	42,998,410	44,381,345
Net (expense) revenue:	(17,334,053)	(19,467,073)	(20,259,531)	(16,356,550)	(17,320,631)	(18,964,445)	(17,317,357)	(24,297,877)	(31,093,551)	(37,591,344)
Governmental activities	3,873,914	1,693,143	2,542,846	4,460,494	6,113,562	5,482,922	10,516,825	6,633,883	3,767,596	5,716,063
Business-type activities	(13,460,139)	(17,773,930)	(17,716,685)	(11,896,056)	(11,207,069)	(13,481,523)	(6,800,532)	(17,663,994)	(27,325,955)	(31,875,281)
Total Primary Government Net Expense										

CITY OF SCHERTZ, TEXAS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCURAL BASIS OF ACCOUNTING)
(UNAUDITED)

TABLE 2

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes	\$ 10,280,768	\$ 11,298,204	\$ 12,359,146	\$ 12,794,172	\$ 14,139,037	\$ 15,131,997	\$ 16,166,006	\$ 17,018,950	\$ 19,151,005	\$ 19,844,912
Ad valorem	7,054,394	7,968,212	9,637,097	10,553,382	10,315,125	10,921,489	10,844,503	12,668,555	12,506,879	14,432,152
Sales	1,542,046	1,647,712	1,681,079	2,073,162	2,263,783	2,250,815	2,208,373	2,393,182	2,357,150	2,305,225
Franchise fees	391,181	470,290	503,267	552,570	563,734	544,871	499,466	520,424	514,679	268,946
Hotel/motel	33,630	28,586	30,421	39,917	43,656	43,073	42,699	43,395	60,518	70,139
Mixed drink	2,173	-	-	-	-	-	-	-	-	-
Bingo	48,235	60,265	54,270	43,279	56,820	187,847	448,408	909,985	1,470,258	804,674
Investment income	316,840	621,560	505,268	180,316	197,881	309,275	182,754	283,496	984,257	767,799
Miscellaneous	84,235	(62,294)	25,140	(50,000)	(42,235)	29,211	9,399	19,186	(81,525)	-
Transfers	19,753,502	22,032,535	24,795,688	26,186,798	27,537,801	29,418,578	30,401,608	33,857,173	36,963,221	38,493,847
Total Governmental Activities	37,950	36,409	53,089	31,810	47,728	102,642	211,466	532,367	855,216	431,555
Business-type activities:	457,094	666,645	664,521	609,003	344,731	522,221	475,733	453,374	267,788	706,296
Interest and investment earnings	(84,235)	62,294	(25,140)	50,000	42,235	(29,211)	(9,399)	(19,186)	81,525	-
Miscellaneous	410,809	765,348	692,470	690,813	434,694	595,652	677,800	966,555	1,204,529	1,137,851
Transfers	20,164,311	22,797,883	25,488,158	26,877,611	27,972,495	30,014,230	31,079,408	34,823,728	38,167,750	39,631,698
Total Business-Type Activities	2,419,449	2,565,462	4,536,157	9,830,248	10,217,170	10,454,133	13,084,251	9,559,296	5,869,670	902,503
Total Primary Government	4,284,723	2,458,491	3,235,316	5,151,307	6,548,256	6,078,574	11,194,625	7,800,438	4,972,125	6,853,914
Change in Net Position	\$ 6,704,172	\$ 5,023,953	\$ 7,771,473	\$ 14,981,555	\$ 16,765,426	\$ 16,532,707	\$ 24,278,876	\$ 17,159,734	\$ 10,841,795	\$ 7,756,417

Source: City financial statements

TABLE 3

CITY OF SCHERTZ, TEXAS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Nonspendable Fund Balance:										
Inventory	\$ 43,504	\$ 63,556	\$ 50,768	\$ 88,518	\$ 101,084	\$ 107,529	\$ 98,263	\$ 94,876	\$ 117,009	\$ 99,871
Prepaid items		2,367	754,443	21,735	16,000	112,974	-	-	14,916	14,916
Note receivable	120,080	120,080	120,080	-	-	-	-	-	-	-
Total Nonspendable Fund Balance	163,584	186,003	925,291	110,253	117,084	220,503	98,263	94,876	131,925	114,787
Restricted Fund Balance:										
Police and public safety	403,799	338,118	496,890	529,264	494,337	555,722	514,931	454,773	514,152	481,879
Municipal court	459,244	527,513	646,422	628,459	683,558	714,609	728,350	728,350	823,451	823,452
PEG capital fees	317,453	409,870	456,175	489,509	509,535	577,590	638,506	723,353	723,353	807,140
Capital improvement	10,219,300	17,104,595	15,360,800	9,600,028	8,924,587	11,665,693	16,915,997	16,117,887	13,199,763	7,003,243
Debt service	117,250	227,674	517,199	625,435	847,178	1,311,577	1,450,082	1,099,858	1,002,226	785,919
Tourism development	301,517	390,561	470,250	501,996	848,969	1,186,062	1,503,873	1,846,947	2,214,865	2,116,464
Tree mitigation	173,999	217,600	157,659	359,205	331,149	340,386	331,913	431,805	433,406	463,228
Parks	84,329	90,718	136,647	304,655	341,551	441,606	367,812	374,161	290,670	292,236
Historical Committee & library	231,686	65,409	77,554	78,098	76,787	75,420	77,137	84,818	89,104	88,749
Economic Development Corporation	3,394,850	4,366,005	6,022,128	7,792,578	9,821,747	12,227,179	15,069,421	17,811,968	21,777,256	21,018,626
Animal control	-	-	-	-	-	18,667	35,660	35,660	33,408	33,408
Veterans	-	-	-	-	-	4,985	4,796	4,796	2,109	2,109
Scholarship	-	-	-	54,176	60,944	63,048	77,458	84,989	101,673	104,156
Total Restricted Fund Balance	15,703,427	23,738,063	24,341,724	20,963,403	22,940,342	29,182,544	37,715,936	39,799,365	41,205,436	34,020,609
Committed Fund Balance:										
Capital improvement	-	-	165,000	31,718	-	342,519	454,376	454,376	687,779	4,759,722
Total Committed Fund Balance	-	-	165,000	31,718	-	342,519	454,376	454,376	687,779	4,759,722
Assigned Fund Balance:										
Property replacement	202,723	322,656	456,034	694,916	785,005	752,503	854,198	854,198	891,321	891,319
Special events	93,447	92,555	99,770	31,177	6,657	6,743	-	-	-	-
Capital improvement	162,113	243,546	145,167	-	-	-	-	-	-	-
Historical Committee	9,940	-	-	-	-	-	-	-	-	-
Subsequent year's budget	-	-	-	-	-	-	-	2,226,359	4,689,305	1,081,160
Youth activities	-	11,090	-	-	-	-	-	-	-	-
Total Assigned Fund Balance	468,223	669,847	700,971	726,093	791,662	759,246	854,198	3,080,557	5,580,626	1,972,479
Unassigned Fund Balance	1,899,105	2,560,667	4,206,734	5,587,262	7,280,240	8,509,467	9,976,169	12,548,013	9,228,612	10,126,057
Total Governmental Funds	\$ 18,234,339	\$ 27,154,580	\$ 30,339,720	\$ 27,418,729	\$ 31,129,328	\$ 39,014,279	\$ 49,098,942	\$ 55,977,187	\$ 56,834,378	\$ 50,993,654

Source: Balance Sheets - Governmental Funds in City's CAFRs.

CITY OF SCHERTZ, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

TABLE 4

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 19,309,675	\$ 21,401,991	\$ 24,181,863	\$ 26,021,730	\$ 27,348,297	\$ 28,865,727	\$ 29,720,578	\$ 32,632,702	\$ 34,590,008	\$ 36,802,913
Permits and fees	1,776,292	1,363,461	1,609,954	1,805,047	1,731,302	1,493,336	2,540,045	2,557,056	1,635,461	1,807,264
Service fees	1,645,489	1,547,007	1,739,387	1,763,964	1,739,151	1,789,321	2,132,299	2,159,193	2,070,293	2,583,598
Fines and fees	1,452,610	2,027,613	1,927,744	1,750,311	1,534,588	1,441,474	1,217,621	1,049,989	953,614	880,657
Intergovernmental	1,216,211	1,000,413	492,332	221,769	393,607	401,494	397,073	609,131	1,057,681	951,604
Other revenue	603,498	969,921	767,110	671,731	689,805	1,741,436	1,897,153	1,761,285	2,454,515	1,572,473
Total Revenues	26,003,775	28,310,406	30,718,390	32,234,552	33,494,750	35,732,788	37,904,769	40,769,356	42,761,572	44,598,509
Expenditures										
Current:										
General government	7,164,667	7,094,834	6,311,276	5,981,439	5,582,441	5,657,998	5,394,918	6,327,133	5,881,647	10,364,369
Public safety	7,885,119	8,690,849	9,113,840	9,409,894	10,158,401	11,048,767	11,870,636	12,728,222	13,985,443	15,366,593
Public environment	846,150	976,327	951,528	1,012,607	952,663	1,007,326	1,128,979	1,136,052	1,112,041	1,270,894
Parks and recreation	1,195,171	1,398,692	1,412,329	1,338,232	1,658,197	1,528,356	1,885,915	1,697,872	2,393,487	2,102,083
Cultural	937,611	845,124	840,595	815,691	821,146	869,162	921,870	955,153	1,018,109	1,044,891
Health	360,746	346,318	341,961	394,918	404,008	480,175	672,934	628,054	498,871	589,616
Administration	1,506,831	1,249,557	1,289,078	2,270,041	2,056,646	2,015,573	2,912,855	3,015,239	3,795,233	3,353,634
Capital outlay	2,956,511	1,299,843	3,277,397	8,000,467	2,314,668	10,192,398	5,492,196	7,708,625	9,083,572	9,276,886
Debt service:										
Principal	2,371,070	2,704,898	3,217,325	3,695,597	3,918,008	4,040,975	4,473,174	4,744,116	4,565,000	4,929,544
Interest and fiscal charges	2,066,221	2,313,510	2,381,171	2,108,610	2,112,746	1,896,911	2,113,679	2,099,190	2,069,215	2,136,523
Bond issue costs	244,237	254,971	31,750	165,650	7,992	449,358	214,280	129,417	189,082	4,200
Payment to refund agent	-	-	-	-	-	-	-	-	5,489,912	-
Total Expenditures	27,534,334	27,174,923	29,168,250	35,193,146	29,986,916	39,186,999	37,081,436	41,169,073	50,081,612	50,439,233
Excess of Revenues Over (Under)	(1,530,559)	1,135,483	1,550,140	(2,958,594)	3,507,834	(3,454,211)	823,333	(399,717)	(7,320,040)	(5,840,724)
Other Financing Sources (Uses)										
Bond & debt issuances	8,206,572	14,370,000	1,635,000	8,583,715	245,000	10,750,000	8,870,000	4,887,829	4,620,000	-
Refunding bond issuance	283,000	175,473	-	686,137	-	4,185,000	-	6,035,000	5,225,000	-
Premium (discount) on bond issue	-	(6,698,421)	-	(9,182,250)	-	590,432	381,931	269,212	640,115	-
Payment to refund agent	348,846	139,635	788,084	1,243,833	-	(4,215,482)	-	(6,159,623)	-	-
Transfer in	(264,611)	(201,929)	(788,084)	(1,293,832)	(1,031,355)	(834,371)	(429,404)	(777,487)	120,503	4,500,169
Transfer out	8,573,807	7,784,758	1,635,000	37,603	202,765	11,339,162	9,261,330	5,051,603	10,403,590	(4,500,169)
Net Other Financing Sources (Uses)	7,043,248	8,920,241	3,185,140	(2,920,991)	3,710,599	7,884,951	10,084,663	4,651,886	3,083,550	(5,840,724)
Net Change in Fund Balances	17.4%	19.5%	21.6%	21.3%	21.3%	20.5%	20.4%	22.2%	17.3%	16.2%
Debt Service as a Percentage of Noncapital Expenditures										

Source: Statement of Revenues, Expenditures, and Changes in Fund Balance for Governmental Funds.

TABLE 5

CITY OF SCHERTZ, TEXAS
 GOVERNMENTAL FUNDS TAX REVENUES BY SOURCE
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Mixed Beverage	Bingo	Hotel Occupancy	Total
2011	\$ 10,286,251	\$ 7,054,394	\$ 1,542,046	\$ 33,630	\$ 2,173	\$ 391,181	\$ 19,309,675
2012	11,287,191	7,968,212	1,647,712	28,586	-	470,290	21,401,991
2013	12,329,999	9,637,097	1,681,079	30,421	-	503,267	24,181,863
2014	12,802,668	10,553,382	2,073,162	39,917	31	552,570	26,021,730
2015	14,161,999	10,315,125	2,263,783	43,553	103	563,734	27,348,297
2016	15,105,480	10,921,489	2,250,815	43,072	1	544,870	28,865,727
2017	16,125,537	10,844,503	2,208,373	42,668	31	499,466	29,720,578
2018	17,007,148	12,668,555	2,393,182	43,384	11	520,424	32,632,704
2019	19,150,782	12,506,879	2,357,150	60,518	24	514,679	34,590,032
2020	19,726,451	14,432,152	2,305,225	70,139	24	268,946	36,802,937

CITY OF SCHERTZ, TEXAS

TABLE 6

TOTAL WATER AND SEWER CONSUMPTION AND RATES

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Total Water & Sewer Consumption (In Gallons)	Water & Sewer Base Rate	Water & Sewer Initial Rate Per 1,000 Gallons
2020	1,982,664,200	38.15	6.97
2019	1,622,930,500	37.15	6.84
2018	1,583,312,400	35.61	6.53
2017	1,583,462,300	34.35	6.21
2016	1,509,250,000	30.11	5.73
2015	1,472,948,300	26.54	5.43
2014	1,543,351,600	24.38	5.17
2013	1,550,039,700	22.69	4.84
2012	1,604,952,300	22.69	4.84
2011	1,676,323,900	22.69	4.75

CITY OF SCHERTZ, TEXAS

TABLE 7

PRINCIPAL WATER AND SEWER CONSUMERS

LAST TEN FISCAL YEARS

TAXPAYERS	2020			2011		
	Total Water Consumption (In Gallons)	Rank	Percentage of Total City Water Consumption	Total Water Consumption (In Gallons)	Rank	Percentage of Total City Water Consumption
Caterpillar Inc.	169,429,600	1	8.55%	87,304,700	1	0.00%
Beck ReadyMix Concrete	117,018,500	2	5.90%	60,814,100	2	4.94%
Sycamore Creek Apartments	113,447,200	3	5.72%	35,899,500	3	2.92%
SA WFR Partners, LLC	84,070,100	4	4.24%	27,988,600	5	0.00%
IPT San Antonio Logistics CTR	82,032,700	5	4.14%	24,208,400	6	1.97%
Sebastian Apartments	76,545,800	6	3.86%	23,437,100	7	1.90%
Val Verde 6561	66,374,900	7	3.35%	29,971,700	4	2.43%
Sysco / Cooling Tower	65,618,600	8	3.31%	22,409,900	8	1.82%
Legacy Oaks Apartments	64,797,000	9	3.27%	22,123,100	9	1.80%
Pecan Grove TXLLC	61,635,700	10	3.11%	20,585,900	10	1.67%
Wal-Mart Supermarket #3391 spk				354,743,000		19.45%
Sedona Master Community, INC						
Lowe's Home Improvement Warehouse						
CCMA						
TOTAL	900,970,100		45.44%	354,743,000		19.45%
Total City Water Consumption	1,982,664,200			1,231,376,600		

CITY OF SCHERTZ, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS
 (UNAUDITED)

TABLE 8

Fiscal Year	City Direct Rates				Overlapping School Districts			
	Basic Rate	Debt Service	Total	Schertz-Universal City ISD	Comal ISD	Bexar	Overlapping Counties	Guadalupe
2020	0.3496	0.1650	0.5146	1.4200	1.3200	0.1186	0.1492	0.3224
2019	0.3497	0.1649	0.5146	1.4900	1.3200	0.0186	0.1492	0.3319
2018	0.3248	0.1662	0.4910	1.4900	1.3900	0.0186	0.1492	0.3319
2017	0.3168	0.1743	0.4911	1.4700	1.3900	0.0173	0.1492	0.3799
2016	0.3159	0.1752	0.4911	1.4900	1.3900	0.0173	0.1492	0.3851
2015	0.3164	0.1810	0.4974	1.4900	1.3900	0.0173	0.1492	0.3851
2014	0.3010	0.1964	0.4974	1.4900	1.4300	0.0178	0.1492	0.3941
2013	0.2993	0.2006	0.4999	1.4600	1.4300	0.0174	0.1416	0.3999
2012	0.2993	0.1850	0.4843	1.4350	1.4300	0.0174	0.1416	0.4036
2011	0.2993	0.1500	0.4493	1.4350	1.3700	0.0160	0.1359	0.3999

CITY OF SCHERTZ, TEXAS

PRINCIPAL PROPERTY OF TAX PAYERS
 CURRENT YEAR AND NINE YEARS AGO

TABLE 9

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Caterpillar Inc.	\$ 120,824,839	1	2.91%			
SYSCO San Antonio, Inc.	107,425,724	2	2.59%			
Amazon Com Services Inc	74,629,384	3	1.80%			
US Real Estate LP	59,963,917	4	1.44%			
Rebublic Beverage Company	58,711,000	5	1.41%	\$ 51,762,770	1	2.21%
Cofin 2018-3 Industrial Owner LLC	57,353,060	6	1.38%			
Shell US Gas and Power LLC	37,942,000	7	0.91%			
SA WFR Partners LLC	25,352,359	8	0.61%			
EM Limited Partnership	22,655,200	9	0.55%	9,857,599	9	0.42%
GE Oil & Gas INC	19,515,060	10	0.47%			
AOH-Vantage at Schertz LLC				17,367,333	2	0.74%
San Antonio MTA LP				17,153,935	3	0.73%
Wal-Mart Real Estate Business Trust				14,529,843	4	0.62%
City Bank				14,108,720	5	0.60%
Eye Care Centers of America Inc.				13,293,056	6	0.57%
H.E Butt Grocery Co.				12,040,678	7	0.51%
Atlantic Financial Group LTD				10,313,859	8	0.44%
Lowe's Home Center Inc.				8,284,756	10	0.35%
TOTALS	\$ 584,372,543		14.07%	\$ 168,712,549		7.20%
TOTAL TAXABLE ASSESSED VALUE	\$ 4,152,459,607			\$ 2,342,355,490		

TABLE 10

CITY OF SCHERTZ, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected Within Fiscal Year of Levy		Collections In Subsequent Years	Total Collections To Date	
		Amount	% of Levy		Amount	% of Levy
2020	\$ 20,854,329	\$ 20,758,493	99.54%	68,692	\$20,827,185	99.87%
2019	19,922,568	19,825,244	99.51%	85,062	19,910,306	99.94%
2018	18,010,824	17,899,825	99.38%	-	17,899,825	99.38%
2017	17,356,822	17,241,556	99.34%	72,675	17,314,231	99.75%
2016	16,238,180	16,160,248	99.52%	57,835	16,218,083	99.88%
2015	14,793,867	14,738,760	99.63%	44,730	14,783,490	99.93%
2014	13,383,759	13,297,258	99.35%	68,412	13,365,670	99.86%
2013	12,536,540	12,455,336	99.35%	71,432	12,526,768	99.92%
2012	11,239,572	11,159,974	99.29%	71,740	11,231,714	99.93%
2011	9,978,430	9,895,240	99.17%	74,770	9,970,010	99.92%

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CITY OF SCHERTZ, TEXAS
 TAXABLE ASSESSED VALUE
 LAST TEN FISCAL YEARS
 (UNAUDITED)

TABLE 11

Fiscal Year Ended	Taxable Value January 1,	Residential Property	Commercial Property	Tax-Exempt Property	Other Property	Total Taxable Assessed Value*	Total Direct Tax Rate
September 30,							
2020	2019	3,004,686,341	1,613,615,732	(716,028,336)	250,185,870	4,152,459,607	0.5146
2019	2018	2,860,333,982	1,401,636,211	(621,773,006)	260,571,835	3,900,769,022	0.5146
2018	2017	2,049,067,806	2,344,365,139	(757,265,921)	146,860,809	3,647,504,903	0.4911
2017	2016	1,895,085,016	2,269,590,522	(649,173,041)	132,002,406	3,375,850,131	0.4911
2016	2015	1,702,601,947	2,087,223,204	(544,328,535)	130,353,515	3,037,267,611	0.4974
2015	2014	1,568,651,309	1,793,803,709	(460,271,461)	135,084,054	2,752,562,574	0.4974
2014	2013	1,445,731,509	1,540,565,195	(340,747,650)	107,013,520	2,600,365,551	0.4999
2013	2012	1,383,423,359	1,396,349,905	(285,245,142)	105,837,429	2,411,270,623	0.4843
2012	2011	1,337,223,390	1,233,687,039	(262,591,896)	102,952,090	2,363,893,708	0.4493
2011	2010	1,272,970,256	1,253,600,729	(280,015,063)	117,337,786	2,342,355,490	0.4342

*Taxable Assessed Value is before any applicable freeze adjustments.
 Source: Bexar, Comal and Guadalupe County Appraisal Districts.

CITY OF SCHERTZ, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

TABLE 12

Fiscal Year	Governmental Activities					Business-Type Activities					Percent of Gross Income	Total Primary Government	Per Capita
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Capital Lease	Revenue Bonds	Certificates of Obligation	Public Facility Loan	General Obligation Bonds	Capital Lease	Tax Notes			
2020	\$ 46,223,908	\$ 15,801,473	\$ 345,000	\$ 17,134	\$ -	\$ 12,067,332	-	\$ 3,951,449	\$ 132,468	\$ 150,000	\$ 78,688,764	5.60%	1,841
2019	49,960,772	16,834,029	530,000	25,699	-	12,919,712	-	4,727,188	199,421	460,000	85,656,821	5.60%	2,042
2018	52,752,896	13,636,966	715,000	34,264	-	13,211,178	-	2,127,657	289,553	765,000	83,532,514	5.98%	2,028
2017	56,613,614	9,011,415	1,230,000	25,147	-	8,174,779	-	2,533,626	92,721	1,065,000	75,076,605	6.22%	1,996
2016	56,352,272	4,057,189	1,740,000	58,321	-	8,331,966	-	3,014,595	162,262	1,360,000	75,076,605	6.39%	1,979
2015	53,410,128	277,801	1,210,000	91,495	-	8,946,153	-	3,490,564	231,803	1,640,000	69,297,944	5.99%	1,830
2014	56,487,433	543,934	1,585,000	123,370	-	9,561,204	-	3,966,533	347,705	65,000	72,680,179	6.35%	1,992
2013	58,693,750	801,767	2,155,000	22,398	2,215,000	5,048,233	-	2,127,502	-	130,000	71,193,650	6.50%	1,982
2012	60,878,759	1,581,300	190,000	60,190	2,342,656	5,383,700	-	2,413,471	-	190,000	73,040,076	8.15%	2,117
2011	48,035,253	8,615,077	250,000	97,188	2,476,681	5,704,200	-	2,684,440	-	250,000	68,112,839	8.01%	2,031

TABLE 13

CITY OF SCHERTZ, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligation	Amounts Available for Debt Service		
2020	\$ 50,175,357	\$ 15,801,473	\$(1,051,874)	1.56%	1,577
2019	54,687,960	16,834,029	(1,084,908)	1.81%	1,785
2018	54,880,553	13,636,966	(809,427)	1.86%	1,785
2017	59,147,240	9,011,415	(924,989)	1.99%	1,776
2016	59,366,867	4,057,189	(813,306)	2.06%	1,716
2015	56,900,692	277,801	(847,178)	2.05%	1,568
2014	60,453,966	543,934	(517,199)	2.33%	1,753
2013	60,821,252	801,767	(227,674)	2.55%	1,830
2012	63,292,230	1,581,300	(117,250)	2.74%	2,418
2011	50,719,693	8,615,077	(286,215)	2.52%	2,231

CITY OF SCHERTZ, TEXAS

TABLE 14

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
CURRENT YEAR

Governmental Unit	CURRENT YEAR		Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
	Debt Outstanding	Debt repaid with property taxes:		
Alamo CCD	\$ 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 ISD	397,644,650		48.57%	193,136,006
Subtotal, Overlapping Debt				242,948,022
City Governmental Activities Direct Debt				62,370,381
TOTAL NET OVERLAPPING DEBT				\$ 305,318,403

NOTES: The overlapping debt was received from the Municipal Advisory Council of Texas. Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

Overlapping debt is the proportionate share of the debts of local jurisdictions located wholly or in part within the limits of the City of Schertz. This schedule is intended to demonstrate the total debt that the City of Schertz property tax payers will be expected to repay. The amount of debt applicable to the City of Schertz is computed by (a) determining what portion of total assessed value of the overlapping jurisdiction lies within the limits of the City and (b) applying this percentage to the total governmental activities debt of the overlapping jurisdiction.

CITY OF SCHERTZ, TEXAS
DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

TABLE 15

Assessed Value, 2019 Tax Roll	\$ 4,152,459,607
Debt Limit - Texas statutes do not provide a legal debt limit for cities; however, through accepted practice a practical "economic" debt limit is considered to be 10% of the assessed value.	\$ 415,245,961
Amount of Applicable Debt:	
General Bonded Debt	\$ 62,370,381
Less Debt Service Net Position	(1,051,874)
DEBT MARGIN	\$ 353,927,454

Total Net Debt as a Percentage of Debt Margin

17.33%

	Fiscal Year		
	2016	2017	2018
Assessed Value	\$ 3,375,850,131	\$ 3,647,504,903	\$ 3,783,027,833
Debt Limit	337,585,013	364,750,490	378,302,783
Total Net Debt Applicable to Limit	61,181,169	65,792,916	66,329,699
Total Debt Margin	\$ 276,403,844	\$ 298,957,574	\$ 311,973,084
Assessed Value	2013	2014	2015
Debt Limit	\$ 2,600,365,551	\$ 2,752,562,574	\$ 3,037,267,611
Total Net Debt Applicable to Limit	260,036,555	275,256,257	303,726,761
Total Debt Margin	\$ 60,499,568	\$ 56,803,499	\$ 53,424,303
Assessed Value	2010	2011	2012
Debt Limit	\$ 2,363,893,708	\$ 2,411,270,623	\$ 2,600,365,551
Total Net Debt Applicable to Limit	236,389,371	241,127,062	260,036,555
Total Debt Margin	\$ 55,298,550	\$ 60,973,626	\$ 60,499,568
	\$ 181,090,821	\$ 180,153,436	\$ 199,536,987

CITY OF SCHERTZ, TEXAS
PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS

TABLE 16

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Water Revenue Bonds		Interest	Coverage
			Net Available Revenue	Principal		
2020	\$ 29,735,911	\$ 24,032,772	5,703,139	\$ 1,961,953	\$ 612,643	2.22
2019	27,246,250	22,622,986	4,623,264	1,845,132	561,880	1.92
2018	27,099,237	20,802,263	6,296,974	1,671,134	391,609	3.05
2017	25,390,713	18,697,162	6,693,551	1,554,541	368,390	3.48
2016	22,003,794	17,603,487	4,400,307	1,441,741	417,346	2.37
2015	20,700,369	15,916,597	4,783,772	1,448,407	428,912	2.55
2014	19,147,872	15,246,653	3,901,219	1,010,500	426,100	2.72
2013	17,696,327	14,553,274	3,143,053	728,800	359,680	2.89
2012	17,411,568	14,185,126	3,226,442	697,100	396,968	2.95
2011	16,843,780	13,229,037	3,614,743	577,824	409,801	3.66

NOTE: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements. Operating expenses do not include the depreciation, interest, or amortization expenses.

CITY OF SCHERTZ, TEXAS

TABLE 17

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2020	42,734	\$ 1,680,129,944	\$ 39,316	37.4	16.2	15,675	5.1%
2019	41,948	1,473,255,708	35,121	38.0	16.2	15,925	2.7%
2018	41,182	1,396,481,620	33,910	37.3	15.9	15,817	3.2%
2017	39,453	1,266,046,770	32,090	37.2	15.9	15,497	3.8%
2016	37,938	1,175,319,240	30,980	36.9	15.8	15,460	3.4%
2015	37,865	1,157,835,970	30,578	36.1	15.6	15,009	3.2%
2014	36,477	1,144,465,875	31,375	36.9	15.4	14,515	5.1%
2013	35,929	1,095,331,494	30,486	37.1	15.4	14,058	5.5%
2012	34,499	895,739,206	25,964	36.8	15.4	13,016	5.6%
2011	33,544	850,069,800	25,342	37.8	15.4	12,533	5.7%

Sources: Population, personal income, median age and education level information provided by City Economic Development Corporation. School enrollment provided by Schertz-Cibolo-Universal City Independent School District. Unemployment data provided by Texas Workforce Commission.

CITY OF SCHERTZ, TEXAS

TABLE 18

TOP TEN PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2020		2011	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Amazon	2,000	10.67%	1,615	10.39%
Schertz-Cibolo-Universal City ISD	1,953	10.42%		
Sysco	783	4.18%		
Fed Ex Ground	600	3.20%	220	1.42%
Republic National Distributing Company	569	3.04%		
Brandt Companies	408	2.18%	320	2.06%
City of Schertz	404	2.16%	120	0.77%
FedEx Freight	325	1.73%		
Hollingsworth	262	1.40%	154	0.99%
Caterpillar	191	1.02%		
Builders First Source	140	0.75%		
Quality Custom Distribution	130	0.69%	120	0.77%
Manco	91	0.49%	350	2.25%
Wal-mart Stores			321	2.07%
EyeCare Centers of America			300	1.93%
H.E.B Grocery Co.			200	1.29%
Valero Energy			125	0.80%
Theis Distributing Co.				
TOTAL	7,856	41.93%	3,845	24.74%

Source: City Economic Development Corporation

CITY OF SCHERTZ, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENTAL EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

TABLE 19

Function	Full-Time Equivalent Employees as of September 30,					Full-Time Equivalent Employees as of September 30,				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>General Government</u>										
City Manager	6	7	7	6	6	5	5	5	5	5
Court Support	-	-	-	-	-	-	-	-	-	-
Municipal Court	5	6	6	6	6	6	6	6	4	4
Customer Relations	5	5	5	5	5	5	5	5	3	3
Planning and Zoning	4	3	3	3	3	4	4	4	3	3
General Services	15	15	13	13	13	-	-	-	-	-
City Secretary	2	2	2	2	2	2	2	2	2	2
Public Affairs	4	4	4	4	4	4	4	5	5	5
Records Management	1	1	1	1	1	1	1	-	-	-
Schertz Magazine	2	2	2	2	2	2	2	-	-	-
Engineer	2	4	3	3	3	7	7	7	7	8
GIS	2	2	2	2	2	2	2	2	2	2
Information Technology	4	4	6	6	6	6	7	8	8	8
Human Resources	4	4	4	4	4	5	5	5	5	5
Finance	6	6	6	6	8	8	8	8	7	7
Purchasing	5	5	4	3	3	3	3	3	3	3
Fleet Service	4	4	4	4	6	6	6	6	7	8
Building Maintenance	-	-	2	2	3	-	-	-	-	-
Facility Services	-	-	-	-	-	16	16	17	10	10
<u>Public Safety</u>										
Police	65	70	75	75	75	78	81	86	86	87
Fire	32	32	32	33	33	36	39	45	45	46
Inspections	7	7	7	8	9	8	8	11	12	12
Marshal Services	8	8	8	8	8	8	5	-	-	-
<u>Health</u>										
Animal Control	6	6	6	7	7	8	8	7	7	8
Environmental Health	-	-	-	-	-	3	3	4	4	4
<u>Parks and Culture</u>										
Parks	9	9	9	9	9	9	10	12	11	11
Pools	-	-	-	-	-	-	-	-	-	-
Event Facilities	1	1	1	1	1	1	1	1	5	5
Library	14	14	14	14	14	14	14	15	14	14
<u>Public Environment</u>										
Streets	14	14	14	14	14	14	14	14	14	17
<u>Public Works</u>										
Public Works	4	4	6	6	6	4	4	4	4	4
Business Office	10	10	10	10	10	10	10	10	9	9
Water and Sewer	17	17	16	16	16	16	16	19	19	19
Drainage	7	7	8	8	8	6	6	8	8	8
EMS	34	35	35	36	37	39	41	45	45	45
Economic Development	3	4	4	4	4	4	4	4	4	4
TOTAL	299	311	318	320	327	339	346	366	357	365

CITY OF SCHERTZ, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

TABLE 20

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>General Government</u>										
Building Permits Issued	4,950	2,643	3,054	2,869	3,087	5,919	4,800	5,251	4,748	2,993
<u>Schertz Tales</u>										
Number of Magazines Printed	168,000	168,000	168,000	180,000	180,000	180,000	180,000	180,000	180,000	187,500
<u>Police</u>										
CFS	26,205	19,434	19,894	19,067	36,138	39,064	34,428	45,190	41,327	57,149
Arrests	762	666	800	776	595	603	423	624	603	527
Traffic Violations	13,231	20,881	19,335	15,077	12,306	8,960	8,001	11,359	12,541	8,326
Accidents	1,575	1,665	1,960	1,823	2,040	2,119	2,057	2,244	2,304	1,752
<u>Fire</u>										
Number of Rescue/Other Responses	1,657	1,799	2,046	1,759	2,167	2,327	2,758	3,055	3,804	3,953
Number of Fire Responses	110	74	108	110	99	67	86	161	100	108
Number of Inspections	616	429	332	252	698	440	519	562	528	30
Number of Training Classes Conducted	142	168	132	125	150	460	340	600	804	763
Number of Pre-Plan Inspections	536	714	729	735	980	867	922	788	865	814
<u>EMS</u>										
Requests for Transport	7,443	7,545	8,391	8,840	9,286	9,723	9,956	10,059	10,759	10,713
Actual Transports	4,801	4,766	5,451	5,713	6,118	6,123	6,201	6,165	6,738	6,549
EMT Students	85	79	116	87	84	89	90	90	90	84
<u>Marshal Service</u>										
Warrants Issued	4,141	2,888	3,344	2,354	3,798	2,587	2,816	1,598	2,036	1,738
Warrants Cleared	3,985	4,118	4,687	3,781	3,691	3,492	2,822	2,022	1,834	664
Food Establishment Permits	118	123	127	82	135	145	201	181	55	189
Food Establishment Inspection	244	180	281	218	136	153	13	211	96	209
Foster/Adoption Inspections	18	14	24	16	22	21	21	18	8	10
<u>Parks</u>										
Facility Reservations	237	234	258	301	275	240	251	248	241	75
<u>Community and Civic Centers</u>										
Civic Center	354	325	444	458	478	483	590	516	441	293
Community Center Rentals	666	816	735	437	455	370	455	381	326	193
North Community Center Rentals	241	307	288	244	209	185	230	235	188	92

CITY OF SCHERTZ, TEXAS

TABLE 20

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Animal Services										
Number of Animals Handled	1,802	1,463	1,326	1,218	1,304	1,313	1,283	926	1,157	1,015
Number of Adoptions	257	291	362	309	357	410	348	319	366	450
Number of Return to Owners	313	149	231	222	213	205	228	218	233	335
Number of Transfers	300	312	301	316	296	316	326	297	227	188
Library										
Annual Circulation	414,074	410,312	404,691	395,998	394,766	399,622	385,206	414,790	447,379	254,643
Library Visits	254,934	256,349	254,633	253,237	259,413	255,109	235,428	258,695	237,821	102,297
Library Program Attendance	13,767	16,035	12,581	15,048	13,825	15,282	16,814	16,945	18,412	6,524
Registered Users	28,589	30,475	31,658	30,759	31,138	30,702	31,432	30,806	33,104	31,296
Water										
New Connections	439	271	168	235	369	213	303	235	300	357
Water Main Breaks	76	52	38	45	45	45	45	50	52	65
Total Consumption (Thousands of Gallons)	16,763,239	16,131,415	15,500,413	15,497,071	14,757,134	16,097,931	15,222,373	15,833,124	17,602,330	1,976,687
Daily Average Consumption (Thousands of Gallons)	45,927	44,196	42,466	42,458	40,431	43,942	41,705	43,378	48,225	54,155
Peak Daily Consumption (Thousands of Gallons)	11,000	9,290	9,483	10,089	8,385	10,985	11,000	9,083	11,094	14,011
Total Customers	12,234	12,557	12,757	13,324	13,570	13,877	14,124	14,678	16,434	13,683
Average Use Per Connection	5,725	5,517	5,905	5,467	5,135	5,352	5,244	5,294	4,587	5,600
Sewer										
Total Customers	10,907	10,988	11,456	11,578	11,413	12,282	12,398	12,866	12,853	13,112
Facilities Maintenance										
Number of Buildings Maintained	19	19	19	19	21	21	21	25	26	27
Square Footage	166,591	166,591	166,591	166,591	234,202	234,202	234,202	245,218	257,218	301,656

CITY OF SCHERTZ, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

TABLE 21

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Police</u>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	42	42	42	42	48	50	64	69	68	72
<u>Fire</u>										
Stations	2	2	2	2	2	2	2	3	3	3
Training Facility	-	-	-	-	-	-	-	-	0	0
Fire Vehicles	13	13	13	15	16	16	16	18	19	20
<u>EMS</u>										
Ambulances	6	6	7	7	9	9	8	8	9	9
<u>Marshal/Service Vehicles</u>										
Marshal/Service Vehicles	8	8	7	7	7	7	7	7	7	7
<u>Streets</u>										
Streets, Paved (Miles)	132	134	137	141	149	153	159	153	165.4	165
Streets, Unpaved (Miles)	5	5	5	5	5	5	5	5	5	5
<u>Parks and Recreation</u>										
Parks - Developed	17	17	13	13	14	15	20	21	21	21
Parks - Undeveloped	4	4	8	8	9	10	4	4	4	4
Playground	15	15	16	16	18	19	19	19	20	21
Swimming Pools	2	2	2	2	2	2	4	4	4	4
Baby Pools	2	2	2	2	2	2	2	2	2	2
Baseball/Softball Diamonds	9	9	12	12	15	15	15	15	15	2
Soccer Fields	12	12	12	12	12	12	12	12	12	15
Community Centers	4	4	4	4	4	4	4	4	4	4
<u>Animal Control</u>										
Control Vehicle	3	3	3	3	3	4	3	4	4	6
<u>Library</u>										
Facility	1	1	1	1	1	1	1	1	1	1
Volumes in Collection	73,904	81,468	86,221	100,478	113,085	97,412	107,382	110,266	150,972	139,447
<u>Water</u>										
Number of Reservoirs	-	-	-	-	-	-	-	0	0	0
Number of Pump Stations	5	5	5	5	5	5	5	5	5	6
Water Mains (Miles)	192	192	197	199	210	211	221	225	228	228.5
<u>Sewer</u>										
Sanitary Sewers (Miles)	84	85	87	90	96	98	110	113	116	116.2
Storm Sewers (Miles)	10	10	11	11	12	12	12	13.6	13.8	13.8
<u>Facilities Maintenance</u>										
Vehicles	5	4	5	5	6	6	6	11	11	10
Generators	3	3	3	3	4	4	4	7	10	7

APPENDIX D

**General Purpose Financial Statements for the City of Seguin, Texas
For the Fiscal Year Ended September 30, 2020**

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It's real.



It's real.

**CITY OF SEGUIN, TEXAS
COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2020**

Prepared by: Finance Department
Susan Caddell
Director of Finance

CITY OF SEGUIN, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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CITY OF SEGUIN, TEXAS
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March 15, 2021

The Honorable Mayor and City Council
City of Seguin, Texas

We are pleased to present the Comprehensive Annual Financial Report of the City of Seguin, Texas (the City), for the fiscal year ended September 30, 2020. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the presented data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City of Seguin's financial statements have been audited by Armstrong, Vaughan & Associates, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Seguin for the fiscal year ended September 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor has issued an unqualified ("clean") opinion on the City's financial statements for the year ended September 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

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



It's real.

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

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

Manufacturing is the heart of the Seguin economy. Nearly 30 % of Seguin's workforce is employed within the manufacturing industry. In fact, the Seguin area has over 6,000 manufacturing jobs; this is more than three times the national average. The City of Seguin's proximity to San Antonio and Austin enables our manufacturers to tap into a large, diverse and skilled labor pool. Seguin is located three hours away from the U.S. – Mexico Border via Interstate 35 and two and a half hours away from the Port of Houston, one of the world's largest sea ports. This provides Seguin manufacturers with great access to get materials in and out to their customers around the world.

It's not all about manufacturing in Seguin, the City is also home to growing education and healthcare industries. U.S. News & World Report ranked Seguin's Texas Lutheran University the #2 "Best Value" School for Western Regional Colleges, and the #4 "Best Regional College" for the Western Region. Seguin's Guadalupe Regional Medical Center (GRMC) was the proud recipient of the Healthgrades 2020 Patient Experience Award, a distinction that recognizes GRMC as being among the top 5% of hospitals nationwide for patient experience. Each year GRMC admits approximately 5,000 patients, treats 32,000 Emergency Department visits, delivers 700 babies, and performs 3,200 surgeries. GRMC contributes nearly \$40 million per year to the local economy in salaries and benefits and is one of the largest employers in Guadalupe County. Jointly owned by the City of Seguin and Guadalupe County, GRMC is a not-for-profit community hospital committed to its values of compassion, teamwork, excellence, enthusiasm, and dedication.

2020 data provided by the Bureau of Labor Statistics indicates that economic conditions within the State of Texas, the San Antonio-New Braunfels Metropolitan Statistical Area (MSA) and the City of Seguin have been negatively impacted due to the COVID-19 Pandemic. The average unemployment rate increase from 3.2% in 2019, to 7.0% in 2020. The civilian labor force population decreased from an average of 13,624 in 2019, to 13,546 in 2020. Unemployment rates in 2020 averaged 7.3% for the San Antonio-New Braunfels MSA, 6.6% for the City of New Braunfels, 7.5% for the City of San Antonio, and 6.3% for the City of Schertz.

Comparing the San Antonio-New Braunfels MSA to the state and nation, the Texas unadjusted (actual) unemployment rate for 2020 averaged 7.7%. The nation's unadjusted (actual) unemployment rate averaged 8.1% for 2020.

Given the negative impacts and disruptions created by the COVID-19 pandemic, 2020 still ended up being a successful year for the City of Seguin and the Seguin Economic Development Corporation. Two major economic development projects that were announced in late 2019 broke ground and are targeting full

production in 2021. Continental Structural Plastics (CSP) recently completed construction of their new 200,000 square foot automotive component manufacturing facility located at Interstate 10 and Rio Nogales Drive. CSP's new facility represents a capital investment of at least \$65 Million. In addition, CSP will create at least 200 new, well-paying jobs at their Seguin facility over the next 5-years. In February 2020, United Alloy started construction on their new 120,000 square foot metal fabrication facility in Seguin. United Alloy, a major Caterpillar supplier, completed construction of their new facility in November 2020. The project represents an \$18 Million investment by the company. United Alloy will be creating at least 100 new, well-paying jobs in Seguin over the next 5-years. In July 2020, the City of Seguin and the Seguin Economic Development Corporation announced that CoffeeTech Industries will be building their future headquarters and manufacturing facility on a 30-acre site within the Rio Nogales Industrial Park. The new facility will represent a \$36 Million capital investment by CoffeeTech and will also help create at least 90 new, well-paying jobs in Seguin. CoffeeTech is expected to start construction on June 2021.

Long-term financial planning. The City issued \$10,200,000 in 2020 Certificates of Obligation to fund street and drainage improvements, improvements to the golf pro shop, phase two of improvements to the Walnut Springs Trail, and radio technology. The City also issued \$3,900,000 in Utility Revenue Bonds to water and wastewater improvements as well as engineering services for the expansion of the Geronimo Creek Wastewater Treatment Plant.

FINANCIAL INFORMATION

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

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

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

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

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

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

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

Deferred Compensation Plan. The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

OTHER INFORMATION

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

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

Respectfully submitted,



Steve Parker
City Manager



Susan Caddell
Director of Finance



Government Finance Officers Association

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Achievement
for Excellence
in Financial
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**City of Seguin
Texas**

**For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended**

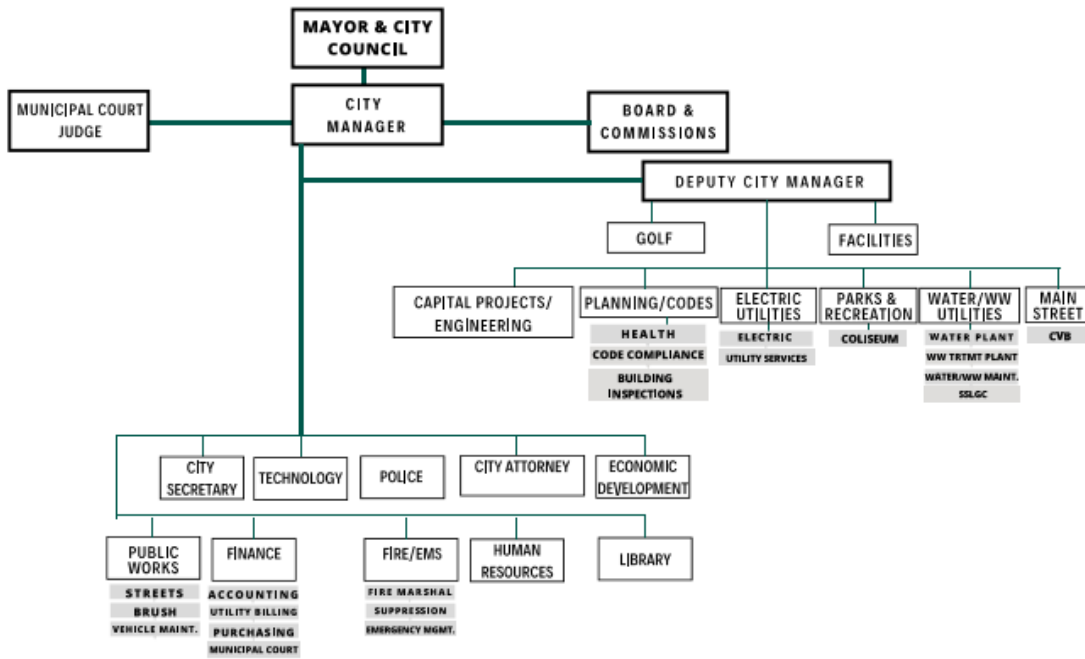
September 30, 2019



Executive Director/CEO



City of Seguin



ix

CITY OF SEGUIN, TEXAS

PRINCIPAL OFFICERS

DONNA DODGEN.....	Mayor
PENNY WALLACE.....	Mayor Pro-Tem
CHRIS RANGEL.....	Councilman
CHRIS AVILES.....	Councilman
MONICA CARTER.....	Councilwoman
MARK HERBOLD.....	Councilman
SONIA MENDEZ.....	Councilwoman
JOE REA.....	Councilman
JEREMY ROY.....	Councilman
STEVE PARKER.....	City Manager
RICK CORTES.....	Assistant City Manager
NAOMI MANSKI.....	City Secretary
SUSAN CADDELL.....	Director of Finance
ANDREW QUITTNER.....	City Attorney



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seguin, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Phone: 210-658-6229 • Fax: 210-659-7611 • Email: info@avacpa.com • www.avacpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seguin, Texas, as of September 30, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seguin, Texas' basic financial statements as a whole. The comparative statements, combining and individual nonmajor fund financial statements, introductory section, statistical section, and schedule of expenditures of federal awards (SEFA) as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021 on our consideration of the City of Seguin, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Seguin, Texas' internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.

March 15, 2021



It's real.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Seguin, we offer readers of the City of Seguin's financial statements this narrative overview and analysis of the financial activities for the City of Seguin for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and the City's financial statements immediately following this analysis.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Seguin exceeded its liabilities at the close of the fiscal year ending September 30, 2020, by \$122,500,276 (net position). Of this amount, \$30,724,526 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$5,201,095 or 4.4% compared to the prior fiscal year.
- As of September 30, 2020 the City of Seguin's governmental funds reported combined ending fund balances of \$38,142,148, an increase of \$6,260,469.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,973,384, or 46.9% of total General Fund expenses.
- The City's total debt increased by \$7,258,659 during the current fiscal year. The City issued 2020 Certificates of Obligation in the amount of \$9,170,000, and 2020 Utility Revenue Bonds in the amount of \$3,550,000. In addition, police vehicles were financed through a capital lease program in the amount of \$447,490.
- During the year, the City's expenses were \$829,608 more than the \$37,881,906 generated in taxes and other revenues for governmental activities before transfers.
- The total cost of the City's governmental activity programs increased by \$2,064,320 from last year, and no new programs were added this year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City of Seguin's basic financial statements. The City of Seguin's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The comprehensive annual financial report (CAFR) also contains other supplementary information in addition to the basic statements themselves.

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave).

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

- 1 Governmental Activities – Most of the City's basic services are reported here, such as public safety, public works and general administration. Property taxes, franchise fees and charges for services finance most of these activities.
- 2 Business-Type Activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's Utility Fund, which include, electric, water and wastewater services, are reported here.

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

The *government-wide financial statements* can be found on pages 15 - 18 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Seguin, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide detailed information about the most significant legal requirements. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Governmental funds statements are reported using current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the *statement of net position* and the *statement of activities*) and governmental funds are detailed in a reconciliation following the fund financial statements.

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

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 - 68 of this report.

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

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

The combining statements referred to earlier in connection with nonmajor governmental and enterprise funds and individual internal service funds are presented immediately following the required supplementary information described in the preceding paragraph. Combining and individual fund statements can be found on pages 80 - 121 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2020, the City of Seguin's assets and deferred outflows of resources exceeded liabilities by \$122,500,276. Table A-1 is a condensed version of the City's statement of net position for the years ended September 30, 2020 and 2019, respectively.

The largest portion of the City's total net position (68.1%) is its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Seguin uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported

net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The next largest portion of the City's total net position (25.1%) is its unrestricted net position.

Table A-1
City of Seguin's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets	\$ 31,215,266	\$ 28,121,356	\$ 43,052,106	\$ 42,796,277	\$ 74,267,372	\$ 70,917,633
Capital assets	102,277,757	100,785,314	102,851,467	99,201,153	205,129,224	199,986,467
Other non-current assets	13,596,019	8,924,952	18,019,311	15,370,517	31,615,330	24,295,469
Total assets	147,089,042	137,831,622	163,922,884	157,367,947	311,001,926	295,199,569
Deferred Outflows of Resources	3,054,173	6,436,933	2,609,952	2,337,009	5,664,125	8,773,942
Liabilities						
Current liabilities	4,205,250	2,819,706	5,966,885	5,542,243	10,172,135	8,361,949
Noncurrent liabilities	113,208,066	110,330,440	68,066,425	67,959,016	181,274,491	178,289,456
Total liabilities	117,413,316	113,150,146	74,033,310	73,501,259	191,446,626	186,651,405
Deferred Inflows of Resources	746,859	16,467	1,982,290	6,458	2,729,149	22,925
Net Position						
Invested in Capital Assets	30,234,045	30,433,349	53,230,216	50,781,752	83,464,261	81,215,101
Restricted	2,936,758	3,325,349	5,374,731	3,347,620	8,311,489	6,672,969
Unrestricted(Deficit)	(1,187,763)	(2,656,756)	31,912,289	32,067,867	30,724,526	29,441,111
Total Net Position	\$ 31,983,040	\$ 31,101,942	\$ 90,517,236	\$ 86,197,239	\$ 122,900,276	\$ 117,299,181

An additional portion of the City of Seguin's net position (6.8%) is subject to external restrictions, including bond covenants, on how they must be used. The remaining balance of unrestricted net position of \$30,724,526 may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net position. The City's total government-wide revenues increased by \$4,930,676 or 5.5%. This was largely due to increase in electric, water and sewer revenue along with an increase in property tax revenue. The City's total government-wide expenses increased by \$1,275,871 or 1.5%. An increase in depreciation along with salary adjustments was a major factor in the increase.

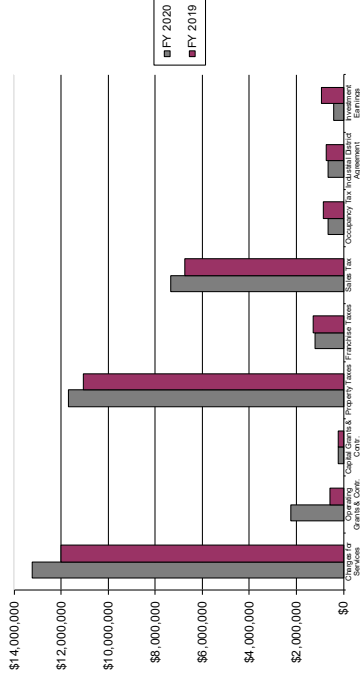
Table A-2
Changes in City of Seguin's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues:						
Changes for Services	\$ 13,239,577	\$ 12,000,946	\$ 55,650,708	\$ 53,459,811	\$ 68,890,285	\$ 65,460,757
Operating Grants and Contributions	2,224,174	589,086	-	-	2,224,174	589,086
Capital Grants and Contributions	221,494	228,219	-	69,004	221,494	297,223
General Revenues	11,095,949	11,037,342	-	-	11,095,949	11,037,342
Property Taxes	1,212,109	1,273,009	-	-	1,212,109	1,273,009
Franchise Taxes	7,319,631	6,760,360	-	-	7,319,631	6,760,360
Sales Tax	669,563	833,720	-	-	669,563	833,720
Occupancy Tax	645,000	740,000	-	-	645,000	740,000
Industrial District Agreement	432,386	930,252	\$29,711	1,202,045	962,097	2,132,297
Investment Earnings	222,023	-	1,577	9,432	223,600	9,432
Gain (Loss) on Sale of Assets	37,881,906	34,332,934	56,181,996	54,740,292	94,063,902	89,133,226
Total Revenues:						
	3,678,159	3,830,678	-	-	3,878,159	3,830,678
General Government	17,476,362	16,703,296	-	-	17,476,362	16,703,296
Public Safety	12,718,515	11,603,192	-	-	12,718,515	11,603,192
Interest on Long-Term Debt	2,979,262	2,850,813	-	-	2,979,262	2,850,813
Utility	-	-	51,810,509	52,598,957	51,810,509	52,598,957
Total Expenses	37,052,298	34,987,979	51,810,509	52,598,957	88,862,807	87,586,936
Expenses:						
General Government	829,608	(595,045)	4,371,487	2,141,335	5,201,095	1,546,290
Public Safety	31,490	168,091	(51,490)	(168,091)	-	-
Interest on Long-Term Debt	881,098	(426,954)	4,319,997	1,973,244	5,201,095	1,546,290
Utility	-	-	-	-	-	-

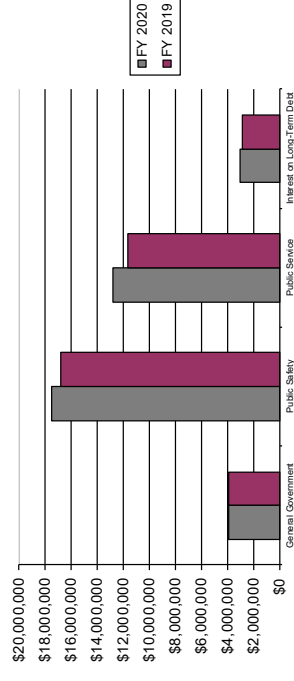
Governmental activities. The City's total governmental revenues increased by \$3,488,972 or 10.1% over the prior year. The City's total governmental expenses increased by \$2,064,320 or 5.9% above last year.

- Capital Grants and Contributions and Operating Grants and Contributions increased by 1,628,363 or 199.4%. The City received over \$1.7 million in Coronavirus Relief Funding in FY20.
- Property Taxes increased by \$658,607 or 6%. Taxable values increased by over 6% along with an increase in debt service payments.
- Interest and Investment Earnings decreased by \$497,866 or 53.5%. A large decrease in interest rates occurred in FY20.
- Sales Tax increased by \$559,271 or 8.27%.
- The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$17,476,362. These expenses are offset by revenues collected from a variety of sources, including fines and penalties in the amount of \$635,788. Additional funding also included EMS revenue in the amount of \$1,078,172 and Fire and EMS interlocal agreements with Guadalupe County in the amount of \$679,735. The major components of public safety are police and fire. Police accounted for \$7.9 million in public safety expense while Fire accounted for \$6.5 million in public safety expense.

Revenues - Governmental Activities



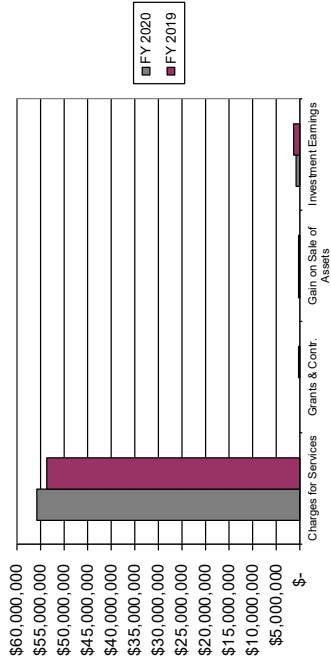
Expenses - Governmental Activities



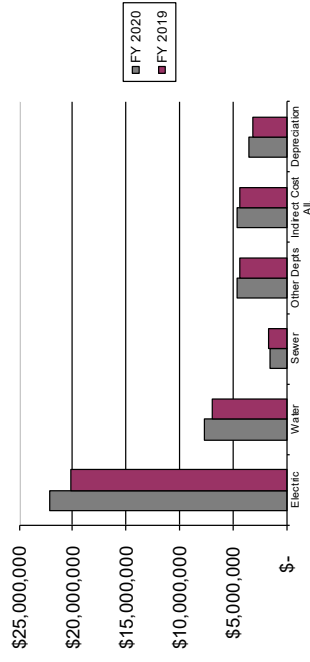
Business-type activities. The City's total business-type revenues increased by \$1,441,703 or 2.6%. The City's total business-type expenses decreased by \$788,449 or 1.5%.

- Electric revenues make up \$29.4 million of the charges for services. This year electric revenues decreased by \$1,081,478.
- Water revenues make up \$14.4 million of the charges for services. This year water revenues increased by \$1,382,272 or 10.6%. This was due to an increase in rates as well as consumption.
- Sewer revenues make up \$8.4 million of the charges for services. This year sewer revenues increased by \$1,860,907 or 22.07%. This was due to an increase in rates as well as the increase in consumption.

Business-Type Activities-Revenues



Business-Type Activities-Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38,142,148. This is an increase of \$6,260,469. In February 2020, the City issued \$10.2 million in Certificates of Obligation Bonds. Of this total amount of fund balance, \$12,973,384 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund

balances is as follows: 1) nonspendable fund balance in the amount of \$178,121 which are prepaids and inventory, 2) restricted fund balance in the amount of \$17,568,860, which are restricted to tourism and economic development, public safety, public services, capital projects or debt service, 3) committed fund balance in the amount of \$2,371,823, which is committed to stabilization agreement and aquatic and golf fees, and 4) assigned fund balance in the amount of \$5,049,960, which is assigned to capital projects.

The General Fund is the main operating fund of the City of Seguin. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$12,973,384, while total fund balance reached \$15,395,653. Of this amount, \$435,251 is attributable to the balance of a tax exemption settlement agreement. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. With the \$435,251 taken out of the equation, unassigned fund balance represents 52.2% of general fund expenditures, while total fund balance represents 62.3% of that same amount.

The General Fund Capital Projects Fund has a total fund balance of \$4,052,776, a decrease of \$1,107,597. Projects that have been in progress were completed in FY20.

At the end of FY20, five bond funds had a total fund balance of \$12,720,326. This was an increase of \$4,454,839. The City issued Certificate of Obligation Bonds in February 2020 in the amount of \$10,200,000.

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

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

Unrestricted net position of the Utility Fund at the end of the year amounted to \$31,912,289. The restricted net position for debt services is \$459,458, while restricted net position for impact fees is \$4,915,273. Net position invested in capital assets amounted to \$53,230,216.

GENERAL FUND BUDGETARY HIGHLIGHTS

For FY 2019-20, actual revenues on a budgetary basis were \$27,806,884 compared to the final budget of \$24,877,095, which is \$2,929,789 above budget. Building permits exceeded budget by \$1,055,255. Sales tax exceeded budget by \$532,514 and property tax exceeded budget by \$258,347.

For FY 2019-20, actual expenditures on a budgetary basis were \$23,998,958 compared to the final budget of \$25,485,720, which was \$1,486,785 below final budget amounts. Some departments had employee turnover resulting in their personnel services being under budget and savings on other operating expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of 2020, the City had invested \$205,129,224, net of depreciation, in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$5,142,757 or 2.6%. The increase was due in part to large bond projects being completed or underway begun during fiscal year 2020. More detailed information about the City's capital assets can be found in Note G, page 46-47.

Table A-3
City of Seguin's Capital Assets

	Governmental Activities		Business-Type Activities		Total	Total Percentage Change 2020-2019
	2020	2019	2020	2019		
Land	\$ 4,793,057	\$ 4,666,816	\$ 877,233	\$ 796,030	\$ 5,670,290	3.8%
Buildings and Improvements	38,129,404	38,323,587	39,242,017	38,912,318	77,371,421	0.2%
Improvements Other than Buildings	91,888,235	84,440,573	114,997,357	106,882,347	206,885,592	8.1%
Transportation and Equipment	21,442,322	20,503,576	10,516,255	9,533,670	31,058,577	6.3%
Construction in Progress	11,949,746	12,566,392	15,066,009	15,318,845	27,005,575	-3.1%
Totals at Historical Cost	168,202,764	160,500,944	180,698,871	171,463,210	348,901,635	5.1%
Total Accumulated Depreciation	(65,925,007)	(59,715,630)	(77,847,404)	(72,262,057)	(143,772,411)	8.9%
Net Capital Assets	\$ 102,277,757	\$ 100,785,314	\$ 102,851,467	\$ 99,201,153	\$ 205,129,224	2.6%

Long-term debt. At year-end, the City had \$138,355,913 in bonds, loans and capital leases outstanding as shown in Table A-4. This was an increase of \$7,258,659 or 5.5% from 2019. This fiscal year, the City issued \$10,200,000 in 2020 Certificates of Obligation Bonds along with \$3,900,000 in 2020 Utility Revenue Bonds.

The City's tax-supported debt rating by Fitch is AA with a stable outlook while Standard and Poor rating is AA with a stable outlook. The City's utility system revenue bonds' rating by Fitch is A+ with a stable outlook while Standard and Poor rating is A+ with a stable outlook. The current ratio of net tax-supported debt to assessed value of all taxable property is 3.3%. The pledged revenue coverage for the utility system revenue bonds is 2.75.

Table A-4
City of Seguin's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	Total Percentage Change 2020-2019
	2020	2019	2020	2019		
Bonds Payable	\$ 41,775,000	\$ 43,971,916	\$ 56,300,000	\$ 54,793,085	\$ 98,075,000	-0.7%
Certificates of Obligation	38,300,000	29,995,000	-	-	38,300,000	27.7%
Tax Anticipation Notes	661,000	1,054,000	-	-	661,000	-37.3%
Capital Leases	1,319,913	1,299,253	-	-	1,319,913	2.1%
Total Bonds & Notes Payable	\$ 42,065,913	\$ 76,314,169	\$ 56,300,000	\$ 54,793,085	\$ 138,355,913	5.5%

Net Pension Liability. The City's net pension liability is determined annually by an actuarial valuation. The City's net pension liability decreased \$5,693,871, from \$37,111,746 to \$31,417,878. Over the past several years, the City has been contributing more than what was required in order to reduce the liability. In FY20, the city contributed \$364,283 more than what was required.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2020-21, City staff and City Council considered many factors when setting the budget. Staff reviewed all of the fees charged to citizens and customers when using City services. Along with the fees, staff also considered the tax rate. They also reviewed expenditures and how the increases may be held to a minimum. The City set a goal to maintain financial stability, a lean organization, a competitively paid staff and investment in capital outlay. This helped to maintain the City's services with the least affect possible on our citizens through taxes, fees, and utility rates. The projected revenues and expenditures for the General Fund are budgeted to increase by \$1,622,138 or 5.1% above the FY20 budget.

- Property tax revenue is budgeted to increase by \$1,141,108. This is based on an increase in values and an increase in the debt service contribution.
- The property tax rate of \$.5412/\$100 remained the same as the prior year. It is higher than the no new revenue rate by \$.0044.
- ROW User Fees are budgeted to increase by \$1,127,204. This is based upon increased electric, water and sewer revenues and an increase in the rate charged to those utilities.
- Sales Tax is budgeted to increase by \$495,000. This is based upon tax on residential utilities and historical increases.
- Building Permit Fees are budgeted to increase by \$130,000. This is based upon the increase in development throughout the City of Seguin.
- Salaries and benefits are budgeted to increase by \$1,687,168. This includes a 2% cost of living increase effective January 2021.
- Indigent Health Care is budgeted to increase by \$95,558, which represents a 5% increase.

The projected revenues and expenditures for the Utility Fund are budgeted to increase by \$697,263 or 1.3% above the FY20 budget.

- Water revenue is budgeted to increase by \$254,695 due to the rate adjustments from the updated water rate study along with the increase in consumption with the new developments.
- Sewer revenue is budgeted to increase by \$946,200 due to the rate adjustments from the updated sewer rate study along with the increase in the number of customers due to the new developments.
- ROW User Fees are budgeted to increase by \$1,127,204. This is based upon increased electric, water and sewer revenues and an increase in the rate charged to these utilities.
- Salaries and benefits are budgeted to increase by \$1,074,863. This includes a 2% cost of living increase effective January 2021.
- Indirect Cost Allocation is budgeted to increase by \$400,000 based upon the FY21 General Fund budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

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

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



It's real.

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		Component Unit Seguin Economic Development Corporation
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 1,266,098	\$ 3,494,310	\$ 10,165
Investments	24,582,218	30,074,658	1,258,914
Receivables (net of allowances for uncollectibles)			
Taxes	2,335,717	-	-
Accounts	1,077,740	6,572,967	7,650,707
Grants	1,460,326	-	-
Miscellaneous	315,046	651,037	966,083
Due From Component Unit/Primary Government	-	23,838	238,385
Inventories	23,205	2,124,524	-
Prepays	154,916	110,772	265,688
Restricted Assets:			
Cash and Cash Equivalents	52,193	40,219	92,412
Investments	13,543,826	15,991,812	29,535,638
Notes Receivable	-	1,661,614	9,602
Net Present Value of Lease Financing	-	325,666	-
Capital Assets (Net)	102,277,757	102,851,467	3,603,998
Total Assets	147,089,042	163,922,884	5121,064
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension/OPEB Related Outflows	2,589,468	2,434,064	-
Deferred Change on Refunding	464,705	175,888	-
Total Deferred Outflows of Resources	\$ 3,054,173	\$ 2,609,952	\$ -

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2020

	Primary Government		Component Unit Seguin Economic Development Corporation
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Accounts Payable and Other Current Liabilities	\$ 3,233,375	\$ 4,315,867	\$ 78,437
Unearned Revenue	471,730	626,778	-
Accrued Interest Payable/Due to Component Unit/Primary Government	261,760	-	-
Customer Deposits	238,385	-	238,385
<i>Payable from Restricted Assets:</i>		704,941	704,941
Accrued Interest Payable	-	319,299	-
Current Portion of Long-Term Debt	-	2,405,000	-
<i>Noncurrent Liabilities:</i>			
Due within One Year	4,877,915	241,085	303,294
Due in more than One Year	-	-	-
Long-term Debt	83,186,046	57,052,908	140,238,954
Net Pension Liability	23,642,171	7,775,707	31,417,878
Net OPEB Liabilities	1,501,934	591,725	2,093,659
Total Liabilities	117,413,316	74,033,310	191,446,626
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension/OPEB Related Inflows	746,859	1,982,290	-
Total Deferred Inflows of Resources	746,859	1,982,290	-
NET POSITION			
Net Investment in Capital Assets	30,234,045	53,230,216	83,464,261
Restricted for:			
Tourism & Economic Development	1,022,211	-	1,022,211
Public Safety	359,698	-	359,698
Public Service	276,445	-	276,445
Debt Service	1,278,404	459,458	1,737,862
Impact Fees	-	4,915,273	4,915,273
Unrestricted (Deficit)	(1,187,763)	31,912,289	1,414,791
Total Net Position	\$ 31,983,040	\$ 90,517,236	\$ 2,705,768

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions and Programs	Expenses			Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Direct	Indirect Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Primary Government:									
Governmental Activities:									
General Government	\$ 9,134,170	\$ (5,256,011)	\$ 6,229,572	\$ 264,174	\$ 5,829	\$ 2,621,416	\$ -	\$ 2,621,416	\$ -
Public Safety	17,476,362	-	2,560,566	1,806,116	134,327	(12,975,353)	-	(12,975,353)	-
Public Service	12,718,515	-	4,449,439	153,884	81,338	(8,033,854)	-	(8,033,854)	-
Interest on Long-term Debt	2,979,262	-	-	-	-	(2,979,262)	-	(2,979,262)	-
Total Governmental Activities	42,308,309	(5,256,011)	13,239,577	2,224,174	221,494	(21,367,053)	-	(21,367,053)	-
Business-Type Activities									
Utility	46,554,498	5,256,011	55,650,708	-	-	-	3,840,199	3,840,199	-
Total Business-Type Activities	46,554,498	5,256,011	55,650,708	-	-	-	3,840,199	3,840,199	-
Total Primary Government	\$ 88,862,807	\$ -	\$ 68,890,285	\$ 2,224,174	\$ 221,494	(21,367,053)	3,840,199	(17,526,854)	-
Component Unit:									
Seguin Economic Development Corporation	\$ 1,017,307	\$ -	\$ 4,200	\$ 3,473	\$ -	-	-	-	(1,009,634)
Total Component Unit	\$ 1,017,307	\$ -	\$ 4,200	\$ 3,473	\$ -	-	-	-	(1,009,634)
General Revenues:									
Taxes									
Property Taxes						11,695,949	-	11,695,949	-
Franchise Taxes						1,212,109	-	1,212,109	-
Sales Taxes						7,319,631	-	7,319,631	1,435,630
Occupancy Taxes						669,563	-	669,563	-
Miscellaneous Revenues						645,000	-	645,000	-
Gain on Sale of Capital Assets						222,023	1,577	223,600	-
Interest and Investment Earnings						432,386	529,711	962,097	11,410
Total General Revenues						22,196,661	531,288	22,727,949	1,447,040
Transfers						51,490	(51,490)	-	-
Change in Net Position						881,098	4,319,997	5,201,095	437,406
Net Position at Beginning of Year						31,101,942	86,197,239	117,299,181	2,268,562
Net Position at End of Year						\$ 31,983,040	\$ 90,517,236	\$ 122,500,276	\$ 2,705,768

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	2020 Certificates of Obligation	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 592,183	-	8,994	349,645	950,822
Investments	14,036,491	-	1,333,802	8,203,035	23,573,328
Receivables (net of allowances for uncollectibles):					
Taxes	1,946,517	-	198,040	184,425	2,328,982
Accounts	1,054,647	-	-	265,546	1,320,193
Grants	1,423,748	-	-	-	1,423,748
Miscellaneous	99,834	-	-	99,834	99,834
Inventories	23,205	-	-	23,205	23,205
Prepaid Items	150,194	-	-	4,722	154,916
Restricted Assets:					
Cash and Cash Equivalents	-	26,546	-	25,647	52,193
Investments	-	8,565,606	-	4,978,220	13,543,826
Total Assets	\$ 19,326,819	\$ 8,592,152	\$ 1,540,836	\$ 14,011,240	\$ 43,471,047
LIABILITIES					
Accounts Payable	\$ 890,537	\$ 641,511	\$ 672	\$ 351,044	\$ 1,883,764
Accrued Expenditures	692,941	-	-	31,437	724,378
Due to Component Unit	238,385	-	-	-	238,385
Unearned Revenues	318,802	-	-	-	318,802
Due to Others	588,845	-	-	152,928	471,730
Total Liabilities	2,729,510	641,511	672	31,598	620,443
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	1,201,656	-	188,543	-	1,390,199
Total Deferred Inflows of Resources	1,201,656	-	188,543	-	1,390,199
FUND BALANCE					
<i>Nonspendable:</i>					
Prepays and Inventory	173,399	-	-	4,722	178,121
<i>Restricted:</i>					
Tourism & Economic Development	-	-	-	1,022,211	1,022,211
Public Safety	11,513	-	-	348,185	359,698
Public Service	5,300	-	-	271,145	276,445
Capital Projects	-	7,950,641	-	6,608,244	14,558,885
Debt Service	-	-	1,351,621	-	1,351,621
<i>Committed:</i>					
Stabilization Arrangement	2,008,348	-	-	-	2,008,348
Aquatics/ Golf Fees	-	-	-	-	-
<i>Assigned</i>					
Assigned	223,709	-	-	363,475	363,475
Unassigned	12,973,384	-	-	4,826,251	5,049,960
Total Fund Balances	15,395,653	7,950,641	1,351,621	13,444,233	38,142,148
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 19,326,819	\$ 8,592,152	\$ 1,540,836	\$ 14,011,240	\$ 43,471,047

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2020

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 38,142,148

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 102,277,757

Internal service funds are used by management to charge costs related to employee insurance. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 1,335,448

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,390,199

Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and, therefore, not reported in the funds:

General Bonded Debt	80,736,000
Unamortized Premiums and Deferred Charges	3,918,951
Capital Leases	1,319,913
Net Other Post Employment Benefit Obligations (Net of Deferred Outflows & Inflows)	1,413,619
Net Pension Liability (Net of Deferred Outflows & Inflows)	21,887,876
Compensated Absences	1,624,393
	(110,900,752)

Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.

(261,760)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 31,983,040



It's real.

CITY OF SEGUIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	2020 Certificates of Obligation	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 14,511,305	\$ -	\$ 5,753,512	\$ 702,231	\$ 20,967,048
Licenses and Permits	1,976,301	-	-	1,359,371	3,335,672
Intergovernmental	2,804,324	-	207,000	239,291	3,250,615
Charges for Services	6,139,753	-	-	1,129,019	7,268,772
Fines and Forfeits	630,226	-	-	96,011	726,237
Interest	159,687	40,573	34,398	188,599	423,257
Miscellaneous	1,585,288	-	-	363,927	1,949,215
Total Revenues	27,806,884	40,573	5,994,910	4,078,449	37,920,816
EXPENDITURES					
Current:					
General Government	3,637,613	-	-	2,088,099	5,725,712
Public Safety	15,335,408	-	-	-	15,335,408
Public Service	7,492,584	-	-	25,187	7,517,771
Nondepartmental	2,789,364	-	-	368,759	3,158,123
Indirect Cost Allocation (Recovery)	(5,256,011)	-	-	-	(5,256,011)
Capital Projects/Outlay	-	2,289,932	-	6,284,835	8,574,767
Debt Service:					
Principal	-	-	3,067,005	808,746	3,875,751
Interest and Fiscal Charges	-	-	2,993,151	62,605	3,055,756
Bond Issue Costs	-	171,472	-	-	171,472
Total Expenditures	23,998,958	2,461,404	6,060,156	9,638,231	42,158,749
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,807,926	(2,420,831)	(65,246)	(5,559,782)	(4,237,933)
OTHER FINANCING SOURCES (USES)					
Transfers In	88,422	-	120,000	1,404,512	1,612,934
Transfers Out	(1,841,974)	-	-	(91,520)	(1,933,494)
Issuance of Debt	-	9,170,000	-	447,490	9,617,490
Premiums on Issuance of Debt	-	1,201,472	-	-	1,201,472
Total Other Financing Sources (Uses)	(1,753,552)	10,371,472	120,000	1,760,482	10,498,402
Net Change in Fund Balance	2,054,374	7,950,641	54,754	(3,799,300)	6,260,469
Fund Balances at Beginning of Year	13,341,279	-	1,296,867	17,243,533	31,881,679
Fund Balances at End of Year	\$ 15,395,653	\$ 7,950,641	\$ 1,351,621	\$ 13,444,233	\$ 38,142,148

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 6,260,469

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

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

Current Year Additions	8,394,267
Current Period Depreciation	<u>(6,863,400)</u>
	1,530,867

In the Statement of Activities, only the gain or loss on the disposal of a capital asset is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of disposed assets.

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

15,392

Increase in Unavailable Revenues

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

Proceeds of New Debt	(9,617,490)
Premiums on Debt Issues	(1,201,472)
Principal Payments	3,875,751
Amortization of Deferred Charges & Premiums	<u>250,212</u>
	(6,692,999)

The governmental funds report pension and other postemployment benefit contributions as expenditures when paid. However, in the statement of activities, differences between pension plan and other postemployment benefit contributions and costs for the year are reported as an asset or obligation.

(104,521)

Some expenses reported in the Statement of Activities (including compensated absences and accrued interest expense) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(195,006)

Internal service funds are used by management to charge the costs of employee insurance to individual funds. The net revenue/(loss) is reported with governmental activities.

105,320

\$ 881,098

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES

See accompanying notes to basic financial statements.



It's real.

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2020

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2020

	Business-Type Activities		Governmental Activities	
	Utility Fund	Internal Service Funds	Utility Fund	Internal Service Funds
ASSETS				
<i>Current Assets</i>				
<i>Cash and Cash Equivalents:</i>				
Restricted Cash	\$ 40,219	\$ -		
Unrestricted Cash	3,494,310	315,276		
<i>Investments:</i>				
Restricted Investments	15,991,812	-		
Unrestricted Investments	30,074,658	1,008,890		
Accounts Receivable (Net)	6,572,967	-		
Miscellaneous Receivables	651,037	16,071		
Due from Component Unit	23,838	-		
Current Portion of Note Receivable	250,000	-		
Inventories	2,124,524	-		
Prepaid Items	110,772	-		
<i>Total Current Assets</i>	<u>59,334,137</u>	<u>1,340,237</u>		
<i>Noncurrent Assets</i>				
Net Present Value of Lease Financing Note Receivable (Net of Current)	325,666	-		
	1,411,614	-		
	<u>1,737,280</u>	<u>-</u>		
<i>Capital Assets (Net)</i>				
<i>Total Noncurrent Assets</i>	<u>102,851,467</u>	<u>-</u>		
	<u>104,588,747</u>	<u>-</u>		
Total Assets	<u>163,922,884</u>	<u>1,340,237</u>		
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension and OPEB Related Outflows	2,434,064	-		
Deferred Charge on Refundings	175,888	-		
Total Deferred Outflows of Resources	<u>\$ 2,609,952</u>	<u>\$ -</u>		

See accompanying notes to basic financial statements.

	Business-Type Activities		Governmental Activities	
	Utility Fund	Internal Service Funds	Utility Fund	Internal Service Funds
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 3,264,942	\$ 4,790		
Accrued Expenses	1,292,010	-		
Unearned Revenue	626,778	-		
Customer Deposits	704,941	-		
<i>Current Liabilities</i>	<u>5,888,671</u>	<u>4,790</u>		
<i>Current Liabilities Payable from Restricted Assets:</i>				
Accrued Interest Payable	319,299	-		
Current Portion of Long-term Bonds	2,405,000	-		
<i>Current Liabilities Payable from Restricted Assets</i>	<u>2,724,299</u>	<u>-</u>		
<i>Total Current Liabilities</i>	<u>8,612,970</u>	<u>4,790</u>		
<i>Noncurrent Liabilities:</i>				
Compensated Absences	241,085	-		
Total Other Post Employment Benefit Liabilities	591,725	-		
Net Pension Liability	7,775,707	-		
Revenue & Refunding Bonds Payable	56,811,823	-		
<i>Total Noncurrent Liabilities</i>	<u>65,420,340</u>	<u>-</u>		
Total Liabilities	<u>74,033,310</u>	<u>4,790</u>		
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension and OPEB Related Inflows	1,982,290	-		
Total Deferred Inflows of Resources	<u>1,982,290</u>	<u>-</u>		
NET POSITION				
Net Investment in Capital Assets	53,230,216	-		
Restricted for:				
Debt Service	459,458	-		
Impact Fees	4,915,273	-		
Unrestricted	31,912,289	1,335,447		
Total Net Position	<u>\$ 90,517,236</u>	<u>\$ 1,335,447</u>		

Continued

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
OPERATING REVENUES	\$ 54,154,462	\$ -
Charges for Utility Service	-	3,522,845
Charges for Premiums	-	8,689
Miscellaneous Revenues	1,496,246	-
Total Operating Revenues	55,650,708	3,531,534
OPERATING EXPENSES	1,952,051	3,807,398
Administration	586,489	-
Engineering	-	-
Operation and Maintenance:	22,173,891	-
Electric Distribution	1,349,526	-
Utility Services	6,855,075	-
Water Production	6,258,966	-
Water/Sewer Maintenance	1,715,717	-
Sewer	417,872	-
Economic Development	933,870	-
Facilities Maintenance	667,065	-
Information Technology	153,500	-
City Attorney	1,500,470	-
Nondepartmental	5,256,011	-
Indirect Cost Allocation	49,820,503	3,807,398
Total Operating Expenses	58,302,205	(275,864)
OPERATING INCOME (LOSS)	-	3,807,398
NONOPERATING REVENUES (EXPENSES)	529,711	9,134
Interest Income	1,577	-
Gain (Loss) on Sale of Assets	(1,879,029)	-
Interest and Fiscal Charges	(110,977)	-
Bond Issue Costs	(1,458,718)	9,134
Total Nonoperating Revenues (Expenses)	(4,371,487)	(266,730)
Net Income (Loss) Before Contributions and Transfers	-	-
Capital Contributions	(51,490)	372,050
Transfers In (Out)	(51,490)	372,050
Change in Net Position	4,319,997	105,320
NET POSITION AT BEGINNING OF YEAR	86,197,239	1,230,127
NET POSITION AT END OF YEAR	\$ 90,517,236	\$ 1,335,447



It's real.

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 56,367,015	\$ 3,525,066
Cash Paid for Employee Wages & Benefits	(8,856,290)	-
Cash Paid to Suppliers for Goods & Services	(30,223,663)	(3,798,181)
Cash Paid General Fund for Indirect Costs	(5,256,011)	-
Net Cash Provided (Used) by Operating Activities	<u>12,031,051</u>	<u>(273,115)</u>
Cash Flows From Noncapital Financing Activities:		
Transfers From Other Funds	(51,490)	372,050
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(51,490)</u>	<u>372,050</u>
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Capital Assets	(9,235,661)	-
Proceeds from Revenue and Refunding Bonds	3,550,000	-
Premiums received on Bonds	462,440	-
Principal Payments on Long-term Bonds	(2,033,084)	-
Interest and Fiscal Charges Paid	(2,105,736)	-
Bond Issue Costs	(110,977)	-
Proceeds from Sale of Capital Assets	1,577	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(9,471,441)</u>	<u>-</u>
Cash Flow From Investing Activities:		
Sale/(Purchase) of Investment Securities	(1,320,263)	(94,949)
Investment Interest Received	529,711	9,134
Lease Financing - Principal Payments Received	48,844	-
Long term Loan to Component Unit	250,000	-
Net Cash Provided (Used) by Investing Activities	<u>(491,708)</u>	<u>(85,815)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,016,412</u>	<u>13,120</u>
Cash and Equivalents at Beginning of Year:		
Cash and Cash Equivalents	1,504,051	302,157
Restricted Cash and Cash Equivalents	14,066	-
	<u>1,518,117</u>	<u>302,157</u>
Cash and Cash Equivalents at End of Year:		
Cash and Cash Equivalents	3,494,310	315,277
Restricted Cash and Cash Equivalents	40,219	-
	<u>\$ 3,534,529</u>	<u>\$ 315,277</u>

Continued

CITY OF SEGUIN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 5,830,205	\$ (275,864)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation:	5,585,347	-
(Increase) Decrease in Operating Assets:		
Accounts Receivable	238,890	1,576
Inventory/Prepaid Items	(105,682)	-
Net Deferred Pension/OPEB Related Outflows	(303,527)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(567,015)	1,172
Accrued Expenses	527,106	-
Unearned Revenue	366,464	-
Customer Deposits	110,956	-
Total Other Postemployment Benefit Liability	48,103	-
Net Pension Liability	(1,675,628)	-
Net Deferred Pension/OPEB Related Inflows	1,975,832	-
	<u>\$ 12,031,051</u>	<u>\$ (273,116)</u>

See accompanying notes to basic financial statements.

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020

CITY OF SEGUIN, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

ASSETS	Private Purpose Trust Funds	Agency Fund
Cash and Cash Equivalents	\$ 5,185	\$ 2,501
Investments	272,060	23,466
Inventory	359,431	-
Total Assets	<u>636,676</u>	<u>25,967</u>
LIABILITIES		
Accounts Payable/ Due to Others	-	25,967
Total Liabilities	<u>-</u>	<u>25,967</u>
NET POSITION		
Held in Trust for Scholarship	1,465	-
Held in Trust for Riverside Cemetery	10,425	-
Held in Trust for Industrial Development	624,786	-
Total Net Position	<u>\$ 636,676</u>	<u>\$ -</u>

ADDITIONS	Private Purpose Trust Funds
Interest	\$ 3,172
Donations	2,500
Total Additions	<u>5,672</u>
DEDUCTIONS	
Distributions to Participants	3,700
Total Deductions	<u>3,700</u>
Change in Net Position	1,972
Net Position, Beginning of Year	634,704
Net Position, End of Year	<u>\$ 636,676</u>

See accompanying notes to basic financial statements.

See accompanying notes to basic financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. REPORTING ENTITY

Component Units

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

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

Joint Ventures

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

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



It's real.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. REPORTING ENTITY (Continued)

Joint Ventures (Continued)

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

Summarized financial data for joint ventures is provided in Note M.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate **fund financial statements** are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, 2020 Certificates of Obligation and Debt Service Fund meet criteria as **major governmental funds**. Each major fund is reported in separate columns in the fund financial statements. Nonmajor funds include other Special Revenue and Capital Projects Funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented in the Combining Fund Statements and Schedules as "Supplementary Information".

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are revenue from investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

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

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

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

The government reports the following major governmental funds:

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

2020 Certificates of Obligation Capital Projects Fund will account for the proceeds of the Certificates of Obligation and the costs of the capital projects to be funded.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

4. CASH AND CASH EQUIVALENTS

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. INVESTMENTS

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

The City reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost (see Note B).

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 and become due October 1, 2019 and past due after January 31, 2020. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible in the amount of \$86,001.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. ACCOUNTS RECEIVABLE (Continued)

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

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

8. INVENTORIES & PREPAID ITEMS

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

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

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

9. RESTRICTED ASSETS

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

10. CAPITAL ASSETS

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. CAPITAL ASSETS (Continued)

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

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

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

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

11. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category: deferred pension and other post employment benefits related costs which will be included in the subsequent actuarial valuation, and deferred charge on refundings reported in the government-wide statement of net position, as well as the Proprietary Fund statement of position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. COMPENSATED ABSENCES

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

13. UNEARNED REVENUE

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

14. LONG-TERM OBLIGATIONS

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

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

15. PENSIONS

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. OTHER POST-EMPLOYMENT BENEFITS

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

17. FUND EQUITY

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

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

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

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

The City Council adopted an ordinance in March 2012 establishing an *emergency fund stabilization arrangement*. The Ordinance requires additions to the fund in the event the fund balance falls below \$2,000,000. Additions are to come from interest earnings, direct transfers from the General Fund and/or Utility Fund, or reimbursements from insurance or grants for expenditures incurred by the fund. The stabilization fund may be expended on recovery efforts for public infrastructure damage that occurs as a result of a disaster declared by the federal or state governments.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. FUND EQUITY (Continued)

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

As of September 30, 2020, the City Manager had assigned fund balances for the following:

- Excess recycling fees over expenditures were assigned for future expenditures associated with "green" waste disposal (\$1,348), also favorable budget variances for street maintenance were assigned for future street projects (\$14,931).
- Funds set aside in nonmajor capital project funds that are not otherwise restricted by bond covenants are assigned for specific capital projects.
- Funds reimbursed from Guadalupe County Regional Medical Center for indigent care are assigned for future indigent care costs of the county pursuant to an agreement with Guadalupe County to fund a portion of the indigent care in the county (\$207,430).

Total assigned funds in the General Fund were \$223,709. Total assigned balances in nonmajor capital project funds were \$4,826,251.

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

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

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

18. NET POSITION

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

19. INTERFUND TRANSACTIONS

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

The City allocates to the Utility (Proprietary) Fund an indirect cost percentage of general government administration expenses that are paid through the General Fund. During the year ended September 30, 2020, the City allocated \$5,256,011 as a transfer for such services. The indirect cost allocation is reflected as an operating expense in the Utility Fund, and a reduction of current expenditures in the General Fund, and in a separate column in the Statement of Activities.

20. OPERATING REVENUES AND EXPENSES

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

21. USE OF ESTIMATES

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

22. COMPARATIVE DATA/RECLASSIFICATIONS

Comparative data for the prior year has been provided for the General Fund and Utility Fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operation of these funds. Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. The reclassifications had no effect on the changes in financial position.

NOTE B -- DEPOSITS AND INVESTMENTS

As of September 30, 2020, the City of Seguin had the following investments:

Investment Type	Fair Value	Input Level	Weighted Average Maturity (Days)
<i>Primary Government</i>			
Local Government Investment Pools:			
TexPool	\$ 26,148,867	1	12
LOGIC	58,339,172	1	36
	<u>\$ 84,488,039</u>		
Portfolio Weighted Average Maturity			48
<i>Component Unit</i>			
Local Government Investment Pools:			
TexPool	\$ 922,253	1	34
LOGIC	336,661	1	27
	<u>\$ 1,258,914</u>		
Portfolio Weighted Average Maturity			42

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

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

The City may also invest funds in government investment pools provided the pool maintains a AAA rating, the pool maintains a stable asset value, and the average dollar weighted maturity does not exceed 90 days. As of September 30, 2020, the investments in TexPool and LOGIC were rated AAAm by Standard & Poor's. The City may invest in Money Market Mutual funds that are regulated by the SEC and have a dollar weighted average stated maturity of 90 days or less and maintain a net asset value of \$1.00 per share.

The City's and Component Units' investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Both Texpool and Logic Pools operate in a manner consistent with Rule 2a7. Therefore, the investments are reported at \$1 per share, which approximates fair value. There was no change in fair value of the investment pools for the year ended September 30, 2020. There are no limitations or restrictions on participant withdrawals.

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2020, the government's deposits were fully collateralized or insured by FDIC. The City's certificates of deposit are brokered through the City's depository and are fully insured through FDIC.

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

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2020, the City and Component Unit were not exposed to custodial credit risk.

NOTE C -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Guadalupe County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2019, upon which the fiscal 2020 levy was based, was \$2,250,235,636 (i.e., market value less exemptions). The estimated market value was \$3,168,147,918 making the taxable value 71% 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, 2020, was \$0.5412 per \$100 of assessed value, which means that the City has a tax margin of \$1.9588 for each \$100 value and could increase its annual tax levy by approximately \$44,077,615.638 based upon the present assessed valuation of \$2,250,235,636 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. Although the calculation of the effective tax rate was initially changed with Senate Bill 2, Governor Abbott declared a disaster in the State of Texas due to COVID deferring the implementation of Senate Bill 2.

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

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE D – INTERFUND RECEIVABLE/PAYABLE

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2020, balances of interfund amounts receivable or payable have been recorded as follows:

	Due From	Due To
Primary Government		
General Fund	\$ -	\$ 238,385
Enterprise Fund	23,838	-
	<u>23,838</u>	<u>238,385</u>
Component Unit		
General Fund	238,385	-
Enterprise Fund	-	23,838
	<u>238,385</u>	<u>23,838</u>
Totals	<u>\$ 262,223</u>	<u>\$ 262,223</u>

NOTE E – NOTES RECEIVABLE

Primary Government

The City loaned money to the Seguin Economic Development Corporation (component unit) to purchase land to be sold and/or developed for economic development in the city. The note receivable, in the amount of \$1,911,614, is to be repaid in annual installments of \$250,000 each beginning May 1, 2020 thru May 1, 2027. The note is interest free, but carries acceleration clauses and interest at the maximum rate allowed by law in the event of default.

Component Unit

The SEDC (Component Unit) provides incentives in the form of grants and notes receivable to area businesses in conjunction with its function of generating economic development. One note receivable was outstanding at September 30, 2020 and matures in 2026 with a 3% annual interest rate. Future payments on the note is as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,686	265	\$ 1,951
2022	1,737	214	1,951
2023	1,791	160	1,951
2024	1,845	106	1,951
2025	1,901	50	1,951
2026	642	12	654
	<u>\$ 9,602</u>	<u>807</u>	<u>\$ 10,409</u>

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE F – NET PRESENT VALUE OF LEASE FINANCING

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

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

Future minimum lease payments under the lease are as follows:

September 30,	
2021	\$ 98,277
2022	105,986
2023	105,986
2024	105,986
2025	132,644
	<u>548,879</u>
Total Payments	<u>(223,213)</u>
Less: Amount Representing Interest	<u>325,666</u>
Net Present Value of Lease Financing	<u>\$ -</u>

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

Governmental Activities	Balance 10/1/2019	Additions	Disposals	Transfers/ Adjustments	Balance 9/30/2020
Land	\$ 4,666,816	\$ 126,241	-	-	\$ 4,793,057
Construction in Progress	12,566,392	6,196,959	-	-	11,949,746
Total Assets Not Depreciated	<u>17,233,208</u>	<u>6,323,191</u>	<u>-</u>	<u>(6,813,596)</u>	<u>16,742,803</u>
Buildings and Improvements	38,323,587	81,850	(150,287)	(125,746)	38,129,404
Improvements Other Than Buildings	84,440,573	634,066	-	6,813,596	91,888,235
Transportation and Equipment	20,503,576	1,480,906	(542,160)	-	21,442,322
Totals at Historical Cost	<u>160,500,944</u>	<u>8,520,013</u>	<u>(692,447)</u>	<u>(125,746)</u>	<u>168,202,764</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(9,769,546)	(807,753)	-	-	(10,577,299)
Improvement Other Than Buildings	(35,796,167)	(4,028,249)	118,790	-	(39,706,626)
Transportation and Equipment	(41,490,917)	(2,027,398)	535,233	-	(43,983,082)
	<u>(87,056,630)</u>	<u>(6,863,400)</u>	<u>654,023</u>	<u>-</u>	<u>(94,266,007)</u>
Governmental Capital Assets, Net	<u>\$ 100,785,314</u>	<u>\$ 1,656,613</u>	<u>\$ (38,424)</u>	<u>\$ (125,746)</u>	<u>\$ 102,277,757</u>

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE G -- CAPITAL ASSETS (CONTINUED)

<i>Business-Type Activities</i>	Balance 10/1/2019	Additions	Disposals	Transfers/ Adjustments	Balance 9/30/2020
Land	\$ 796,030	\$ 81,203	\$ -	\$ -	\$ 877,233
Construction in Progress	15,318,845	6,230,965	-	(6,483,801)	15,066,009
Total Assets Not Depreciated	16,114,875	6,312,168	-	(6,483,801)	15,943,242
Buildings and Improvements	38,912,318	329,699	-	-	39,242,017
Utility System	106,882,347	1,631,209	-	6,483,801	114,997,357
Transportation and Equipment	9,553,670	962,885	-	-	10,516,555
Totals at Historical Cost	171,463,210	9,235,661	-	-	180,698,871
Less Accumulated Depreciation:					
Buildings and Improvements	(20,033,323)	(538,803)	-	-	(20,572,126)
Improvement Other Than Buildings	(44,829,047)	(4,397,309)	-	-	(49,226,356)
Transportation and Equipment	(7,399,887)	(649,235)	-	-	(8,048,922)
	(72,262,057)	(5,585,347)	-	-	(77,847,404)
Business-Type Capital Assets, Net	\$ 99,201,153	\$ 3,650,314	\$ -	\$ -	\$ 102,851,467

Discretely Presented Component Unit

Land	\$ 3,540,803	\$ -	\$ -	\$ (10,000)	\$ 3,530,803
Buildings and Improvements	89,547	-	-	-	89,547
Accumulated Depreciation	(14,633)	(1,719)	-	-	(16,352)
	\$ 3,615,717	\$ (1,719)	\$ -	\$ (10,000)	\$ 3,603,998

Primary Government

Depreciation Expense was charged to functions as follows:

<i>Governmental Activities:</i>	
General Government	\$ 87,230
Public Safety	1,668,124
Public Service	4,576,698
Nondepartmental	531,348
<i>Total Governmental Activities</i>	<u>\$ 6,863,400</u>
<i>Business-Type Activities:</i>	
Administration	\$ 5,550
Electric	904,416
Water Production	1,198,830
Water Distribution	2,476,525
Sewer Plant	260,357
Other	739,669
<i>Total Business-Type Activities</i>	<u>\$ 5,585,347</u>

NOTE H -- CAPITAL LEASES

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

The assets acquired through capital leases are as follows:

	Governmental
<i>Assets:</i>	
Public Safety Vehicles & Equipment	\$ 3,859,486
Golf Course Equipment	88,512
Public Works Equipment	188,800
Less: Accumulated Depreciation	(1,433,087)
Total	<u>\$ 2,703,711</u>

Future minimum obligations and the net present value of these minimum lease payments as of September 30, 2020 were as follows:

	Year Ending September 30,
	2021
	2022
	2023
	2024
Total Payments	1,416,228
Less: Amount Representing Interest	(96,315)
Present Value of Minimum Lease Payments	<u>\$ 1,319,913</u>

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE 1 – LONG-TERM DEBT

Bonded debt and obligations payable at September 30, 2020, comprise the following individual issues:

<i>General Obligation Bonds:</i>		
\$2,884,816 2011 General Obligation Refunding Bonds due in annual installments of \$265,000 to \$550,000 through September 1, 2021; interest at 2.0% to 3.0%	\$	280,000
\$4,350,000 2013 General Obligation Refunding Bonds due in annual installments of \$65,000 to \$460,000 through February 1, 2024; interest at 1.51%		1,815,000
\$19,785,000 2014 General Obligation Bonds due in annual installments of \$200,000 to \$4,130,000 through September 1, 2034; interest at 3.0 to 6.0%		17,990,000
\$8,465,000 2014 General Obligation Refunding Bonds due in annual installments of \$100,000 to \$1,170,000 through September 1, 2026; interest at 2.0% - 4%		5,515,000
\$9,370,000 2015 General Obligation Refunding Bonds due in annual installments of \$100,000 to \$1,945,000 through September 1, 2028; interest at 2.0% - 5.0%		7,850,000
\$8,370,000 2019 General Obligation Refunding Bonds due in annual installments of \$45,000 to \$2,585,000 through March 1, 2031; interest at 3.0% - 5.0%		8,325,000
<i>Total General Obligation Bonds</i>		<u>41,775,000</u>
<i>Certificates of Obligation</i>		
\$3,400,000 2011 Certificates of Obligation due in annual installments of \$100,000 to \$290,000 through September 1, 2031; interest at 2.0% to 3.5%		1,500,000
\$2,500,000 2013 Certificates of Obligation due in annual installments of \$100,000 to \$200,000 through September 1, 2028; interest at 2.7%		1,250,000
\$12,445,000 2016 Certificates of Obligation due in annual installments of \$100,000 to \$4,305,000 through September 1, 2036; interest at 3.0% to 5.0%		11,950,000
\$8,800,000 2016A Certificates of Obligation due in annual installments of \$100,000 to \$4,200,000 through September 1, 2037; interest at 3.5% to 5.5%		8,425,000
\$6,450,000 2018 Certificates of Obligation due in annual installments of \$200,000 to \$1,430,000 through September 1, 2038; interest at 3.5% to 5.5%		6,050,000
\$9,170,000 2020 Certificates of Obligation due in annual installments of \$45,000 to \$1,765,000 through September 1, 2040; interest at 3.5% to 5.0%		9,125,000
<i>Total Certificate of Obligations</i>		<u>38,300,000</u>
<i>Tax Anticipation Notes</i>		
\$775,000 Tax Notes, Series 2017 due in annual installments of \$85,000 to \$135,000 through February 2024; interest at 1.785%		390,000
\$649,000 Tax Notes, Series 2018 due in annual installments of \$159,000 to \$166,000 through March 2021; interest at 2.25%		166,000
\$305,000 Tax Notes, Series 2019 due in annual installments of \$100,000 to \$105,000 through September 2021; interest at 2.3%		105,000
<i>Total Tax Anticipation Notes</i>		<u>661,000</u>
Total Governmental Bonded Debt		<u>\$ 80,736,000</u>

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE 1 – LONG-TERM DEBT (CONTINUED)

<i>Utility Fund Revenue Bonds:</i>		
\$21,405,000 Utility System Revenue, Series 2014, due in annual installments of \$190,000 to \$2,335,000 through February 1, 2037; interest at 3.0% to 5.0%	\$	19,745,000
\$4,430,000 Utility System Revenue, Series 2016, due in annual installments of \$100,000 to \$545,000 through February 1, 2037; interest at 3.0% to 5.0%		4,030,000
\$8,415,000 Utility System Revenue, Series 2017, due in annual installments of \$190,000 to \$620,000 through February 1, 2037; interest at 3.0% to 4.0%		7,840,000
\$9,900,000 Utility System Revenue, Series 2018, due in annual installments of \$125,000 to \$3,380,000 through February 1, 2038; interest at 3.25% to 5.0%		9,650,000
\$3,550,000 Utility System Revenue, Series 2020, due in annual installments of \$120,000 to \$245,000 through February 1, 2034; interest at 3.25% to 5.0%		3,550,000
<i>Total Utility Revenue Bonds</i>		<u>44,815,000</u>

<i>General Obligation Bonds - Utility Portion</i>		
\$4,825,000 2013 General Obligation Refunding Bonds due in annual installments of \$330,000 to \$650,000 through February 1, 2023; interest at 1.51%		1,925,000
\$5,385,000 2015 General Obligation Refunding Bonds due in annual installments of \$25,000 to \$1,025,000 through September 1, 2026; interest at 2.0% to 5.0%		3,370,000
\$6,200,000 2019 General Obligation Refunding Bonds due in annual installments of \$5,000 to \$980,000 through March 1, 2031; interest at 3.0% to 5.0%		6,190,000
<i>Total GO Refunding Bonds</i>		<u>11,485,000</u>
Total Business-Type Bonded Debt		<u>\$ 56,301,000</u>

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

The annual requirements to amortize all bonded debt and obligations outstanding as of September 30, 2020, including interest payments, are as follows:

Year Ending September 30,	Public Offerings			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 3,065,000	\$ 3,649,497	\$ 2,405,000	\$ 2,483,367
2022	3,365,000	3,542,715	2,380,000	2,398,041
2023	3,515,000	3,413,644	2,505,000	2,301,376
2024	3,545,000	3,284,148	2,545,000	2,311,044
2025	3,710,000	3,164,325	2,660,000	2,707,744
2026-2030	20,775,000	18,218,781	14,600,000	12,350,581
2031-2035	25,355,000	6,037,044	17,655,000	3,676,366
2036-2040	16,745,000	1,458,906	11,550,000	594,592
	<u>\$ 80,075,000</u>	<u>\$ 42,769,060</u>	<u>\$ 56,300,000</u>	<u>\$ 28,823,111</u>

NOTE I – LONG-TERM DEBT (CONTINUED)

NOTE I – LONG-TERM DEBT (CONTINUED)

Year Ending September 30,	Private Placement (Tax/Notes) Governmental Activities	
	Principal	Interest
2021	\$ 406,000	\$ 8,832
2022	85,000	3,793
2023	85,000	2,276
2024	85,000	759
	<u>\$ 661,000</u>	<u>\$ 15,660</u>

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

The component unit also received a loan from the City to fund the purchase of approximately 60 acres to be used or developed for economic development in the City. The note is to be repaid in 7 annual installments of \$250,000 beginning May 1, 2020, and carries no interest (see Note E).

Changes in Long-Term Liabilities

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
<i>Governmental Activities</i>					
General Obligation Bonds	\$ 43,971,916	\$ -	\$ (2,196,916)	\$ 41,775,000	\$ 2,115,000
Bond Premiums	3,525,948	1,201,472	(343,765)	4,383,655	-
Certificates of Obligation	29,995,000	9,170,000	(865,000)	38,300,000	950,000
Tax Anticipation Notes	1,054,000	-	(393,000)	661,000	406,000
Capital Leases	1,293,253	447,490	(420,830)	1,319,913	556,221
Compensated Absences	1,431,141	250,706	(57,454)	1,624,393	850,694
<i>Total Governmental Activities</i>	<u>81,271,258</u>	<u>11,069,668</u>	<u>(4,276,965)</u>	<u>88,063,961</u>	<u>4,877,915</u>
<i>Business-Type Activities</i>					
Revenue Bonds	42,165,000	3,550,000	(900,000)	44,815,000	1,235,000
General Obligation Refunding Bonds	12,618,085	-	(1,133,085)	11,485,000	1,170,000
Bond Premiums	2,729,142	462,440	(274,759)	2,916,823	-
Compensated Absences	457,712	264,156	(182,031)	539,837	298,752
<i>Total Business-Type Activities</i>	<u>57,969,939</u>	<u>4,276,596</u>	<u>(2,489,875)</u>	<u>59,756,660</u>	<u>2,703,752</u>
Total Primary Government	\$ 139,241,197	\$ 15,346,264	\$ (6,766,840)	\$ 147,820,621	\$ 7,581,667

Compensated absences for governmental activities are generally liquidated by the general fund.

Certificates of Obligation, series 2020, were issued in the amount of \$9,170,000 to fund various street improvements and reconstruction, golf shop renovation, and technology upgrades for city operations.

Utility System Revenue Bonds, Series 2020, were issued in the amount of \$3,550,000 to fund the upgrade/replacement of certain sanitary sewer systems.

Long-term debt activity for the component unit is summarized as follows:

	Balance Outstanding 10/1/2019	Increases	Decreases	Balance Outstanding 9/30/2020
Notes Payable	\$ 2,614,914	\$ -	\$ (301,893)	\$ 2,313,021

Annual requirements to amortize the notes payables as of September 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 303,294	\$ 16,147	\$ 319,441
2022	304,683	14,759	319,442
2023	306,108	13,334	319,442
2024	307,537	11,904	319,441
2025	310,609	8,833	319,442
Thereafter	780,790	23,145	803,935
	<u>\$ 2,313,021</u>	<u>\$ 88,122</u>	<u>\$ 2,401,143</u>

NOTE J – EMPLOYEES’ RETIREMENT SYSTEMS

Texas Municipal Retirement System

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. The TMRS defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

NOTE J – EMPLOYEES' RETIREMENT SYSTEMS (CONTINUED)

Texas Municipal Retirement System (Continued)

Benefits Provided

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

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

At the December 31, 2019 valuation and measurement dates, the following employees were covered by the benefit terms:

	Plan Year 2018	Plan Year 2019
Inactive employees or beneficiaries currently receiving benefits	243	253
Inactive employees entitled to but not yet receiving benefits	195	214
Active employees	374	395
	812	862

Contributions

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

For the year ending September 30, 2020, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.24% and 22.22% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$5,138,648, and exceeded the required contributions by \$364,283. The General fund is used to liquidate pension liabilities for governmental activities.

NOTE J – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.5% to 11.5%, including inflation
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation study covering 2009 through 2011 and dated December 31 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

NOTE J – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding the expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in the fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.00%
Non-Core fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	7.75%
Private Equity	10.00%	7.75%
	<u>100.00%</u>	

Discount Rate

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

NOTE J – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018:	\$ 112,850,008	\$ 75,738,262	\$ 37,111,746
Changes for the year:			
Service Cost	3,740,028	-	3,740,028
Interest	7,580,148	-	7,580,148
Change of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	384,172	-	384,172
Changes of Assumptions	528,089	-	528,089
Contributions - Employer	-	4,775,463	(4,775,463)
Contributions - Employee	-	1,503,745	(1,503,745)
Net Investment Income	-	11,715,246	(11,715,246)
Benefit Payments, Including Refunds of Employee Contributions	(4,843,065)	(4,843,065)	-
Administrative Expense	-	(66,161)	66,161
Other Changes	-	(1,987)	1,987
Net Changes	7,389,372	13,083,241	(5,693,869)
Balance at December 31, 2019:	\$ 120,239,380	\$ 88,821,503	\$ 31,417,877

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:

	5.75%	6.75%	7.75%
Net Pension Liability (Asset)	\$ 49,332,407	\$ 31,417,877	\$ 16,832,097

Pension Plan Fiduciary Net Position

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

NOTE J – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

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

For the year ended September 30, 2020, the City recognized pension expense of \$5,214,990. Also as of September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Differences between Expected and Actual	Deferred Outflows of Resources	Deferred Inflows of Resources
Economic Experience	\$ 473,002	\$ -
Changes in Actuarial Assumptions	395,600	-
Differences between Projected and Actual Investment Earnings	-	2,669,844
Contributions subsequent to the Measurement Date	3,980,123	-
	<u>\$ 4,852,725</u>	<u>\$ 2,669,844</u>

Deferred outflows of resources in the amount of \$3,980,123 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2020 (subsequent fiscal period). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future years as follows:

	For the Plan Year ended December 31,
2020	\$ (422,380)
2021	(489,093)
2022	410,399
2023	(1,296,168)
	<u>\$ (1,797,242)</u>

NOTE K – OTHER POST-EMPLOYMENT BENEFITS

TMRS Supplemental Death Benefits Other Post-Employment Benefit

The City also participates in the cost sharing single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB. Membership in the plan at December 31, 2019, the valuation and measurement date, consisted of:

	2019
Inactive Employees or Beneficiaries Currently Receiving Benefits	<u>193</u>
Inactive Employees Entitled to but Not Yet Receiving Benefits	51
Active Employees	<u>395</u>
	<u>639</u>

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

	Total SDBF Contribution Rate	Retiree SDBF Contribution Rate
2019	0.19%	0.06%
2020	0.19%	0.06%

For the Plan Year Ended December 31,

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For calculating the OPEB liability and the OPEB contribution rates, the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The assumptions are summarized below.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 11.50% including Inflation
Discount Rate *	2.75%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Total City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2019, the measurement and actuarial valuation date were calculated as follows:

Total OPEB Liability	<u>\$ 1,087,249</u>
Balance at December 31, 2018	
Changes for the year:	
Service Cost	38,668
Interest	40,815
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(8,771)
Changes in Assumptions or Other Inputs	210,961
Benefit Payments	<u>(12,889)</u>
Net Changes	268,784
Balance at December 31, 2019	<u>\$ 1,356,033</u>

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

The following presents the TOL of the City, calculated using the discount rate of 2.75% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (1.75%) and 1-percentage point higher (3.75%) than the current rate:

Total OPEB Liability	Discount Rate	Discount Rate	Discount Rate
	1.75%	2.75%	3.75%
	<u>\$ 1,633,843</u>	<u>\$ 1,356,033</u>	<u>\$ 1,140,235</u>

For the year ended September 30, 2020, the City recognized OPEB expense of \$100,560. Also as of September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the TMRS OPEB from the following sources:

Changes in Actuarial Assumptions	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Expected and Actual Experience	\$ 160,060	\$ -
Contributions After the Measurement Date	-	15,746
	<u>10,747</u>	<u>-</u>
	<u>\$ 170,807</u>	<u>\$ 15,746</u>

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Deferred outflows of resources in the amount of \$10,747 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total TMRS OPEB liability for the plan year ended December 31, 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:

	For the Plan Year Ended December 31,	
	2020	\$ 34,951
	2021	34,951
	2022	32,040
	2023	23,657
	2024	18,715
	Thereafter	-
		<u>\$ 144,314</u>

City of Seguin Retiree Health Other Post-Employment Benefit Plan

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

The City provides post-employment benefits for eligible participants enrolled in City-sponsored plans. The benefits are provided in the form of an implicit rate subsidy where the City contributes towards the retiree health premiums before achieving Medicare eligibility. While the Plan offers retiree only rates, a very small implicit liability still exists. Membership in the plan as of September 30, 2020, the measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	<u>2020</u>
Inactive Employees Entitled to but Not Yet Receiving Benefits	15
Active Employees	46
	<u>343</u>
	<u>404</u>

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

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

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

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.00%
Discount Rate	2.21% (Bond Buyer 20-Bond CO index)
Mortality Rates	PUB 2010 mortality table with generational scale MP-2011 to reflect the Society of Actuaries' recent mortality study
Health Care Cost Trend Rates	6.5% for 2019, Decreasing 0.5% each year reaching ultimate rate of 4.5%

The City's Retiree Health OPEB Liability (TOL), based on the above actuarial factors, as of September 30, 2020, the measurement and actuarial valuation date was calculated as follows:

Balance at September 30, 2019	Total OPEB Liability
Changes for the year:	\$ 855,144
Service Cost	20,506
Interest	22,364
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(61,276)
Changes in Assumptions or Other Inputs	(29,327)
Benefit Payments	(69,785)
Net Changes	(117,518)
Balance at September 30, 2020	\$ 737,626

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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

The following presents the TOL of the City, calculated using the discount rate of 2.21% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) and 1-percentage point higher (3.21%) than the current rate:

Total OPEB Liability	Discount Rate 1.21%	Discount Rate 2.21%	Discount Rate 3.21%
	\$ 698,000	\$ 737,626	\$ 781,000

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

Total OPEB Liability	1% Decrease	Current Trend	1% Increase
	\$ 689,000	\$ 737,626	\$ 792,000

For the year ended September 30, 2020, the City recognized OPEB expense of \$76,559. Also as of September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	Deferred Outflows of Resources		Deferred Inflows of Resources	
	\$		\$	
	-	-	-	-
	\$	\$	\$	\$
	-	-	43,559	43,559

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

For the Plan Year ended September 30,	
2021	\$ (687)
2022	(687)
2023	(687)
2024	(687)
2025	(687)
Thereafter	(40,124)
	\$ (43,559)

The aggregate amount of expense recognized for all OPEB plans for the fiscal year ending September 30, 2020 was \$116,759.

NOTE L -- INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2020, were as follows:

Receiving Fund/Activity	Transferring Fund/Activity	Amount	Contribution to Capital Project
Nonmajor Capital Projects	Utility Fund	\$ 14,733	Supplement Health Insurance
Internal Service/Retiree Ins	Utility Fund	36,757	Supplement Health Insurance
Internal Service/Retiree Ins	General Fund	335,293	
Total Transfers		\$ 386,783	

NOTE M -- COMMITMENTS AND CONTINGENCIES

Litigation

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

Grants

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

Construction Commitments

The City has entered into construction and engineering contracts for the improvement of various streets and utility systems, as well as park improvements. Estimated future commitments associated with these contracts as of September 30, 2020 are as follows:

Primary Government	Total Commitments	Incurred Thru September 2020	Estimated	
			Future	Commitments
<i>General Government</i>	\$ 7,762,825	\$ 6,503,396	\$ 1,259,429	
Bldgs, Streets & Drainage	1,296,254	908,296	387,958	
Professional Services	9,059,079	7,411,692	1,647,387	
<i>Utility System</i>				
Utility System Improvements	5,208,620	2,441,196	2,767,424	
Professional Services (Engineering)	2,841,779	1,695,993	1,145,786	
	8,050,399	4,137,189	3,913,210	
Total Primary Government Commitments	\$ 17,109,478	\$ 11,548,881	\$ 5,560,597	
Component Unit				
Professional Services	\$ 39,022	\$ 26,513	\$ 12,509	
	\$ 39,022	\$ 26,513	\$ 12,509	

NOTE M -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

Economic Development Agreements

WDW Development, LP Agreement

The City entered into a Chapter 380 Agreement with WBW Land Investments, LP (WBW) which provides that the City shall reimburse WBW for certain public infrastructure improvements out of 50% of the increased tax received from home sales in the residential development project known as the Meadows at Nolte Farms over a period of ten years, beginning one year immediately after the date of initial completion, at a cost not to exceed \$500,000. The City estimates the increase in assessed value on the project over the base year to be \$15,000,000. Reimbursements to WBW began March 2017. Reimbursement for the year ended September 30, 2020 was \$190,886.

Perry Homes, LLC

The City entered into a Chapter 380 Agreement with Perry Homes, LLC ("developer") to reimburse the developer 75% of the 1% unrestricted sales taxes collected on materials that are purchased to construct homes in Seguin. The agreement period begins February 2018. Total reimbursements for 2020 were \$4,000.

Power Purchase Agreements

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

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be re-appropriated and honored during the subsequent year. Therefore, there were no outstanding encumbrances as of September 30, 2020.

NOTE M -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

Guadalupe Regional Medical Center

The City of Seguin is contingently liable for 50% of operating deficits produced by Guadalupe Regional Medical Center (GRMC), if any, with Guadalupe County contingently responsible for the remainder. As of September 30, 2020, long-term debt of GRMC consisted of Revenue Bonds in the amount of \$109,590,000, and capital lease obligations in the amount of \$4,656,214. The bonds are secured by revenues of the GRMC, mortgage insurance issued by FHA and funds held in trust.

Following is a summary of financial data as reported in the Guadalupe Regional Medical Center's most recent audited financial statements for the year ended September 30, 2020:

Assets:	
Current Assets	\$ 103,547,578
Other Assets	8,258,835
Capital Assets (Net)	105,615,116
Other Long Term Assets	6,808,370
Deferred Outflows of Resources	2,770,631
Total Assets and Deferred Outflows	227,000,530
Liabilities & Net Assets:	
Current Liabilities	44,134,104
Other Liabilities	114,212,305
Total Liabilities	158,346,409
Deferred Inflows of Resources	7,678,373
Net Position	60,975,748
Operating Revenues:	
Net Revenues from Patient Services	\$ 213,156,050
Other Operating Revenues	10,328,810
Total Operating Revenues	223,484,860
Operating Expenses:	
Total Net Operating Income	3,703,862
Nonoperating Revenues and (Expenses)	1,801,930
Increase (Decrease) in Net Position	\$ 5,505,792

NOTE M -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

Schertz/Seguin Local Government Corporation

The City of Seguin is jointly liable, together with the City of Schertz, for operating deficits and long-term debt of the Schertz/Seguin Local Government Corporation (See Note A1). Following is a summary of financial data as reported in the Corporation's most recent audited financial statements dated September 30, 2019:

Assets:	
Current Assets	\$ 17,028,729
Restricted Cash and Cash Equivalents	75,252,982
Property, Plant & Equipment	94,845,220
Other Long Term Assets	-
Total Assets & Deferred Charges	187,126,931
Deferred outflows of resources related to Pension Liabilities & Net Position:	2,712,824
Current Liabilities	5,468,711
Revenue Bonds (Less Current Maturities and Unamortized Discounts)	157,992,682
Total Liabilities	163,461,393
Net Position:	
Net Investment in Capital Assets	175,297
Restricted	8,318,209
Unrestricted	17,884,856
Total Net Position	\$ 26,378,362

The Corporation had revenue bonds outstanding in the amount of \$159,140,000 (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.

NOTE N -- PLEDGED REVENUE

SEDC entered into an agreement, along with the City, to fund certain improvements to the IH-10 frontage road in an amount not to exceed \$1,250,000. SEDC's portion of the commitment was funded by a pledge of future sales tax revenue to reimburse the City ½ of the debt service requirements of bonded debt to fund the improvements. Total contributions to the City in support of debt during the year ended September 30, 2020 were \$207,000. The pledge has been satisfied in full.

NOTE O -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2020 were \$432,731 for property and casualty and \$185,730 for workers' compensation coverage.

NOTE P -- TAX ABATEMENT DISCLOSURES

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

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

As of September 30, 2020, the City has active tax abatement agreements with three entities. The gross amount of property tax abated during 2020 was \$474,387.

Caterpillar, Inc.: Personal Property Tax Abatement Agreement is for a period of ten years beginning January 1, 2010 and expiring December 31, 2020, for manufacturing machinery and equipment used in the operation of a diesel engine manufacturing facility with a current appraised value of \$84,260,478.

Tractor Supply Co. of Texas, LP: Real Property Tax Abatement Agreement for a period of five years beginning January 1, 2016 and expiring January 1, 2021 for the construction and operation of a distribution facility with a current appraised value of \$4,256,900.

Minigrip: Personal Property Tax Abatement Agreement for a period of five years beginning January 1, 2019 and expiring January 1, 2024, for the installation of manufacturing machinery and equipment with a current appraised value of \$4,236,414.

NOTE Q -- SUBSEQUENT EVENTS

Primary Government

The City issued *Certificates of Obligation, Series 2021* in the amount of \$12,000,000 to fund street improvements, renovations to Central Fire Station, and Walnut Springs Trail Phase II. The certificates mature serially through 2040 and carry an interest rate of 2.5% to 5%. The bonds will be serviced by ad valorem tax.

Component Unit

The Seguin Economic Development Corporation (component unit) sold 48.41 acres to a developer for \$1,477,080. With a portion of these funds, the note at First Commercial Bank was paid off in the amount of \$647,227.



It's real.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Defined Benefit Plan - Net Pension Liability and Related Ratios
- Schedule of City Contributions – Defined Benefit Plan
- Schedule of Funding Progress – Other Postemployment Benefits

CITY OF SEGUIN, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Budgeted Amounts		2020		Variance With Final Budget - Positive (Negative)	2019 Actual
	Original	Final	Actual			
REVENUES						
Taxes	\$ 13,648,648	\$ 13,648,648	\$ 14,511,305	\$ 862,657	\$ 13,657,432	
Licenses and Permits	774,000	774,000	1,976,301	1,202,301	653,927	
Intergovernmental	1,052,124	1,497,124	2,804,324	1,307,200	1,134,769	
Charges for Services	6,574,966	6,624,966	6,139,753	(485,213)	6,106,516	
Fines and Forfeits	1,362,900	1,362,900	630,226	(732,674)	1,193,263	
Interest	227,800	227,800	159,687	(68,113)	332,668	
Miscellaneous	751,657	741,657	1,585,288	843,631	1,922,403	
Total Revenues	24,392,095	24,877,095	27,806,884	2,929,789	25,000,978	
EXPENDITURES						
GENERAL GOVERNMENT:						
<i>Administration:</i>						
Personnel Services	57,001	57,001	57,001	-	56,031	
Contracted Services	600	600	600	-	600	
Supplies	600	447	447	153	367	
Other Services and Charges	19,693	19,693	5,995	13,698	11,594	
Total Administration	77,894	77,894	64,043	13,851	68,592	
<i>Financial Administration:</i>						
Personnel Services	381,974	385,433	384,095	1,338	365,768	
Contracted Services	204,075	205,140	195,976	9,164	186,745	
Supplies	8,500	46,000	15,918	30,082	27,542	
Other Services and Charges	13,395	10,489	3,424	7,065	6,631	
Total Financial Administration	607,944	647,062	599,413	47,649	586,686	
<i>City Manager:</i>						
Personnel Services	250,654	256,895	256,877	18	238,428	
Contracted Services	1,813	1,813	1,237	576	1,681	
Supplies	2,550	2,550	1,724	826	1,764	
Other Services and Charges	16,200	12,099	7,687	4,412	12,274	
Total City Manager	271,217	273,357	267,525	5,832	254,147	
<i>Human Resources:</i>						
Personnel Services	210,247	218,890	218,891	(1)	239,026	
Contracted Services	45,751	43,385	36,017	7,368	48,143	
Supplies	3,800	3,800	3,130	670	2,722	
Other Services and Charges	80,755	80,755	18,177	62,578	51,733	
Total Human Resources	340,553	346,830	276,215	70,615	341,624	

Continued

CITY OF SEGUIN, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Budgeted Amounts		2020		Variance With Final Budget - Positive (Negative)	2019 Actual
	Original	Final	Actual			
General Government (Cont.):						
<i>Planning and Zoning Office:</i>						
Personnel Services	\$ 1,156,050	\$ 1,166,748	\$ 1,135,441	\$ 31,307	\$ 1,042,822	
Contracted Services	123,141	123,492	80,013	43,479	134,549	
Supplies	27,100	27,100	18,111	8,989	20,460	
Other Services and Charges	28,800	28,449	10,450	17,999	22,837	
Total Planning and Zoning Office	1,335,091	1,345,789	1,244,015	101,774	1,220,668	
<i>City Secretary's Office:</i>						
Personnel Services	54,609	54,609	54,253	356	52,159	
Contracted Services	3,000	3,000	2,641	359	1,934	
Supplies	4,900	4,900	2,767	2,133	1,512	
Other Services and Charges	18,775	18,775	9,451	9,324	19,361	
Total City Secretary's Office	81,284	81,284	69,112	12,172	74,966	
<i>Information Technology</i>						
Personnel Services	367,447	380,099	367,817	12,282	348,243	
Contracted Services	352,856	354,140	310,691	43,449	290,022	
Supplies	3,150	3,150	1,670	1,480	1,893	
Other Services and Charges	9,350	8,066	6,663	1,403	8,118	
Total Information Technology	732,803	745,455	686,841	58,614	648,276	
<i>City Attorney:</i>						
Personnel Services	109,623	109,623	109,135	488	102,324	
Contracted Services	20,158	20,158	16,767	3,391	5,214	
Supplies	125	125	52	73	41	
Other Services and Charges	2,864	2,864	1,007	1,857	2,866	
Total City Attorney:	132,770	132,770	126,961	5,809	110,445	
<i>Facilities and Grounds:</i>						
Personnel Services	178,550	179,479	175,737	3,742	142,269	
Contracted Services	114,856	137,356	121,801	15,555	112,870	
Supplies	8,800	8,800	4,143	4,657	5,797	
Other Services and Charges	2,200	2,200	1,807	393	1,378	
Total Facilities and Grounds	304,406	327,835	303,488	24,347	262,314	
Total General Government	\$ 3,883,962	\$ 3,978,276	\$ 3,637,613	\$ 340,663	\$ 3,567,718	

Continued

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Comparative Actual Amounts for 2019)

	Budgeted Amounts		2020 Actual	Variance With Final Budget - (Negative)	2019 Actual
	Original	Final			
Public Safety:					
<i>Police:</i>					
Personnel Services	\$ 7,546,800	\$ 7,668,082	\$ 7,481,850	\$ 186,232	\$ 6,836,215
Contracted Services	131,082	129,780	124,329	5,451	106,786
Supplies	103,925	118,925	107,150	11,775	113,974
Other Services and Charges	261,985	263,287	180,499	82,788	203,860
Total Police	8,043,792	8,180,074	7,893,828	286,246	7,260,835
<i>Fire/EMS:</i>					
Personnel Services	5,963,294	6,010,234	6,010,234	-	5,331,852
Contracted Services	250,750	237,482	211,254	26,228	166,046
Supplies	206,425	206,425	203,400	3,025	184,344
Other Services and Charges	120,400	110,400	79,589	30,811	101,646
Total Fire/EMS	6,540,869	6,564,541	6,504,477	60,064	5,783,888
<i>Municipal Court:</i>					
Personnel Services	3,302,49	341,882	335,942	5,940	317,059
Contracted Services	61,930	61,930	59,886	2,044	57,559
Supplies	10,500	10,500	4,990	5,510	9,009
Other Services and Charges	7,900	7,900	1,116	6,784	8,840
Total Municipal Court	410,579	422,212	401,934	20,278	392,467
<i>Animal Control:</i>					
Personnel Services	451,303	453,109	434,962	18,147	428,901
Contracted Services	75,205	75,205	59,878	15,327	64,746
Supplies	48,500	48,500	32,979	15,521	44,522
Other Services and Charges	12,000	12,000	7,250	4,650	7,143
Total Animal Control	587,008	588,814	535,169	53,645	545,312
Total Public Safety	15,582,248	15,755,641	15,335,408	420,233	13,982,502
Public Service:					
<i>Parks Works:</i>					
Personnel Services	1,492,472	1,492,472	1,255,317	237,155	1,578,276
Contracted Services	1,905,108	1,909,108	1,854,001	55,107	1,886,723
Supplies	36,100	26,100	25,027	1,073	31,661
Other Services and Charges	79,800	135,800	102,914	32,886	130,644
Total Parks Works	3,513,480	3,563,480	3,237,259	326,221	3,627,304

Continued

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Comparative Actual Amounts for 2019)

	Budgeted Amounts		2020 Actual	Variance With Final Budget - (Negative)	2019 Actual
	Original	Final			
Public Service: (Cont.)					
<i>Brush Department</i>					
Personnel Services	\$ 410,321	\$ 411,792	\$ 399,655	\$ 12,137	\$ 384,372
Contracted Services	4,100	4,256	3,838	418	2,174
Supplies	28,100	28,100	13,089	15,011	24,460
Other Services and Charges	36,500	36,344	22,418	13,926	27,196
Total Brush Department	479,021	480,492	439,000	41,492	438,202
<i>Vehicle Maintenance:</i>					
Personnel Services	\$ 150,245	\$ 152,334	\$ 141,471	\$ 10,863	\$ 116,454
Contracted Services	261,451	308,951	293,490	15,461	279,571
Supplies	134,500	14,167	11,821	2,346	13,177
Other Services and Charges	5,700	4,983	2,362	2,621	2,576
Total Vehicle Maintenance	430,846	480,435	449,144	31,291	411,778
<i>Engineering/ Capital Projects</i>					
Personnel Services	363,730	363,730	319,352	44,378	-
Contracted Services	30,619	30,619	20,595	10,024	-
Supplies	7,590	7,590	2,123	5,467	-
Other Services and Charges	11,756	11,756	3,276	8,480	-
Total Engineering/ Cap Proj	413,695	413,695	345,346	68,349	-
<i>Library:</i>					
Personnel Services	1,077,800	1,089,115	1,010,931	78,184	979,738
Contracted Services	95,996	91,691	85,932	5,759	97,824
Supplies	108,900	153,900	139,144	14,756	142,679
Other Services and Charges	7,200	11,505	7,718	3,787	8,915
Total Library	1,289,896	1,346,211	1,243,725	102,486	1,229,156
<i>Parks and Recreation:</i>					
Personnel Services	1,444,431	1,444,431	1,314,139	130,292	1,282,478
Contracted Services	226,674	241,427	195,427	46,000	207,509
Supplies	83,800	81,800	64,773	17,027	76,783
Other Services and Charges	33,433	33,180	24,641	8,539	31,343
Total Parks and Recreation	1,788,338	1,800,838	1,598,980	201,858	1,598,113
<i>Downtown & Main St. Programs:</i>					
Personnel Services	162,402	162,402	156,736	5,666	155,270
Contracted Services	7,851	6,351	2,044	4,307	6,190
Supplies	1,200	1,200	917	283	1,099
Other Services and Charges	26,780	28,280	19,433	8,847	28,488
Total Downtown & Main St. Programs	198,233	198,233	179,130	19,103	191,047
Total Public Service	\$ 8,113,509	\$ 8,283,384	\$ 7,492,584	\$ 790,800	\$ 7,495,600

CITY OF SEGUIN, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2020

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Comparative Actual Amounts for 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 provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are funds which have legally adopted annual budgets: General Fund, Debt Service Fund, Occupancy Tax (Special Revenue) Fund, Coliseum (Special Revenue) Fund, Aquatic Center (Special Revenue) Fund, Municipal Court Security Fund (Special Revenue), Municipal Court Technology Fund (Special Revenue), Forfeiture & Seizure Fund (Special Revenue), Golf Course (Special Revenue) Fund, DARE Program Fund (Special Revenue), Juvenile Case Manager (Special Revenue), Convention & Visitor's Bureau (Special Revenue) Fund, Convention & Visitor's Building Fund (Special Revenue), Sebastopol House (Special Revenue) Fund, Police Donations (Special Revenue) Fund, PEG Capital Fees (Special Revenue) Fund, Library Development (Special Revenue) Fund, Seguin Events Complex (Special Revenue) Fund and Seguin Arts Commission (Special Revenue) Fund. Project – length financial plans are adopted for the Capital Projects Funds.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be re-appropriated and honored during the subsequent year.

	Budgeted Amounts		2020 Actual	Variance With Final Budget - Positive (Negative)	2019 Actual
	Original	Final			
Nondepartmental:					
Contracted Services	\$ 132,010	\$ 113,875	\$ 113,703	\$ 172	\$ 105,351
Building and Auto Insurance	175,000	201,360	180,053	21,307	201,122
Unemployment Insurance	5,000	27,750	44,235	(16,485)	703
Contributions - Civic Organizations	2,017,859	2,017,859	2,017,859	-	1,862,054
Other Services and Charges	776,174	607,575	433,514	174,061	189,158
Total Nondepartmental	3,106,043	2,968,419	2,789,364	179,055	2,358,388
Capital Outlay	-	-	-	-	-
Indirect Cost Recovery - Utility Fund	(5,500,000)	(5,500,000)	(5,256,011)	(243,989)	(4,968,672)
Total Expenditures	25,185,762	25,485,720	23,998,958	1,486,762	22,455,536
Excess (Deficiency) of Revenues Over (Under) Expenditures	(793,667)	(608,625)	3,807,926	4,416,551	2,565,442
OTHER FINANCING SOURCES (USES)					
Transfers In	114,970	114,970	88,422	(26,548)	58,952
Transfers (Out)	(277,331)	(1,841,974)	(1,841,974)	-	(2,286,226)
Total Other Financing Sources (Uses)	(162,361)	(1,727,004)	(1,753,552)	(26,548)	(2,227,274)
Net Change in Fund Balance	(956,028)	(2,335,629)	2,054,374	4,390,003	338,168
Fund Balance at Beginning of Year	13,341,279	13,341,279	13,341,279	-	13,003,111
Fund Balance at End of Year	\$ 12,385,251	\$ 11,005,650	\$ 15,395,653	\$ 4,390,003	\$ 13,341,279

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST SIX PLAN YEARS

	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service Cost	\$ 2,513,154	\$ 3,015,806	\$ 3,288,440	\$ 3,528,748	\$ 3,662,307	\$ 3,740,028
Interest (on the Total Pension Liability)	5,806,091	6,178,108	6,343,379	6,745,276	7,168,895	7,580,148
Changes of Benefit Terms	-	-	-	-	-	-
Difference between Expensed and Actual Experience	337,633	(179,540)	124,086	422,264	59,508	384,172
Change of Assumptions	-	289,698	-	-	-	528,089
Benefit Payments, Including Refunds of Employee Contributions	(3,564,077)	(3,623,283)	(3,763,653)	(4,143,663)	(4,830,794)	(4,843,065)
Net Change in Total Pension Liability	5,092,801	5,680,789	5,994,252	6,552,625	6,059,916	7,389,372
Total Pension Liability - Beginning	83,469,625	88,562,426	94,243,215	100,237,467	106,790,092	112,850,008
Total Pension Liability - Ending	\$ 88,562,426	\$ 94,243,215	\$ 100,237,467	\$ 106,790,092	\$ 112,850,008	\$ 120,239,380
Plan Fiduciary Net Position						
Contributions - Employer	\$ 1,992,250	\$ 2,722,654	\$ 3,457,964	\$ 4,008,013	\$ 4,344,789	\$ 4,775,463
Contributions - Employee	1,132,877	1,228,792	1,315,376	1,415,544	1,469,963	1,503,745
Net Investment Income	3,335,330	90,246	4,157,561	9,238,393	(2,310,563)	11,715,246
Benefit Payments, Including Refunds of Employee Contributions	(3,564,077)	(3,623,283)	(3,763,653)	(4,143,663)	(4,830,794)	(4,843,065)
Administrative Expense	(34,824)	(54,973)	(46,960)	(47,868)	(44,642)	(66,161)
Other	(2,863)	(2,716)	(2,530)	(2,426)	(2,332)	(1,987)
Net Change in Plan Fiduciary Net Pos	2,838,693	360,720	5,117,758	10,467,993	(1,373,579)	13,083,241
Plan Fiduciary Net Position - Beginning	58,306,677	61,165,370	61,526,090	66,643,848	77,111,841	75,738,262
Plan Fiduciary Net Position - Ending	\$ 61,165,370	\$ 61,526,090	\$ 66,643,848	\$ 77,111,841	\$ 75,738,262	\$ 88,821,503
Net Pension Liability (Asset) - Ending	\$ 27,397,056	\$ 32,717,125	\$ 33,593,619	\$ 29,678,251	\$ 37,111,746	\$ 31,417,877
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.06%	65.28%	66.49%	72.21%	67.11%	73.87%
Covered Payroll	\$ 16,183,951	\$ 17,554,166	\$ 18,791,085	\$ 20,222,051	\$ 20,999,466	\$ 21,482,071
Net Pension Liability as a Percentage of Covered Payroll	169.29%	186.38%	178.77%	146.76%	176.73%	146.25%

GAAP 68 Pension Information is being applied prospectively. 10-year historical trend information will be developed beginning with 2014

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
LAST SIX FISCAL YEARS

	2015	2016	2017	2018	2019	2020
Schedule of Contributions:						
Actuarially Determined Contribution	\$ 1,882,060	\$ 2,752,499	\$ 3,151,764	\$ 3,287,335	\$ 3,242,555	\$ 4,774,365
Contributions in Relation to the Actuarially Determined Contribution	2,545,271	3,451,731	3,826,130	4,287,815	4,628,145	5,138,648
Contribution Deficiency (Excess)	\$ (663,221)	\$ (709,232)	\$ (674,366)	\$ (1,000,480)	\$ (1,385,590)	\$ (364,283)
Covered Payroll	\$ 17,132,808	\$ 18,313,373	\$ 19,869,160	\$ 20,956,536	\$ 21,157,950	\$ 23,123,902
Contribution as a Percentage of Covered Payroll	14.86%	18.85%	19.26%	20.49%	21.87%	22.22%

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market, 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50 to 11.5%
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 2019 valuation pursuant to an experience study of the period 2004-2018.
Mortality	Post-retirement: 2019 Municipal retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Notes
There were no benefit changes during the year.
GAAP 68 Pension Information is being applied prospectively. 10-year historical trend information will be developed beginning with 2015

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – TMRS OTHER POST-EMPLOYMENT BENEFIT LIABILITY
AND RELATED RATIOS
LAST THREE CALENDAR YEARS

	Total TMRS OPEB Liability		
	2018	2019	2020
Service Cost	\$ 36,400	\$ 44,099	\$ 38,668
Interest	37,020	37,359	40,815
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	-	(17,970)	(8,771)
Changes in Assumptions or Other Inputs	84,413	(76,558)	210,961
Benefit Payments	(12,133)	(12,600)	(12,889)
Net Change in Total OPEB Liability	145,700	(25,670)	268,784
Total OPEB Liability - Beginning	967,219	1,112,919	1,087,249
Total OPEB Liability - Ending	<u>\$ 1,112,919</u>	<u>\$ 1,087,249</u>	<u>\$ 1,356,033</u>
Covered Payroll	\$ 20,926,536	\$ 20,999,466	\$ 21,482,071

Total TMRS OPEB Liability as a Percentage of Covered Payroll 5.32% 5.18% 6.31%

Methods and Assumptions

Inflation 2.50%
 Salary Increases 3.50% to 11.50% Including Inflation
 Discount Rate * 2.75%
 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 2019 Municipal Retirees of Texas Mortality tables. The rates are projected on a fully generational basis with scale UMP. 2019 Municipal Retirees of Texas Mortality tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
 Mortality Rates - Disabled Retirees * The discount rate was based on the fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Notes to Schedule

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Trust:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

Note: Information for this schedule is being accumulated prospectively until a rolling ten-year period is available.

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – CITY RETIREE HEALTH OTHER POST-EMPLOYMENT BENEFIT
LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

	Total OPEB Liability		
	2018	2019	2020
Service Cost	\$ 14,620	\$ 14,232	\$ 20,506
Interest	(1,162)	33,354	22,364
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	-	-	-
Changes in Assumptions or Other Inputs	(13,195)	61,514	(29,327)
Benefit Payments	(88,773)	(103,980)	(69,785)
Net Change in Total OPEB Liability	(88,510)	5,120	(117,518)
Total OPEB Liability - Beginning	938,534	850,024	855,144
Total OPEB Liability - Ending	<u>\$ 850,024</u>	<u>\$ 855,144</u>	<u>\$ 737,626</u>

Covered Payroll \$ 18,834,176 \$ 19,493,000 \$ 22,041,910
 Total Retiree Insurance OPEB Liability as a Percentage of Covered Payroll 4.51% 4.39% 3.35%

Methods and Assumptions

Inflation 2.50%
 Salary Increases 3.00%
 Discount Rate 2.21% (Bond Buyer 20-Bond GO Index)
 Mortality Rates Pub-2010 mortality table with generational scale MP-2019
 Health Care Cost Trend Rates 60% for 2020, Decreasing 0.5% each year reaching ultimate rate of 4.5%

Notes to Schedule

Changes in Benefit Terms: None

Trust:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement NO. 75 to pay related benefits.

Note: Information for this schedule is being accumulated prospectively until a rolling ten-year period is available.



It's real.

SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Statements – General Fund
- Statement of Revenues, Expenditures & Changes in Fund Balance – Budget and Actual – Debt Service Fund
- Combining Statements – Nonmajor Governmental Funds
 - *Combining Statements – Nonmajor Special Revenue Funds*
 - *Combining Statements – Nonmajor Capital Projects Funds*
 - *Budgetary Statements*
- Comparative Statements – Enterprise (Utility) Fund
- Combining Statements – Internal Service (Insurance) Funds
- Combining Statements – Fiduciary (Private Purpose Trust) Funds
- Statement of Changes in Assets & Liabilities – Agency Fund

CITY OF SEGUIN, TEXAS
COMPARATIVE BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 592,183	\$ 604,893
Investments	14,036,491	12,590,563
Receivables:		
Taxes	1,946,517	1,912,472
Accounts	1,054,647	996,794
Grants	1,423,748	79,395
Miscellaneous	99,834	64,612
Inventory of Supplies	23,205	24,153
Prepaid Items	150,194	129,848
Total Assets	\$ 19,326,819	\$ 16,402,730
LIABILITIES		
Accounts Payable	\$ 890,537	\$ 838,147
Accrued Expenditures	692,941	555,416
Due to Component Unit	238,385	224,521
Unearned Revenue	318,802	240,424
Due to Others	588,845	12,387
Total Liabilities	2,729,510	1,870,895
Deferred Inflows of Resources		
Unavailable Revenue	1,201,656	1,190,556
Total Deferred Inflows of Resources	1,201,656	1,190,556
Fund Balance:		
Nonspendable	173,399	154,001
Restricted	16,813	28,154
Committed - Stabilization Arrangement	2,008,348	2,151,739
Assigned	223,709	210,949
Unassigned	12,973,384	10,796,436
Total Fund Balance	15,395,653	13,341,279
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 19,326,819	\$ 16,402,730



It's real.

CITY OF SEGUIN, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
REVENUES		
Taxes	\$ 14,511,305	\$ 13,657,432
Licenses and Permits	1,976,301	653,927
Intergovernmental	2,804,324	1,134,769
Changes for Services	6,139,753	6,106,516
Fines and Forfeits	630,226	1,193,263
Interest	159,687	332,668
Miscellaneous	1,585,288	1,922,403
Total Revenues	27,806,884	25,000,978
EXPENDITURES		
<i>Current:</i>		
General Government	3,637,613	3,567,718
Public Safety	15,335,408	13,982,502
Public Service	7,492,584	7,495,600
Nondepartmental	2,789,364	2,358,388
Indirect Cost Allocation (Recovery)	(5,256,011)	(4,968,672)
Capital Outlay	-	-
Total Expenditures	23,998,958	22,435,536
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,807,926	2,565,442
OTHER FINANCING SOURCES (USES)		
Transfers In	88,422	58,952
Transfers (Out)	(1,841,974)	(2,286,226)
Total Other Financing Sources (Uses)	(1,753,552)	(2,227,274)
Net Change in Fund Balance	2,054,374	338,168
Fund Balance at Beginning of Year	13,341,279	13,003,111
Fund Balance at End of Year	\$ 15,395,653	\$ 13,341,279

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (with Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Taxes	\$ 5,553,506	\$ 5,753,512	\$ 200,006	\$ 5,371,953
Intergovernmental	207,000	207,000	-	203,650
Interest	50,000	34,398	(15,602)	84,738
Miscellaneous	-	-	-	-
Total Revenues	5,810,506	5,994,910	184,404	5,660,341
EXPENDITURES				
Debt Service:				
Principal	3,067,045	3,067,005	40	2,976,841
Interest and Fiscal Changes	3,088,908	2,993,151	45,757	2,787,967
Bond Issue Costs	-	-	-	110,390
Total Expenditures	6,105,953	6,060,156	45,797	5,875,198
Excess (Deficiency) of Revenues Over (Under) Expenditures	(295,447)	(65,246)	230,201	(214,857)
OTHER FINANCING SOURCES (USES)				
Transfers In	120,000	120,000	-	425,000
Issuance of Debt	39,490	-	(39,490)	8,370,000
Premiums on Issuance	-	-	-	1,631,980
Payments to Refunding Agents	-	-	-	(10,009,070)
Total Other Financing Sources (Uses)	159,490	120,000	(39,490)	417,910
Net Change in Fund Balance	(135,957)	54,754	190,711	203,053
FUND BALANCE, OCTOBER 1	1,296,867	1,296,867	-	1,093,814
FUND BALANCE, SEPTEMBER 30	\$ 1,160,910	\$ 1,351,621	\$ 190,711	\$ 1,296,867

CITY OF SEGUIN, TEXAS
COMBINING FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Occupancy Tax Fund – To account for the Occupancy Tax revenues paid the City and restricted by State Law. The revenues provide for contributions to various civic organizations. In addition, certain occupancy tax proceeds are designated for specific uses and are reflected in separate special revenue funds.

Coliseum Fund – To account for occupancy tax and revenues earned by the coliseum that provide for the operations and maintenance of the coliseum.

Aquatic Center Fund – To account for the revenues earned by the Aquatic Center committed for the operations and maintenance of the Aquatic Center.

Municipal Court Security – To account for revenues from court fines restricted to improving municipal court security.

Municipal Court Technology – To account for revenues from court fines restricted to improving court technology.

Forfeiture & Seizure Fund – Account for revenues under federal, state and civil cases that allow confiscation of money and property. All forfeited proceeds are to be spent on law enforcement.

Golf Course Fund – To account for the operations of the golf course and related pro shop. Revenues are committed for the operations of the golf course facilities.

D.A.R.E. Fund – Established in fiscal 1995 to account for donations received for the D.A.R.E. program.

Juvenile Case Manager Fund – To account for fees assessed and restricted to support a case manager for juvenile offenders.

Convention & Visitors Bureau – To account for occupancy tax revenues restricted for specific purposes by state law.

CVB Building Fund – Established to receive a portion of the Occupancy Tax Revenue to support a future building site for the Convention and Visitors Bureau.

Sebastopol House – To account for occupancy tax revenues restricted for specific purposes by state law. The Sebastopol House is a registered historic landmark.

Police Department Donations – To account for contributions restricted to the City Police Department.

PEG Capital Fees – To account for fees collected and remitted to the city with cable franchise fees to support government-access cable broadcasting.

Library Development Fund – To account for contributions restricted to library enhancement.

CITY OF SEGUIN, TEXAS
COMBINING FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS (continued)

Seguin Events Complex – To account for occupancy tax and charges for use of the Complex restricted to supporting the operations of the Complex.

Seguin Arts Commission – To track donations received specific to enhancement of downtown Seguin

CAPITAL PROJECTS FUNDS

The Capital Projects funds are used to account for proceeds from bond issues and other resources specifically assigned for capital expenditures.

CITY OF SEGUIN, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2020

	Combined Special Revenue	Combined Capital Projects	Total
REVENUES			
Taxes	\$ 702,231	-	\$ 702,231
Licenses and Permits	-	1,359,371	1,359,371
Intergovernmental	23,626	215,665	239,291
Charges for Services	914,105	214,914	1,129,019
Fines and Forfeits	96,011	-	96,011
Interest	21,797	166,802	188,599
Miscellaneous	9,254	354,673	363,927
Total Revenues	<u>1,767,024</u>	<u>2,311,425</u>	<u>4,078,449</u>
EXPENDITURES			
Current:			
General Government	1,787,598	300,501	2,088,099
Public Service	-	25,187	25,187
Nondepartmental	368,759	-	368,759
Capital Outlay	-	6,284,835	6,284,835
Debt Service:			
Principal	-	808,746	808,746
Interest & Fiscal Changes	-	62,605	62,605
Bond Issue Costs	-	-	-
Total Expenditures	<u>2,156,357</u>	<u>7,481,874</u>	<u>9,638,231</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(389,333)</u>	<u>(5,170,449)</u>	<u>(5,559,782)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	21,343	1,383,169	1,404,512
Transfers Out	(91,520)	-	(91,520)
Issuance of Debt	-	447,490	447,490
Total Other Financing Sources (Uses)	<u>(70,177)</u>	<u>1,830,659</u>	<u>1,760,482</u>
Net Change in Fund Balances	<u>(459,510)</u>	<u>(3,339,790)</u>	<u>(3,799,300)</u>
FUND BALANCE, OCTOBER 1	<u>2,469,248</u>	<u>14,774,285</u>	<u>17,243,533</u>
FUND BALANCE, SEPTEMBER 30	<u>\$ 2,009,738</u>	<u>\$ 11,434,495</u>	<u>\$ 13,444,233</u>

CITY OF SEGUIN, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2020

	Combined Special Revenue	Combined Capital Projects	Total
ASSETS			
Cash and Cash Equivalents	\$ 86,379	\$ 263,266	\$ 349,645
Investments	1,898,349	6,304,686	8,203,035
Receivables (net of allowances for uncollectibles):			
Taxes	184,425	-	184,425
Accounts	5,854	259,692	265,546
Prepaid Items	4,722	-	4,722
Restricted Assets:			
Cash and Cash Equivalents	-	25,647	25,647
Investments	-	4,978,220	4,978,220
Total Assets	<u>\$ 2,179,729</u>	<u>\$ 11,831,511</u>	<u>\$ 14,011,240</u>
LIABILITIES AND FUND BALANCE			
<i>Liabilities:</i>			
Accounts Payable	\$ 58,832	\$ 292,212	\$ 351,044
Accrued Expenditures	31,437	-	31,437
Unearned Revenues	48,124	104,804	152,928
Due to Others	31,598	-	31,598
Total Liabilities	<u>169,991</u>	<u>397,016</u>	<u>567,007</u>
<i>Fund Balance:</i>			
Nonspendable:			
Prepays	4,722	-	4,722
Restricted			
Tourism & Economic Development	1,022,211	-	1,022,211
Public Safety	348,185	-	348,185
Public Service	271,145	-	271,145
Capital Projects	-	6,608,244	6,608,244
Committed	363,475	-	363,475
Assigned	-	4,826,251	4,826,251
Total Fund Balance	<u>2,009,738</u>	<u>11,434,495</u>	<u>13,444,233</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,179,729</u>	<u>\$ 11,831,511</u>	<u>\$ 14,011,240</u>

CITY OF SEGUIN, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2020

	Occupancy Tax Fund	Coliseum Fund	Acquatic Center Fund	Municipal Court Security Fund	Municipal Court Technology	Forfeiture & Seizure Fund	Golf Course Fund	DARE Program Fund	Juvenile Case Manager
ASSETS									
Cash and Cash Equivalents	\$ 4,432	\$ 12,929	\$ 792	\$ 338		\$ 9,494	\$ 9,899	\$ 230	\$ 13
Investments	85,487	223,672	6,411	28,899		204,116	383,632	67,639	-
Receivables (net of allowances for uncollectibles):									
Accounts	-	-	-	-	-	-	2,684	-	-
Taxes	173,409	-	-	-	4,722	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-	-
Total Assets	\$ 263,328	\$ 236,601	\$ 7,203	\$ 29,237	\$ 30,339	\$ 213,610	\$ 396,215	\$ 67,869	\$ 13
LIABILITIES AND FUND BALANCE									
<i>Liabilities:</i>									
Accounts Payable	\$ -	\$ 5,093	\$ -	\$ -	\$ 3,135	10,069	11,310	\$ 2,586	\$ -
Accrued Expenditures	-	1,699	-	1,530	-	-	19,203	-	-
Due to Others	-	31,598	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	9,430	-	-
Total Liabilities	-	38,390	-	1,530	3,135	10,069	39,943	2,586	-
<i>Fund Balance:</i>									
Nonspendable	-	-	-	-	4,722	-	-	-	-
Prepays	-	-	-	-	-	-	-	-	-
Restricted									
Promoting Tourism & Economic Development	263,328	198,211	-	-	-	-	-	-	-
Public Safety	-	-	-	27,707	22,482	203,541	-	65,283	13
Public Service	-	-	-	-	-	-	-	-	-
Committed	-	-	7,203	-	-	-	356,272	-	-
Total Fund Balance	263,328	198,211	7,203	27,707	27,204	203,541	356,272	65,283	13
TOTAL LIABILITIES AND FUND BALANCE	\$ 263,328	\$ 236,601	\$ 7,203	\$ 29,237	\$ 30,339	\$ 213,610	\$ 396,215	\$ 67,869	\$ 13

CITY OF SEGUIN, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
SEPTEMBER 30, 2020

	Convention & Visitors Bureau Fund		CVB Building Fund		Sebastopol House		Police Department Donations		PEG Capital Fees		Library Development Fund		Seguin Events Complex		Seguin Arts Commission		Totals		
ASSETS																			
Cash and Cash Equivalents	\$	7,230	\$	892	\$	2,864	\$	4,943		\$	7,675	\$	151	\$	14,119	\$	3,102	\$	86,379
Investments		502,046		34,104		33,349		40,177			69,691		82,744		106,251		11,790		1,898,349
Receivables (net of allowances for uncollectibles):																			
Accounts		-		-		-		-							3,170				5,854
Taxes		-		-		-		-		11,016					-				184,425
Prepaid Items		-		-		-		-		-					-				4,722
Total Assets		\$ 509,276		\$ 34,996		\$ 36,213		\$ 45,120		\$ 88,382		\$ 82,895		\$ 123,540		\$ 14,892		\$ 2,179,729	
LIABILITIES AND FUND BALANCE																			
<i>Liabilities:</i>																			
Accounts Payable	\$	8,374	\$	-	\$	3,284	\$	1,421		\$	3,427	\$	-	\$	9,915	\$	218	\$	58,832
Accrued Expenditures		5,410		-		1,203		-						2,392					31,437
Due to Others		-		-		-		-						-					31,598
Unearned Revenue		-		-		1,542		14,540						22,612					48,124
Total Liabilities		13,784		-		6,029		15,961		3,427		-		34,919		218		169,991	
<i>Fund Balance:</i>																			
Nonspendable		-		-		-		-											
Prepaids		-		-		-		-											4,722
Restricted																			
Promoting Tourism & Economic Development		495,492		34,996		30,184		-											1,022,211
Public Safety		-		-		-		29,159											348,185
Public Service		-		-		-		-		84,955		82,895		88,621		14,674			271,145
Committed		-		-		-		-											363,475
Total Fund Balance		495,492		34,996		30,184		29,159		84,955		82,895		88,621		14,674		2,009,738	
TOTAL LIABILITIES AND FUND BALANCE		\$ 509,276		\$ 34,996		\$ 36,213		\$ 45,120		\$ 88,382		\$ 82,895		\$ 123,540		\$ 14,892		\$ 2,179,729	

CITY OF SEGUIN, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

REVENUES	Occupancy Tax Fund	Coliseum Fund	Aquatic Center Fund	Municipal Court Security Fund	Municipal Court Technology	Forfeiture & Seizure Fund	Golf Course Fund	DARE Program Fund	Juvenile Case Manager
Taxes	\$ -	\$ 198,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	22,106	-
Charges for Services	-	48,988	-	-	-	-	823,034	-	-
Fines and Forfeits	-	-	-	11,292	13,384	52,875	-	-	18,460
Interest	581	2,558	95	251	209	3,491	4,762	744	5
Miscellaneous	-	-	-	-	-	-	-	-	-
Total Revenues	581	249,558	95	11,543	13,593	56,366	827,796	22,850	18,465
EXPENDITURES									
Current:									
General Government	103,557	278,033	6,622	-	32,191	216,582	868,823	25,885	-
Economic Development	-	-	-	-	-	-	-	-	-
Nondepartmental	-	-	-	17,136	16,019	-	-	-	-
Total Expenditures	103,557	278,033	6,622	17,136	48,210	216,582	868,823	25,885	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(102,976)	(28,475)	(6,527)	(5,593)	(34,617)	(160,216)	(41,027)	(3,035)	18,465
OTHER FINANCING SOURCES (USES)									
Transfers In (Out)	(17,012)	-	-	-	-	-	21,343	(69,970)	(18,452)
Total Other Financing Sources (Uses)	(17,012)	-	-	-	-	-	21,343	(69,970)	(18,452)
Net Change in Fund Balances	(119,988)	(28,475)	(6,527)	(5,593)	(34,617)	(160,216)	(19,684)	(73,005)	13
FUND BALANCE, OCTOBER 1	383,316	226,686	13,730	33,300	61,821	363,757	375,956	138,288	-
FUND BALANCE, SEPTEMBER 30	\$ 263,328	\$ 198,211	\$ 7,203	\$ 27,707	\$ 27,204	\$ 203,541	\$ 356,272	\$ 65,283	\$ 13

CITY OF SEGUIN, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

REVENUES	Convention &	CVB Building	Sebastopol	Police	PEG	Library	Seguin	Seguin	Totals
	Visitors	Fund	House	Department		Development	Events	Arts	
	Bureau Fund			Donations	Capital	Fund	Complex	Commission	
		\$	\$	\$	Fees				\$
Taxes	334,313	-	63,432	-	45,009	-	61,465	-	702,231
Intergovernmental	-	-	1,520	-	-	-	-	-	23,626
Charges for Services	-	-	-	-	-	-	42,083	-	914,105
Fines and Forfeits	-	-	-	-	-	-	-	-	96,011
Interest	5,218	658	182	315	758	893	948	129	21,797
Miscellaneous	2,161	-	-	1,264	-	-	-	5,829	9,254
Total Revenues	341,692	658	65,134	1,579	45,767	893	104,496	5,958	1,767,024
EXPENDITURES									
Current:									
General Government	-	-	65,901	697	41,574	40,388	106,519	826	1,787,598
Economic Development	310,104	25,500	-	-	-	-	-	-	335,604
Nondepartmental	-	-	-	-	-	-	-	-	33,155
Total Expenditures	310,104	25,500	65,901	697	41,574	40,388	106,519	826	2,156,357
Excess (Deficiency) of Revenues Over (Under) Expenditures	31,588	(24,842)	(767)	882	4,193	(39,495)	(2,023)	5,132	(389,333)
OTHER FINANCING SOURCES (USES)									
Transfers In (Out)	13,914	-	-	-	-	-	-	-	(70,177)
Total Other Financing Sources (Uses)	13,914	-	-	-	-	-	-	-	(70,177)
Net Change in Fund Balances	45,502	(24,842)	(767)	882	4,193	(39,495)	(2,023)	5,132	(459,510)
FUND BALANCE, OCTOBER 1	449,990	59,838	30,951	28,277	80,762	122,390	90,644	9,542	2,469,248
FUND BALANCE, SEPTEMBER 30	\$ 495,492	\$ 34,996	\$ 30,184	\$ 29,159	\$ 84,955	\$ 82,895	\$ 88,621	\$ 14,674	\$ 2,009,738

CITY OF SEGUIN, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2020

ASSETS	General Fund		Golf Course		2010		2016		2018		2016-A		Miscellaneous		Total
	Capital Projects	Projects	Capital Projects	Projects	Certificates of Obligation	Obligation	Certificates of Obligation	Obligation	Certificates of Obligation	Obligation	Certificates of Obligation	Obligation	Projects Fund	Fund	
Cash and Cash Equivalents	\$ 9,153	\$ 68,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,880	\$ 263,266	
Investments	4,053,700	455,535	-	-	-	-	-	-	-	-	-	-	1,795,451	6,304,686	
Receivables, Net	37,746	-	-	-	-	-	-	-	-	-	-	-	221,946	259,692	
Restricted Cash and Equivalents	-	-	-	8,049	493	493	14,124	14,124	14,124	14,124	2,981	-	-	25,647	
Restricted Investments	-	-	-	165,912	801,340	801,340	3,225,481	3,225,481	3,225,481	3,225,481	785,487	-	-	4,978,220	
Total Assets	\$ 4,100,599	\$ 523,768	\$ 173,961	\$ 801,833	\$ 801,833	\$ 801,833	\$ 3,239,605	\$ 3,239,605	\$ 3,239,605	\$ 3,239,605	\$ 788,468	\$ 2,203,277	\$ 2,203,277	\$ 11,831,511	
LIABILITIES AND FUND BALANCE															
<i>Liabilities:</i>															
Accounts Payable	\$ 47,823	\$ 10,207	\$ 63,726	\$ 3,376	\$ 3,376	\$ 3,376	\$ 138,476	\$ 138,476	\$ 138,476	\$ 138,476	\$ 28,604	\$ -	\$ -	\$ 292,212	
Unearned Revenue	-	500	-	-	-	-	-	-	-	-	-	104,304	104,304	104,804	
Total Liabilities	47,823	10,707	63,726	3,376	3,376	3,376	138,476	138,476	138,476	138,476	28,604	104,304	104,304	397,016	
<i>Fund Balances:</i>															
Restricted for Capital Projects	-	-	110,235	798,457	798,457	798,457	3,101,129	3,101,129	3,101,129	3,101,129	759,864	1,838,559	260,414	6,608,244	
Assigned to Capital Projects	4,052,776	513,061	-	-	-	-	-	-	-	-	-	2,098,973	2,098,973	4,826,251	
Total Fund Balance	4,052,776	513,061	110,235	798,457	798,457	798,457	3,101,129	3,101,129	3,101,129	3,101,129	759,864	2,098,973	2,098,973	11,434,495	
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,100,599	\$ 523,768	\$ 173,961	\$ 801,833	\$ 801,833	\$ 801,833	\$ 3,239,605	\$ 3,239,605	\$ 3,239,605	\$ 3,239,605	\$ 788,468	\$ 2,203,277	\$ 2,203,277	\$ 11,831,511	

CITY OF SEGUIN, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund Projects	Golf Course Capital Projects	2010 Certificates of Obligation	2016 Certificates of Obligation	2016-A Certificates of Obligation	2018 Certificates of Obligation	Miscellaneous Projects Fund	Total
REVENUES								
Intergovernmental	\$ 215,665	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,665
Licenses and Permits	-	-	-	-	-	-	1,359,371	1,359,371
Charges for Services	-	214,914	-	-	-	-	-	214,914
Interest	63,340	3,513	9,821	10,964	13,127	51,445	14,592	166,802
Miscellaneous	224,381	30,292	-	-	-	-	100,000	354,673
Total Revenues	503,386	248,719	9,821	10,964	13,127	51,445	1,473,963	2,311,425
EXPENDITURES								
General Government	300,501	-	-	-	-	-	-	300,501
Public Service	-	-	-	-	-	-	25,187	25,187
Capital Outlay	2,362,365	117,030	1,029,627	191,675	664,425	1,690,725	228,988	6,284,835
Debt Service:								
Principal	741,791	66,955	-	-	-	-	-	808,746
Interest & Fiscal Charges	58,328	4,277	-	-	-	-	-	62,605
Bond Issue Costs	-	-	-	-	-	-	-	-
Total Expenditures	3,462,985	188,262	1,029,627	191,675	664,425	1,690,725	254,175	7,481,874
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,959,599)	60,457	(1,019,806)	(180,711)	(651,298)	(1,639,280)	1,219,788	(5,170,449)
OTHER FINANCING SOURCES (USES)								
Transfers In (Out)	1,404,512	(21,343)	-	-	-	-	-	1,383,169
Issuance of Bonds	-	-	-	-	-	-	-	-
Issuance of Lease Financing	447,490	-	-	-	-	-	-	447,490
Total Other Financing Sources (Uses)	1,852,002	(21,343)	-	-	-	-	-	1,830,659
Net Change in Fund Balance	(1,107,597)	39,114	(1,019,806)	(180,711)	(651,298)	(1,639,280)	1,219,788	(3,339,790)
FUND BALANCE, OCTOBER 1	5,160,373	473,947	1,130,041	979,168	1,411,162	4,740,409	879,185	14,774,285
FUND BALANCE, SEPTEMBER 30	\$ 4,052,776	\$ 513,061	\$ 110,235	\$ 798,457	\$ 759,864	\$ 3,101,129	\$ 2,098,973	\$ 11,434,495

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
OCCUPANCY TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Occupancy Tax	\$ 12,384	\$ -	\$ (12,384)	\$ 25,778
Interest	3,500	581	(2,919)	4,638
Total Revenues	<u>15,884</u>	<u>581</u>	<u>(15,303)</u>	<u>30,416</u>
EXPENDITURES				
Current:				
<i>General Government:</i>				
Contributions to Local Organizations	120,266	103,557	16,709	100,136
Total Expenditures	<u>120,266</u>	<u>103,557</u>	<u>16,709</u>	<u>100,136</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(104,382)</u>	<u>(102,976)</u>	<u>1,406</u>	<u>(69,720)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(3,098)	(17,012)	(13,914)	(7,479)
Total Other Financing Sources (Uses)	<u>(3,098)</u>	<u>(17,012)</u>	<u>(13,914)</u>	<u>(7,479)</u>
Net Change in Fund Balance	<u>(107,480)</u>	<u>(119,988)</u>	<u>(12,508)</u>	<u>(77,199)</u>
FUND BALANCE, OCTOBER 1	383,316	383,316	-	460,515
FUND BALANCE, SEPTEMBER 30	<u>\$ 275,836</u>	<u>\$ 263,328</u>	<u>\$ (12,508)</u>	<u>\$ 383,316</u>

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
COLISEUM FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Occupancy Tax	\$ 210,250	\$ 198,012	\$ (12,238)	224,750
Charges for Services	94,000	48,988	(45,012)	92,866
Interest	4,500	2,558	(1,942)	6,837
Miscellaneous	500	-	(500)	1,083
Total Revenues	<u>309,250</u>	<u>249,558</u>	<u>(59,692)</u>	<u>325,536</u>
EXPENDITURES				
<i>General Government/Facilities & Grounds:</i>				
Personnel Services	61,568	60,258	1,310	53,480
Contracted Services	210,465	182,200	28,265	196,134
Supplies	20,400	18,215	2,185	15,325
Other Services and Charges	110,661	17,360	93,301	12,048
Total Expenditures	<u>403,094</u>	<u>278,033</u>	<u>125,061</u>	<u>276,987</u>
Net Change in Fund Balance	<u>(93,844)</u>	<u>(28,475)</u>	<u>65,369</u>	<u>48,549</u>
FUND BALANCE, OCTOBER 1	226,686	226,686	-	178,137
FUND BALANCE, SEPTEMBER 30	<u>\$ 132,842</u>	<u>\$ 198,211</u>	<u>\$ 65,369</u>	<u>\$ 226,686</u>

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 AQUATIC CENTER FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Charges for Services	\$ 84,300	\$ -	\$ (84,300)	81,362
Interest	300	95	(205)	423
Total Revenues	<u>84,600</u>	<u>95</u>	<u>(84,505)</u>	<u>81,785</u>
EXPENDITURES				
Current:				
<i>General Government/ Parks & Recreation</i>				
Personnel Services	48,277	-	48,277	47,087
Contracted Services	22,485	6,325	16,110	23,186
Supplies	15,400	297	15,103	16,249
Total Expenditures	<u>86,112</u>	<u>6,622</u>	<u>79,490</u>	<u>86,522</u>
Net Change in Fund Balance	(1,512)	(6,527)	(5,015)	(4,737)
FUND BALANCE, OCTOBER 1	13,730	13,730	-	18,467
FUND BALANCE, SEPTEMBER 30	<u>\$ 12,218</u>	<u>\$ 7,203</u>	<u>\$ (5,015)</u>	<u>\$ 13,730</u>

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 MUNICIPAL COURT SECURITY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Interest	\$ 22,000	\$ 11,292	\$ (10,708)	\$ 19,009
Miscellaneous	700	251	(449)	948
Total Revenues	<u>22,700</u>	<u>11,543</u>	<u>(11,157)</u>	<u>19,957</u>
EXPENDITURES				
Current:				
<i>Non-Departmental</i>				
Personnel Services	39,764	17,136	22,628	41,676
Total Expenditures	<u>39,764</u>	<u>17,136</u>	<u>22,628</u>	<u>41,676</u>
Net Change in Fund Balance	(17,064)	(5,593)	11,471	(21,719)
FUND BALANCE, OCTOBER 1	33,300	33,300	-	55,019
FUND BALANCE, SEPTEMBER 30	<u>\$ 16,236</u>	<u>\$ 27,707</u>	<u>\$ 11,471</u>	<u>\$ 33,300</u>

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 FORFEITURE AND SEIZURE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Fines and Forfeitures	\$ -	\$ 52,875	\$ 52,875	\$ 86,888
Interest	4,000	3,491	(509)	9,304
Miscellaneous	-	-	-	3,354
Total Revenues	4,000	56,366	52,366	99,546
EXPENDITURES				
Current:				
<i>General Government</i>				
Supplies	15,000	11,632	3,368	7,222
Miscellaneous	20,000	5,000	15,000	4,970
Capital Outlay	214,800	199,950	14,850	123,642
Total Expenditures	249,800	216,582	33,218	135,834
Net Change in Fund Balance	(245,800)	(160,216)	85,584	(36,288)
FUND BALANCE, OCTOBER 1	363,757	363,757	-	400,045
FUND BALANCE, SEPTEMBER 30	\$ 117,957	\$ 203,541	\$ 85,584	\$ 363,757

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 MUNICIPAL COURT TECHNOLOGY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Interest	\$ 25,000	\$ 13,384	\$ (11,616)	\$ 25,348
Miscellaneous	975	209	(766)	1,242
Total Revenues	25,975	13,593	(12,382)	26,590
EXPENDITURES				
Current:				
<i>General Government/Non-Departmental</i>				
Supplies	45,750	48,210	(2,460)	44,508
Total Expenditures	45,750	48,210	(2,460)	44,508
Net Change in Fund Balance	(19,775)	(34,617)	(14,842)	(17,918)
FUND BALANCE, OCTOBER 1	61,821	61,821	-	79,739
FUND BALANCE, SEPTEMBER 30	\$ 42,046	\$ 27,204	\$ (14,842)	\$ 61,821

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GOLF COURSE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Charges for Services	\$ 838,000	\$ 823,034	\$ (14,966)	876,122
Interest	6,400	4,762	(1,638)	9,222
Total Revenues	844,400	827,796	(16,604)	885,344
EXPENDITURES				
Current:				
General Government	961,669	868,823	92,846	865,334
Total Expenditures	961,669	868,823	92,846	865,334
Excess (Deficiency) of Revenues Over (Under) Expenditures	(117,269)	(41,027)	76,242	20,010
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	21,343	21,343	-	75,000
Total Other Financing Sources (Uses)	21,343	21,343	-	75,000
Net Change in Fund Balances	(95,926)	(19,684)	76,242	95,010
FUND BALANCE, OCTOBER 1	375,956	375,956	-	280,946
FUND BALANCE, SEPTEMBER 30	\$ 280,030	\$ 356,272	\$ 76,242	\$ 375,956

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
DARE PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Intergovernmental	\$ 25,000	\$ 22,106	\$ (2,894)	\$ 51,569
Interest	1,500	744	(756)	3,237
Total Revenues	26,500	22,850	(3,650)	54,806
EXPENDITURES				
Current:				
General Government	32,500	23,385	9,115	35,131
Supplies	2,500	2,500	-	-
Transfer to Scholarship Fund	-	-	-	-
Total Expenditures	35,000	25,885	9,115	35,131
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,500)	(3,035)	5,465	19,675
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(69,970)	(69,970)	-	-
Total Other Financing Sources (Uses)	(69,970)	(69,970)	-	-
Net Change in Fund Balance	(78,470)	(73,005)	5,465	19,675
FUND BALANCE, OCTOBER 1	138,288	138,288	-	118,613
FUND BALANCE, SEPTEMBER 30	\$ 59,818	\$ 65,283	\$ 5,465	\$ 138,288

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 JUVENILE CASE MANAGER FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Fines and Forfeitures	\$ 45,000	\$ 18,460	\$ (26,540)	\$ 37,652
Interest	50	5	(45)	161
Total Revenues	<u>45,050</u>	<u>18,465</u>	<u>(26,585)</u>	<u>37,813</u>
EXPENDITURES				
Current:				
<i>Non-Departmental</i>				
Personnel Services	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>45,050</u>	<u>18,465</u>	<u>(26,585)</u>	<u>37,813</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(45,000)	(18,452)	26,548	(58,952)
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(18,452)</u>	<u>26,548</u>	<u>(58,952)</u>
Net Change in Fund Balance	50	13	(37)	(21,139)
FUND BALANCE, OCTOBER 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,139</u>
FUND BALANCE, SEPTEMBER 30	<u>\$ 50</u>	<u>\$ 13</u>	<u>\$ (37)</u>	<u>\$ -</u>

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 CONVENTION & VISITORS BUREAU FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Occupancy Tax	\$ 369,750	\$ 334,313	\$ (35,437)	\$ 395,250
Interest	6,985	5,218	(1,767)	9,614
Miscellaneous	2,000	2,161	161	2,456
Total Revenues	<u>378,735</u>	<u>341,692</u>	<u>(37,043)</u>	<u>407,320</u>
EXPENDITURES				
Current:				
Economic Development	367,436	310,104	57,332	315,949
Total Expenditures	<u>367,436</u>	<u>310,104</u>	<u>57,332</u>	<u>315,949</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,299</u>	<u>31,588</u>	<u>20,289</u>	<u>91,371</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	13,914	13,914	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>13,914</u>	<u>13,914</u>	<u>-</u>
Net Change in Fund Balances	11,299	45,502	34,203	91,371
FUND BALANCE, OCTOBER 1	<u>449,990</u>	<u>449,990</u>	<u>-</u>	<u>358,619</u>
FUND BALANCE, SEPTEMBER 30	<u>\$ 461,289</u>	<u>\$ 495,492</u>	<u>\$ 34,203</u>	<u>\$ 449,990</u>

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 CVS BUILDING FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Interest	\$ 400	\$ 658	\$ 258	\$ 995
Total Revenues	<u>400</u>	<u>658</u>	<u>258</u>	<u>995</u>
EXPENDITURES				
Current:				
<i>Economic Development</i>				
Miscellaneous - Hot Rebates	40,000	25,500	14,500	-
Total Expenditures	<u>40,000</u>	<u>25,500</u>	<u>14,500</u>	<u>-</u>
Net Change in Fund Balance	(39,600)	(24,842)	14,758	995
FUND BALANCE, OCTOBER 1	59,838	59,838	-	58,843
FUND BALANCE, SEPTEMBER 30	\$ 20,238	\$ 34,996	\$ 14,758	\$ 59,838

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 SEBASTOPOL HOUSE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Occupancy Tax	\$ 67,352	\$ 63,432	\$ (3,920)	\$ 84,276
Intergovernmental	2,500	1,520	(980)	2,450
Interest	150	182	32	485
Miscellaneous	-	-	-	-
Total Revenues	<u>70,002</u>	<u>65,134</u>	<u>(4,868)</u>	<u>87,211</u>
EXPENDITURES				
Current:				
General Government	69,817	65,901	3,916	74,153
Total Expenditures	<u>69,817</u>	<u>65,901</u>	<u>3,916</u>	<u>74,153</u>
Net Change in Fund Balance	185	(767)	(952)	13,058
FUND BALANCE, OCTOBER 1	30,951	30,951	-	17,893
FUND BALANCE, SEPTEMBER 30	\$ 31,136	\$ 30,184	\$ (952)	\$ 30,951

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 POLICE DEPARTMENT DONATIONS FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Interest	\$ 500	\$ 315	\$ (185)	\$ 940
Miscellaneous	-	1,264	1,264	95
Total Revenues	<u>500</u>	<u>1,579</u>	<u>1,079</u>	<u>1,035</u>
EXPENDITURES				
Current:				
<i>General Government:</i>				
Capital Outlay	10,000	697	9,303	2,502
Total Expenditures	<u>10,000</u>	<u>697</u>	<u>9,303</u>	<u>2,502</u>
Net Change in Fund Balance	(9,500)	882	10,382	(1,467)
FUND BALANCE, OCTOBER 1	28,277	28,277	-	29,744
FUND BALANCE, SEPTEMBER 30	<u>\$ 18,777</u>	<u>\$ 29,159</u>	<u>\$ 10,382</u>	<u>\$ 28,277</u>

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 PEG CAPITAL FEES FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Franchise Tax	\$ 41,000	\$ 45,009	\$ 4,009	\$ 45,552
Interest	950	758	(192)	1,459
Total Revenues	<u>41,950</u>	<u>45,767</u>	<u>3,817</u>	<u>47,011</u>
EXPENDITURES				
Current:				
<i>General Government:</i>				
Contracted Services	41,000	41,574	(574)	39,162
Total Expenditures	<u>41,000</u>	<u>41,574</u>	<u>(574)</u>	<u>39,162</u>
Net Change in Fund Balance	950	4,193	3,243	7,849
FUND BALANCE, OCTOBER 1	80,762	80,762	-	72,913
FUND BALANCE, SEPTEMBER 30	<u>\$ 81,712</u>	<u>\$ 84,955</u>	<u>\$ 3,243</u>	<u>\$ 80,762</u>

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 LIBRARY DEVELOPMENT FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Interest	\$ 1,490	\$ 893	\$ (597)	\$ 2,681
Total Revenues	<u>1,490</u>	<u>893</u>	<u>(597)</u>	<u>2,681</u>
EXPENDITURES				
Current:				
<i>General Government:</i>				
Contracted Services	43,000	40,388	2,612	11,050
Total Expenditures	<u>43,000</u>	<u>40,388</u>	<u>2,612</u>	<u>11,050</u>
Net Change in Fund Balance	(41,510)	(39,495)	2,015	(8,369)
FUND BALANCE, OCTOBER 1	122,390	122,390	-	130,759
FUND BALANCE, SEPTEMBER 30	<u>\$ 80,880</u>	<u>\$ 82,895</u>	<u>\$ 2,015</u>	<u>\$ 122,390</u>

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 SEGUIN EVENTS COMPLEX FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Taxes	\$ 65,264	\$ 61,465	\$ (3,799)	\$ 66,932
Charges for Services	58,000	42,083	(15,917)	47,786
Interest	900	948	48	1,888
Miscellaneous	-	-	-	33
Total Revenues	<u>124,164</u>	<u>104,496</u>	<u>(19,668)</u>	<u>116,639</u>
EXPENDITURES				
Current:				
<i>General Government:</i>				
Personal Services	84,437	75,398	9,039	78,821
Contracted Services	30,601	23,136	7,465	24,057
Supplies	10,100	7,985	2,115	8,115
Total Expenditures	<u>125,138</u>	<u>106,519</u>	<u>18,619</u>	<u>110,993</u>
Net Change in Fund Balance	(974)	(2,023)	(1,050)	5,646
FUND BALANCE, OCTOBER 1	90,644	90,644	-	84,998
FUND BALANCE, SEPTEMBER 30	<u>\$ 89,670</u>	<u>\$ 88,621</u>	<u>\$ (1,049)</u>	<u>\$ 90,644</u>

CITY OF SEGUIN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 SEGUIN ARTS COMMISSION FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Actual Amounts for 2019)

	Final Budgeted Amounts	2020	Variance Favorable (Unfavorable)	2019
REVENUES				
Interest	\$ 100	\$ 129	\$ 29	\$ 91
Miscellaneous	6,960	5,829	(1,131)	6,626
Total Revenues	<u>7,060</u>	<u>5,958</u>	<u>(1,102)</u>	<u>6,717</u>
EXPENDITURES				
Current:				
<i>Economic Development</i>				
Personnel Services	11,000	826	10,174	14,093
Total Expenditures	<u>11,000</u>	<u>826</u>	<u>10,174</u>	<u>14,093</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,000)</u>	<u>(826)</u>	<u>10,174</u>	<u>(14,093)</u>
Net Change in Fund Balance	(3,940)	5,132	9,072	(7,376)
FUND BALANCE, OCTOBER 1	9,542	9,542	-	16,918
FUND BALANCE, SEPTEMBER 30	<u>\$ 5,602</u>	<u>\$ 14,674</u>	<u>\$ 9,072</u>	<u>\$ 9,542</u>



It's real.

CITY OF SEGUIN, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
UTILITY FUND
SEPTEMBER 30, 2020 AND 2019

CITY OF SEGUIN, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)
UTILITY FUND
SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 40,219	14,066
Restricted Cash	3,494,310	1,504,051
Unrestricted Cash		
Investments		
Restricted Investments	15,991,812	13,070,327
Unrestricted Investments	30,074,658	31,675,880
Accounts Receivable (Net)	6,572,967	6,615,902
Miscellaneous Receivables	651,037	848,378
Due from Component Unit	23,838	22,452
Current Portion of Note Receivable	250,000	250,000
Inventories	2,124,524	2,052,290
Prepaid Items	110,772	77,324
Total Current Assets	59,334,137	56,130,670
Net Present Value of Lease Financing	325,666	374,510
Note Receivable (Net of Current)	1,411,614	1,661,614
Capital Assets	180,698,871	171,463,210
Accumulated Depreciation	(77,847,404)	(72,262,057)
Total Assets	163,922,884	157,367,947
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension/ OPEB Related Outflows	2,434,064	2,130,537
Deferred Charge on Refundings	175,888	206,472
Total Deferred Outflows of Resources	\$ 2,609,952	\$ 2,337,009

	2020	2019
LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 3,264,942	\$ 3,831,954
Accrued Expenses	1,292,010	798,983
Unearned Revenue	626,778	260,314
Customer Deposits	704,941	593,985
<i>Payable from Restricted Assets:</i>		
Accrued Interest Payable	319,299	301,833
Revenue Bonds Due Within One Year	2,405,000	2,033,084
Total Current Liabilities	8,612,970	7,820,153
Compensated Absences	241,085	207,006
Net Other Post Employment Benefit Obligation	591,725	543,622
Net Pension Liability	7,775,707	9,451,335
Revenue Bonds Payable (Net of Current Maturities)	56,811,823	55,479,143
Total Noncurrent Liabilities	65,420,340	65,681,106
Total Liabilities	74,033,310	73,501,259
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension/ OPEB Related Inflows	1,982,290	6,458
Total Deferred Inflows of Resources	1,982,290	6,458
NET POSITION		
Net Investment in Capital Assets	53,230,216	50,781,752
Restricted for:		
Debt Service	459,458	531,597
Impact Fees	4,915,273	2,816,023
Unrestricted	31,912,289	32,067,867
Total Net Position	\$ 90,517,236	\$ 86,197,239

Continued

CITY OF SEGUIN, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
UTILITY FUND
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Charges for Services:		
Electric	\$ 29,433,757	\$ 30,515,235
Water	14,426,424	13,044,152
Sewer	10,294,281	8,433,374
Miscellaneous Revenues	1,496,246	1,467,050
Total Operating Revenues	55,650,708	53,459,812
OPERATING EXPENSES		
Administration	1,952,051	2,374,934
Engineering	586,489	-
Operation and Maintenance:		
Electric Distribution	22,173,891	20,917,643
Utility Services	1,349,526	1,375,623
Water Production	6,855,075	6,545,119
Water/Sewer Maintenance	6,258,966	5,619,237
Sewer Plant	1,715,717	1,705,233
Economic Development	417,872	308,174
Facilities Maintenance	933,870	807,433
Information Technology	667,065	583,507
City Attorney	153,500	119,960
Nondepartmental	1,500,470	5,316,851
Indirect Cost Allocation	5,256,011	4,968,672
Total Operating Expenses	49,820,503	50,642,387
Operating Income (Loss)	5,830,205	2,817,425
NONOPERATING REVENUES (EXPENSES)		
Interest Income	529,711	1,202,045
Gain (Loss) on Sale of Assets	1,577	9,432
Interest and Fiscal Charges	(1,879,029)	(1,818,986)
Bond Issue Costs	(110,977)	(137,585)
Total Nonoperating Revenues (Expenses)	(1,458,718)	(745,094)
Net Income (Loss) before Contributions and Transfers	4,371,487	2,072,331
Capital Contributions	-	69,004
Transfers In (Out)	(51,490)	(168,091)
	(51,490)	(99,087)
Change in Net Position	4,319,997	1,973,244
Net Position at Beginning of Year	86,197,239	84,223,995
Net Position at End of Year	\$ 90,517,236	\$ 86,197,239

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CITY OF SEGUIN, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
UTILITY FUND
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 56,367,015	\$ 54,166,068
Cash Paid for Employee Wages and Benefits	(8,856,290)	(7,839,231)
Cash Paid to Suppliers for Goods and Services	(30,223,663)	(31,319,776)
Cash Paid General Fund for Indirect Costs	(5,256,011)	(4,968,672)
Net Cash Provided (Used) by Operating Activities	12,031,051	10,038,389
Cash Flows From Noncapital Financing Activities:		
Transfers From (To) Other Funds	(51,490)	(168,091)
Net Cash Provided (Used) by Noncapital Financing Activities	(51,490)	(168,091)
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Capital Assets	(9,235,661)	(12,299,010)
Proceeds from Revenue and Refunding Bonds	3,550,000	6,200,000
Premiums Received on Bonds	462,440	1,208,874
Payments to Refunding Agent	-	(7,357,649)
Principal Payments on Long-Term Bonds	(2,033,084)	(2,003,248)
Interest and Fiscal Charges Paid	(2,105,736)	(2,002,601)
Bond Issue Costs	(110,977)	(137,585)
Proceeds from Sale of Capital Assets	1,577	9,432
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,471,441)	(16,381,787)
Cash Flows From Investing Activities:		
Sale (Purchase) of Investment Securities	(1,320,263)	7,904,305
Investment Interest Received	529,711	1,202,045
Lease Financing - Principal Payments Received	48,844	45,351
Payments Received on Long-term Loan to CU	250,000	(1,911,614)
Net Cash Provided (Used) by Investing Activities	(491,708)	7,240,087
Net Increase (Decrease) in Cash and Cash Equivalents	2,016,412	728,598
Cash and Equivalents at Beginning of Year:		
Cash and Cash Equivalents	1,504,051	731,075
Restricted Cash and Cash Equivalents	14,066	58,444
	1,518,117	789,519
Cash and Equivalents at End of Year:		
Cash and Cash Equivalents	3,494,310	1,504,051
Restricted Cash and Cash Equivalents	40,219	14,066
\$ 3,534,529	\$ 1,518,117	

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CITY OF SEGUIN, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
UTILITY FUND
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

CITY OF SEGUIN, TEXAS
COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
UTILITY FUND
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 5,830,205	\$ 2,817,425
Adjustments to reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	5,585,347	5,182,472
(Increase) Decrease in Operating Assets:		
Accounts Receivable	238,890	647,477
Inventory/Prepaid Items	(105,682)	(287,917)
Deferred Pension Related Outflows	(303,527)	(1,164,046)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(567,015)	848,787
Accrued Expenses	527,106	395,157
Unearned Revenue	366,464	91,091
Customer Deposits	110,956	(32,311)
Net Other Postemployment Benefit Obligation	48,103	(5,868)
Net Pension Liability	(1,675,628)	2,094,171
Deferred Pension/OPEB Related Inflows	1,975,832	(548,049)
Net Cash Provided (Used) by Operating Activities	\$ 12,031,051	\$ 10,038,389
Transactions Not Affecting Cash and Cash Equivalents:		
Capital and Related Financing Activities:		
Developer Contributions - Capital Assets	\$ -	\$ 69,004

	2020	2019
<i>Administration:</i>		
Personnel Services	\$ 1,727,245	\$ 2,120,071
Contracted Services	112,122	139,144
Supplies and Materials	83,369	75,294
Other Charges	23,765	34,033
Depreciation	5,550	6,392
<i>Total Administration</i>	<i>1,952,051</i>	<i>2,374,934</i>
<i>Engineering</i>		
Personnel Services	562,890	-
Contracted Services	16,266	-
Supplies and Materials	7,333	-
<i>Total Electric Production and Distribution</i>	<i>586,489</i>	<i>-</i>
<i>Electric Production and Distribution:</i>		
Personnel Services	1,492,569	1,264,089
Contracted Services	1,948,865	1,780,267
Supplies and Materials	17,775,760	16,915,273
Other Charges	52,281	74,910
Depreciation	904,416	883,104
<i>Total Electric Production and Distribution</i>	<i>22,173,891</i>	<i>20,917,643</i>
<i>Utility Services</i>		
Personnel Services	1,195,917	1,200,652
Contracted Services	103,629	132,321
Supplies and Materials	27,085	32,495
Other Charges	22,895	10,155
<i>Total Utility Services</i>	<i>1,349,526</i>	<i>1,375,623</i>
<i>Water Production:</i>		
Personnel Services	815,370	827,604
Contracted Services	4,713,013	4,479,756
Supplies and Materials	124,605	106,379
Other Charges	3,257	8,014
Depreciation	1,198,830	1,123,366
<i>Total Water Production</i>	<i>6,855,075</i>	<i>6,545,119</i>
<i>Water/Sewer Maintenance:</i>		
Personnel Services	1,305,796	1,159,651
Contracted Services	1,831,770	1,723,556
Supplies and Materials	92,016	92,030
Other Charges	552,859	444,489
Depreciation	2,476,525	2,199,512
<i>Total Water/Sewer Maintenance</i>	<i>\$ 6,258,966</i>	<i>\$ 5,619,238</i>

CITY OF SEGUIN, TEXAS
 COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT (CONTINUED)
 UTILITY FUND
 YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
<i>Sewer Plant:</i>		
Personnel Services	\$ 667,407	\$ 648,771
Contracted Services	706,232	698,578
Supplies and Materials	78,293	93,752
Other Charges	3,428	3,184
Depreciation	260,357	260,948
<i>Total Sewer Plant</i>	<u>1,715,717</u>	<u>1,705,233</u>
<i>Economic Development:</i>		
Personnel Services	373,419	262,595
Contracted Services	32,769	23,063
Supplies and Materials	1,910	1,995
Other Charges	9,774	20,522
<i>Total Economic Development</i>	<u>417,872</u>	<u>308,175</u>
<i>Facilities Maintenance:</i>		
Personnel Services	797,723	668,903
Contracted Services	87,101	96,496
Supplies and Materials	36,880	35,352
Other Charges	235	314
Depreciation	11,931	6,367
<i>Total Facilities Maintenance</i>	<u>933,870</u>	<u>807,432</u>
<i>Information Technology:</i>		
Personnel Services	376,765	353,305
Contracted Services	282,004	220,131
Supplies and Materials	1,848	1,954
Other Charges	6,448	8,118
<i>Total Information Technology</i>	<u>667,065</u>	<u>583,508</u>
<i>City Attorney:</i>		
Personnel Services	113,075	104,955
Contracted Services	39,320	12,097
Supplies and Materials	73	41
Other Charges	1,032	2,866
<i>Total City Attorney</i>	<u>153,500</u>	<u>119,959</u>
<i>Nondepartmental:</i>		
Contracted Services	252,561	4,301,185
Supplies and Materials	(57,546)	47,110
Other Charges	571,717	265,773
Depreciation	727,738	702,782
<i>Total Nondepartmental</i>	<u>1,500,470</u>	<u>5,316,850</u>
Indirect Cost Allocation	5,256,011	4,968,672
Total Operating Expenses	<u>\$ 49,820,503</u>	<u>\$ 50,642,386</u>

CITY OF SEGUIN, TEXAS
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2020
 (With Comparative Amounts for 2019)

	Internal Insurance Fund	Retirees Insurance Fund	Workers Compensation Fund	Totals	
				2020	2019
ASSETS					
Cash and Cash Equivalents	\$ 267,438	\$ 32,742	\$ 15,096	\$ 315,276	\$ 302,157
Investments	280,752	677,698	50,440	1,008,890	913,941
Miscellaneous Receivables	-	16,071	-	16,071	17,647
Total Assets	<u>548,190</u>	<u>726,511</u>	<u>65,536</u>	<u>1,340,237</u>	<u>1,233,745</u>
LIABILITIES					
Accounts Payable	4,790	-	-	4,790	3,618
Total Liabilities	<u>4,790</u>	<u>-</u>	<u>-</u>	<u>4,790</u>	<u>3,618</u>
NET POSITION					
Unrestricted	543,400	726,511	65,536	1,335,447	1,230,127
Total Net Position	<u>\$ 543,400</u>	<u>\$ 726,511</u>	<u>\$ 65,536</u>	<u>\$1,335,447</u>	<u>\$ 1,230,127</u>

CITY OF SEGUIN, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 NET POSITION – INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Amounts for 2019)

	Internal Insurance Fund	Retirees Insurance Fund	Workers Compensation Fund	Totals
	2020	2020	2019	2019
OPERATING REVENUES				
Charges for Premiums	\$ 3,207,244	\$ 137,316	\$ 178,285	\$ 3,304,760
Miscellaneous Revenues	645	-	8,044	7,193
Total Operating Revenues	3,207,889	137,316	186,329	3,311,953
OPERATING EXPENSES				
Premiums	3,464,531	114,137	185,730	3,362,126
Administration	43,000	-	-	37,500
Total Operating Expenses	3,507,531	114,137	185,730	3,399,626
OPERATING INCOME (LOSS)	(299,642)	23,179	599	(87,673)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	1,797	7,385	(48)	24,606
Total Nonoperating Revenues (Expenses)	1,797	7,385	(48)	24,606
Net Income (Loss) Before Contributions and Transfers	(297,845)	30,564	551	(63,067)
Transfers In (Out)	372,050	-	-	91,532
Change in Net Position	74,205	30,564	551	28,465
Net Position At Beginning of Year	469,195	695,947	64,985	1,201,662
Net Position at End of Year	\$ 543,400	\$ 726,511	\$ 65,536	1,230,127

CITY OF SEGUIN, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (With Comparative Amounts for 2019)

	Internal Insurance Fund	Retirees Insurance Fund	Workers Compensation Fund	Totals
	2020	2020	2019	2019
Cash Flows From Operating Activities:				
Cash Received from Interfund Services	\$ 2,352,669	\$ 135,331	\$ 178,285	\$ 2,531,804
Cash Paid from Users	858,781	-	-	769,961
Cash Paid for Employee Benefits	(3,506,359)	(114,137)	(177,886)	(3,397,989)
Net Cash Provided (Used) by Operating Activities	(294,909)	21,194	599	(96,224)
Cash Flows From Noncapital Financing Activities:				
Operating Transfers from/to Other Funds	372,050	-	-	91,532
Net Cash Provided (Used) by Noncapital Financing Activities	372,050	-	-	91,532
Cash Flows From Investing Activities:				
Sale/(Purchase) of Investments	(53,750)	(41,370)	171	(118,138)
Investment Interest Received	1,797	7,385	(48)	24,606
Net Cash Provided (Used) by Investing Activities	(51,953)	(33,985)	123	(93,532)
Net Increase (Decrease) in Cash and Cash Equivalents	25,188	(12,791)	722	(98,224)
Cash and Equivalents at Beg of Year	242,250	45,533	14,374	400,381
Cash and Equivalents at End of Year	\$ 267,438	\$ 32,742	\$ 15,096	\$ 302,157
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (299,642)	\$ 23,179	\$ 599	\$ (87,673)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
(Increase) Decrease in Miscellaneous Receivables	3,561	(1,985)	-	(4,083)
Increase (Decrease) in Accounts Payable	1,172	-	-	(4,468)
Net Cash Provided (Used) by Operating Activities	\$ (294,909)	\$ 21,194	\$ 599	\$ (96,224)

CITY OF SEGUIN, TEXAS
 COMBINING STATEMENT OF NET POSITION
 FIDUCIARY (PRIVATE PURPOSE TRUST) FUNDS
 SEPTEMBER 30, 2020

CITY OF SEGUIN, TEXAS
 COMBINING STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY (PRIVATE PURPOSE TRUST) FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Riverside Cemetery Fund	Industrial Development Fund	DARE Scholarship Fund	Total Private Purpose Trusts
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 5,124	\$ 61	\$ 5,185
Investments	10,425	260,231	1,404	272,060
Inventory	-	359,431	-	359,431
Total Assets	10,425	624,786	1,465	636,676
LIABILITIES				
Due to Others	-	-	-	-
Total Liabilities	-	-	-	-
Net Position Held in Trust	\$ 10,425	\$ 624,786	\$ 1,465	\$ 636,676

	Riverside Cemetery Fund	Industrial Development Fund	DARE Scholarship Fund	Total Private Purpose Trusts
ADDITIONS				
Interest	\$ 93	\$ 3,026	\$ 53	\$ 3,172
Scholarships	-	-	2,500	2,500
Total Additions	93	3,026	2,553	5,672
DEDUCTIONS				
Distribution to Participants	-	125	3,575	3,700
Total Deductions	-	125	3,575	3,700
Change in Net Position	93	2,901	(1,022)	1,972
Net Position, Beginning of Year	10,332	621,885	2,487	634,704
Net Position, End of Year	\$ 10,425	\$ 624,786	\$ 1,465	\$ 636,676

CITY OF SEGUIN, TEXAS
STATISTICAL SECTION
SEPTEMBER 30, 2020

This part of the City of Seguin's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Seguin's overall financial health.

Financial Trends

Net Position by Component
Changes in Net Position
Fund Balances, Governmental Funds
Changes in Fund Balances, Governmental Funds

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

Tax Revenues by Source, Governmental Funds
Assessed Value and Actual Value of Property
Direct and Overlapping Property Tax Rates
Principal Property Taxpayers
Property Tax Levies and Collections

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales tax.

Debt Capacity

Ratios of Outstanding Debt by Type
Ratios of General Bonded Debt Outstanding
Direct and Overlapping Governmental Activities Debt
Legal Debt Margin
Pledged Revenue Coverage

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

Demographic and Economic Statistics
Principal Employers

These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

Operating Indicators by Function
Capital Asset Statistics by Function
Full-time Equivalent City Government Employees by Function

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.



It's real.

CITY OF SEGUIN, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

TABLE 1

	Fiscal Year				
	2011	2012	2013	2014*	2014^
Governmental Activities:					
Net Investment in Capital Assets	\$ 22,058,500	\$ 21,979,540	\$ 21,518,984	\$ 21,780,455	\$ 21,780,455
Restricted	2,399,602	2,793,614	3,323,527	3,352,071	3,352,071
Unrestricted	13,476,007	24,998,610	26,172,941	24,028,627	24,028,627
Total Governmental Activities					
Net Position	\$ 37,934,109	\$ 49,771,764	\$ 51,015,452	\$ 49,161,153	\$ 49,161,153
Business-Type Activities:					
Net Investment in Capital Assets	\$ 26,908,429	\$ 27,668,999	\$ 29,869,105	\$ 36,385,747	\$ 36,385,747
Restricted	2,916,398	3,239,558	3,594,942	3,558,479	3,558,479
Unrestricted	29,660,618	30,740,418	30,205,790	32,360,850	32,360,850
Total Business-Type Activities					
Net Position	\$ 59,485,445	\$ 61,648,975	\$ 63,669,837	\$ 72,305,076	\$ 72,305,076
Primary Government:					
Net Investment in Capital Assets	\$ 48,966,929	\$ 49,648,539	\$ 51,388,089	\$ 58,166,202	\$ 58,166,202
Restricted	5,316,000	6,033,172	6,918,469	6,910,550	6,910,550
Unrestricted	43,136,625	55,739,028	56,378,731	56,389,477	56,389,477
Total Primary Government					
Net Position	\$ 97,419,554	\$ 111,420,739	\$ 114,685,289	\$ 121,466,229	\$ 121,466,229

* Change in Accounting Principle pursuant to GASB 68 applied prospectively effective October 1, 2014.

^ Change in Accounting Principle pursuant to GASB 75 applied prospectively effective October 1, 2018.

Comparative information has not been restated.

	Fiscal Year				
	2015	2016	2017	2018^	2019
	\$ 25,657,965	\$ 28,065,213	\$ 30,491,009	\$ 28,797,978	\$ 30,433,349
	3,306,292	2,912,376	2,806,714	3,098,632	3,325,349
	2,882,554	(1,309,424)	(3,141,355)	(367,714)	(2,656,756)
	\$ 31,846,811	\$ 29,668,165	\$ 30,156,368	\$ 31,528,896	\$ 31,101,942
	\$ 39,946,492	\$ 44,783,121	\$ 49,099,409	\$ 50,116,822	\$ 50,781,852
	3,651,700	2,713,233	2,975,869	3,053,820	3,347,620
	22,809,054	24,439,018	26,265,507	31,053,353	32,067,867
	\$ 66,407,246	\$ 71,935,372	\$ 78,340,785	\$ 84,223,995	\$ 86,197,339
	\$ 65,604,457	\$ 72,848,334	\$ 79,590,418	\$ 78,914,800	\$ 81,215,101
	6,937,992	5,625,609	5,782,583	6,132,452	6,672,969
	25,691,608	23,129,594	23,124,152	30,685,639	29,411,111
	\$ 98,254,057	\$ 101,603,537	\$ 108,497,153	\$ 115,752,891	\$ 117,299,181
	\$ 83,464,261	\$ 83,464,261	\$ 83,464,261	\$ 83,464,261	\$ 83,464,261
	8,311,489	8,311,489	8,311,489	8,311,489	8,311,489
	30,724,526	30,724,526	30,724,526	30,724,526	30,724,526
	\$ 122,500,276	\$ 122,500,276	\$ 122,500,276	\$ 122,500,276	\$ 122,500,276

CITY OF SEGUIN, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

TABLE 2

	Fiscal Year				
	2011	2012	2013	2014*	2015
Expenses					
<i>Governmental Activities:</i>					
General Government	\$ 2,077,927	\$ 1,482,333	\$ 1,617,167	\$ 5,739,986	\$ 6,354,347
Public Safety	10,057,294	10,617,994	11,147,424	11,757,015	13,399,458
Public Service	6,912,623	7,849,643	8,269,202	8,464,114	8,043,970
Interest on Long-Term Debt	2,017,079	1,778,567	1,685,881	2,516,964	2,343,340
Indirect Cost Allocation	-	-	-	(3,848,566)	(4,190,324)
Total Governmental Activities	21,064,923	21,728,537	22,719,674	24,629,513	25,950,791
<i>Business-Type Activities:</i>					
Utility	37,928,870	39,484,763	39,212,917	33,052,220	38,627,413
Indirect Cost Allocation	-	-	-	3,848,566	4,190,324
Total Business-Type Activities	37,928,870	39,484,763	39,212,917	36,900,786	42,817,737
Total Primary Government Expenses	\$ 58,993,793	\$ 61,213,300	\$ 61,932,591	\$ 61,530,299	\$ 68,768,528
Program Revenues					
<i>Governmental Activities:</i>					
Charges for Services:					
General Government	\$ 2,423,729	\$ 2,617,386	\$ 2,616,261	\$ 2,888,748	\$ 3,381,353
Public Safety	3,337,034	2,940,217	3,053,799	3,524,917	3,641,594
Public Service	2,393,691	2,464,152	2,435,778	3,081,696	3,005,082
Operating Grants and Contributions	719,700	985,512	638,404	841,529	801,179
Capital Grants and Contributions	222,703	221,193	140,973	197,027	2,014,336
Total Governmental Activities	9,096,857	9,228,460	8,905,215	10,533,917	12,843,544
<i>Business-Type Activities:</i>					
Charges for Services	43,211,099	41,463,853	40,827,258	42,017,948	42,645,590
Operating Grants and Contributions	-	-	-	-	-
Capital Grants and Contributions	257,571	40,454	215,212	2,961,261	749,579
Total Business-Type Activities	43,468,670	41,504,307	41,042,470	44,979,209	43,395,169
Total Primary Government Program Revenues	\$ 52,565,527	\$ 50,732,767	\$ 49,947,685	\$ 55,513,126	\$ 56,238,713

* Change in Accounting Principle pursuant to GASB 68 applied prospectively effective October 1, 2014.

^ Change in Accounting Principle pursuant to GASB 75 applied prospectively effective October 1, 2018.

CITY OF SEGUIN, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (CONTINUED)
(Accrual Basis of Accounting)

TABLE 2 (CONT.)

	Fiscal Year					
	2015	2016	2017	2018*	2019	2020
Net (Expense)/Revenue						
Governmental Activities	\$ (13,107,247)	\$ (19,065,346)	\$ (18,098,213)	\$ (17,852,585)	\$ (22,169,728)	\$ (21,367,053)
Business-Type Activities	577,432	5,241,683	6,093,588	5,612,477	929,858	3,840,199
Total Primary Government	\$ (12,529,815)	\$ (13,823,663)	\$ (12,004,625)	\$ (12,240,108)	\$ (21,239,870)	\$ (17,526,854)
General Revenues and Other						
Changes in Net Position						
<i>Governmental Activities:</i>						
General Property Taxes	\$ 7,516,954	\$ 7,922,023	\$ 9,362,955	\$ 10,126,201	\$ 11,037,342	\$ 11,695,949
Franchise Taxes	986,176	1,252,005	1,096,104	1,187,699	1,273,009	1,212,109
Sales Taxes	6,089,793	6,232,146	6,271,333	6,729,041	6,760,360	7,319,631
Occupancy Taxes	825,433	830,356	842,217	861,218	833,720	669,563
Interest and Investment Earnings	40,371	183,931	400,790	678,954	930,252	432,386
Miscellaneous	520,000	546,645	531,294	535,000	740,000	645,000
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	222,023
Special Items	3,000,000	9,585,200	-	-	-	-
Transfers	804,934	(83,258)	(118,784)	(80,406)	81,723	168,091
Total Governmental Activities	15,878,578	16,886,700	18,586,416	20,219,410	21,742,774	22,248,151
<i>Business-Type Activities Charges for Services:</i>						
Interest and Investment Earnings	34,353	191,925	389,947	764,923	1,202,045	529,711
Gain (Loss) on Sale of Capital Assets	483	14,112	3,601	660	9,432	1,577
Special Items	7,000,000	-	-	-	-	-
Transfers	(804,934)	83,258	(118,784)	(101,297)	(168,091)	(51,490)
Total Business-Type Activities	6,295,789	143,986	191,309	664,286	1,043,386	479,798
Total Primary Government	\$ 16,013,563	\$ 17,173,143	\$ 18,898,241	\$ 20,883,696	\$ 22,786,160	\$ 22,727,949
Change in Net Position						
Governmental Activities	\$ 4,851,405	\$ 11,837,655	\$ 1,243,688	\$ 2,366,825	\$ (426,954)	\$ 881,098
Business-Type Activities	11,835,589	2,163,530	2,020,862	6,276,763	1,973,244	4,319,997
Total Primary Government	\$ 16,686,994	\$ 14,001,185	\$ 3,264,550	\$ 8,643,588	\$ 1,546,290	\$ 5,201,095

* Change in Accounting Principle pursuant to GASB 68 applied prospectively effective October 1, 2014.
Comparative information has not been restated.

CITY OF SEGUIN, TEXAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

TABLE 3

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>General Fund:</i>										
Nonspendable	\$ 73,101	\$ 66,104	\$ 2,037,347	\$ 70,386	\$ 98,698	\$ 107,383	\$ 120,838	\$ 135,453	\$ 154,001	\$ 173,399
Restricted	22,800	22,800	20,100	20,100	25,300	5,300	7,905	5,300	28,154	16,813
Committed	-	2,208,762	2,163,385	2,165,441	2,167,774	2,018,494	1,536,104	2,202,612	2,151,739	2,008,348
Assigned	-	-	157,464	151,582	126,887	52,312	3,440	129,946	210,949	223,709
Unassigned	8,773,457	17,454,678	15,568,700	16,586,852	15,571,620	12,974,522	11,505,167	10,529,800	10,796,436	12,973,384
<i>Total General Fund</i>	<u>\$ 8,869,358</u>	<u>\$ 19,752,344</u>	<u>\$ 19,946,996</u>	<u>\$ 18,994,361</u>	<u>\$ 17,990,279</u>	<u>\$ 15,158,011</u>	<u>\$ 13,173,454</u>	<u>\$ 13,003,111</u>	<u>\$ 13,341,279</u>	<u>\$ 15,395,653</u>
<i>All other Governmental Funds:</i>										
Nonspendable	\$ -	\$ 22,852	\$ 12,803	\$ 5,874	\$ 15,570	\$ 1,163	\$ 43,326	\$ 17,869	\$ 3,476	\$ 4,722
Restricted - Special Revenue	1,389,762	1,701,526	1,748,490	1,752,872	1,854,260	1,942,693	1,915,334	2,066,025	2,076,086	1,641,541
Restricted - Capital Projects	11,920,110	14,004,274	13,155,149	30,155,607	17,309,757	11,643,846	15,335,309	12,857,421	8,979,338	14,558,885
Restricted - Debt Service	945,380	1,019,857	1,510,096	1,645,809	1,467,186	982,371	893,141	1,093,814	1,296,867	1,351,621
Committed - Special Revenue	31,331	11,113	10,726	24,192	24,208	24,237	214,185	299,414	389,686	363,475
Assigned - Capital Projects	2,059,875	2,183,206	2,860,482	3,220,890	4,067,387	5,045,454	4,763,452	6,686,974	5,794,947	4,826,251
<i>Total Other Governmental Funds</i>	<u>\$ 16,346,458</u>	<u>\$ 18,942,828</u>	<u>\$ 19,297,746</u>	<u>\$ 36,805,244</u>	<u>\$ 24,738,368</u>	<u>\$ 19,639,764</u>	<u>\$ 23,164,747</u>	<u>\$ 23,021,517</u>	<u>\$ 18,540,400</u>	<u>\$ 22,746,495</u>

CITY OF SEGUIN, TEXAS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 4

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 12,413,070	\$ 14,250,325	\$ 14,653,908	\$ 14,396,360	\$ 15,437,258	\$ 16,237,296	\$ 17,492,007	\$ 19,006,626	\$ 19,871,923	\$ 20,967,048
Licenses and Permits	325,496	404,953	384,153	688,637	1,242,939	740,076	1,062,336	766,525	869,052	3,335,672
Intergovernmental	1,462,440	1,842,006	1,062,026	1,692,199	3,397,057	1,891,931	2,151,733	4,507,057	1,614,031	3,250,615
Charges for Services	5,071,986	5,375,293	5,364,318	5,724,792	5,846,015	6,047,893	6,852,536	7,008,229	7,665,838	7,268,772
Fines and Forfeits	1,534,392	1,422,147	1,446,373	1,894,219	1,899,976	1,695,053	1,909,706	1,819,248	1,362,160	726,237
Interest	35,283	63,074	378,958	36,579	40,290	181,889	394,487	664,608	905,661	423,257
Miscellaneous	741,762	721,692	778,174	1,080,418	979,661	958,334	920,641	994,103	2,071,301	1,949,215
Total Revenues	21,584,429	24,079,490	24,067,910	25,513,204	28,843,196	27,752,472	30,783,446	34,766,396	34,359,966	37,920,816
Expenditures										
General Government	3,271,912	2,970,433	2,995,289	3,291,439	3,469,890	4,029,991	5,002,392	4,955,952	5,553,483	5,725,712
Public Safety	9,919,756	9,946,852	10,421,044	11,099,683	11,847,542	12,595,423	13,497,928	13,917,286	13,982,502	15,335,408
Public Service	4,562,336	5,877,185	5,996,218	6,087,470	6,523,397	7,075,027	7,191,996	7,242,165	7,525,058	7,517,771
Nondepartmental	1,809,481	1,620,181	1,949,011	2,202,136	2,047,626	2,251,191	2,726,158	2,377,784	2,735,975	3,158,123
Indirect Cost Allocation (Recovery)	(3,288,861)	(3,430,197)	(3,674,342)	(3,848,566)	(4,190,324)	(4,352,992)	(4,641,289)	(4,819,725)	(4,968,672)	(5,256,011)
Capital Projects/ Outlay	3,792,747	2,702,978	2,305,774	5,466,886	17,192,358	21,967,537	10,730,592	13,490,692	7,603,803	8,574,767
Debt Service:										
Principal	1,584,205	1,973,707	1,977,394	2,370,179	2,680,967	2,602,766	2,860,858	3,466,099	3,859,954	3,875,751
Interest and Fiscal Charges	1,678,851	1,686,787	1,628,268	2,011,346	2,164,212	2,249,581	2,705,449	2,785,378	2,848,546	3,055,756
Bond Issue Costs	328,000	146,006	45,636	363,655	193,604	379,187	216,893	159,158	118,964	171,472
Total Expenditures	23,658,427	23,493,932	23,644,292	29,044,228	41,929,272	48,797,711	40,290,977	43,574,789	39,259,613	42,158,749
Excess of Revenues Over (Under) Expenditures	(2,073,998)	585,558	423,618	(3,531,024)	(13,086,076)	(21,045,239)	(9,507,531)	(8,808,393)	(4,899,647)	(4,237,933)
Other Financing Sources (Uses)										
Transfers In	1,386,102	1,264,924	2,496,336	3,536,891	4,178,395	4,668,304	3,377,486	3,299,109	2,429,216	1,612,934
Transfers Out	(1,763,058)	(1,435,973)	(2,615,120)	(4,185,763)	(4,356,879)	(4,820,473)	(3,304,663)	(3,197,812)	(2,352,657)	(1,933,494)
Issuance of Debt	11,104,090	6,455,635	4,549,100	22,944,017	8,817,821	23,070,779	10,975,135	8,393,523	10,689,209	10,818,962
Payments to Refunding Bond Escrow Agent	-	(2,975,988)	(4,304,364)	-	(8,624,217)	(9,804,242)	-	-	(10,009,070)	-
Total Other Financing Sources (Uses)	10,727,134	3,308,598	125,952	22,295,145	15,120	13,114,368	11,047,958	8,494,820	756,698	10,498,402
Special Items	-	9,585,200	-	(2,209,258)	-	-	-	-	-	-
Net Change in Fund Balance	\$ 8,653,136	\$ 13,479,356	\$ 549,570	\$ 16,554,863	\$ (13,070,956)	\$ (7,930,871)	\$ 1,540,427	\$ (313,573)	\$ (4,142,949)	\$ 6,260,469
Debt Service as a percentage of Noncapital Expenditures	16.4%	17.5%	17.4%	18.1%	19.4%	17.1%	18.6%	21.0%	20.6%	20.6%

CITY OF SEGUIN, TEXAS
TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year	Property	Sales & Use	Occupancy	Franchise	Total
2011	\$ 6,298,369	\$ 4,495,098	\$ 786,585	\$ 833,018	\$ 12,413,070
2012	7,015,151	5,512,435	869,409	853,330	14,250,325
2013	7,160,423	5,833,464	762,465	897,556	14,653,908
2014	6,914,873	5,841,830	726,361	913,296	14,396,360
2015	7,646,433	6,011,867	832,550	946,409	15,437,259
2016	8,030,337	6,158,250	835,858	1,212,852	16,237,297
2017	9,390,960	6,195,774	849,390	1,055,883	17,492,007
2018	10,350,375	6,642,080	869,556	1,144,614	19,006,625
2019	11,160,168	6,641,759	842,537	1,227,458	19,871,922
2020	11,919,570	7,178,147	702,230	1,167,100	20,967,047

CITY OF SEGUIN, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 6

Fiscal Year	Residential Property	Commercial Property	Industrial Property	All Other Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2020	\$ 1,266,911,717	\$ 602,701,862	\$ 824,138,632	\$ 609,523,918	\$ 401,168,988	\$ 2,902,127,171	0.5412
2019	1,269,529,902	620,853,680	824,985,758	611,708,756	400,761,011	2,926,317,085	0.5412
2018	1,058,414,772	575,324,594	767,956,086	514,783,933	334,503,276	2,581,975,909	0.5412
2017	952,385,968	557,472,552	760,165,027	523,305,180	511,465,376	2,281,863,351	0.5412
2016	862,290,556	536,741,553	629,614,703	512,418,847	350,052,254	2,191,013,405	0.5256
2015	810,622,634	523,445,251	587,892,017	467,583,800	319,064,423	2,070,479,279	0.5244
2014	738,143,976	489,211,189	576,499,288	466,741,069	330,607,458	1,939,988,064	0.5173
2013	738,982,849	465,714,599	785,423,174	214,404,237	264,906,879	1,939,617,780	0.5073
2012	723,441,220	431,521,993	550,501,805	150,003,452	467,115,554	1,388,352,916	0.5073
2011	716,337,690	381,012,529	344,847,282	220,121,445	334,238,078	1,328,080,868	0.4893

Source: Guadalupe County Appraisal District

Tax rates are per \$100 of assessed value.

Total Taxable Assessed Value is not adjusted for enacted freeze on property values for certain taxpayers, which became effective January 1, 2006.

The freeze adjusted taxable value for the 2019 tax roll was \$1,909,654,971.

CITY OF SEGUIN, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 7

Fiscal Year	City Direct Rates			Overlapping Rates	
	General M&O	Debt Service	Total Direct	School District	Guadalupe County
2011	\$ 0.2693	\$ 0.2200	\$ 0.4893	\$ 1.2498	\$ 0.3999
2012	0.2693	0.2380	0.5073	1.2598	0.4036
2013	0.2698	0.2375	0.5073	1.2770	0.4036
2014	0.2942	0.2231	0.5173	1.2800	0.3999
2015	0.3000	0.2244	0.5244	1.3150	0.3941
2016	0.3126	0.2130	0.5256	1.4100	0.3851
2017	0.3104	0.2308	0.5412	1.4200	0.3851
2018	0.2879	0.2533	0.5412	1.4200	0.3799
2019	0.2763	0.2649	0.5412	1.4200	0.3819
2020	0.2767	0.2645	0.5412	1.3750	0.3819

CITY OF SEGUIN, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

TABLE 8

Taxpayer	Fiscal Year 2020 (2018 Tax Levy)			Fiscal Year 2011 (2010 Tax Levy)		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Tenec Automotive (Motorola)	\$ 216,710,213	1	7.47%	\$ 33,865,156	2	2.54%
Niagara Bottling LLC	54,019,594	2	1.86%	--	--	--
Helmerich & Payne International	44,545,958	3	1.53%	--	--	--
Hewel Reinforcements Corp	34,024,928	4	1.17%	14,231,137	3	1.07%
8th Street Properties	33,218,998	5	1.14%	--	--	--
Ranch @ SH123 Loop	13,000,000	6	0.45%	--	--	--
American Pipe & Products LLC	12,192,349	7	0.42%	6,731,801	8	0.51%
ET Seguin Dist LLC	11,402,600	8	0.39%	--	--	--
Wonder Properties LTD	11,200,000	9	0.39%	--	--	--
Tyson Foods, Inc.	9,474,301	10	0.33%	11,160,255	4	0.84%
Rio Nogales Power Project LP	--	--	--	68,399,281	1	5.14%
ITW MinGrip Inc	--	--	--	10,946,752	5	0.82%
Wal-Mart Real Estate Business Trust	--	--	--	7,436,059	6	0.56%
Frontier Land Limited	--	--	--	7,076,106	7	0.53%
Wesco, Inc.	--	--	--	6,640,415	9	0.50%
Mojave &395 LLC/Mailbu	--	--	--	5,911,107	10	0.44%
Total	\$ 439,788,941		15.15%	\$ 172,398,069		12.95%

Source: Guadalupe County Appraisal District

CITY OF SEGUIN, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 9

Fiscal Year Ended September 30	Taxes Levied for the Fiscal Year	Collected Within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2011	\$ 6,243,006	\$ 6,056,865	97.0%	\$ 176,950	\$ 6,233,815	99.9%
2012	6,766,524	6,577,230	97.2%	178,757	6,755,987	99.8%
2013	6,971,685	6,842,125	98.1%	116,824	6,958,949	99.8%
2014	6,676,209	6,529,859	97.8%	125,349	6,655,208	99.7%
2015	7,438,963	7,320,383	98.4%	92,210	7,412,593	99.6%
2016	7,811,018	7,649,611	97.9%	132,204	7,781,815	99.6%
2017	9,263,759	8,999,501	97.1%	228,270	9,227,771	99.6%
2018	10,054,136	9,893,628	98.4%	103,066	9,996,694	99.4%
2019	10,847,274	10,709,472	98.7%	94,693	10,804,165	99.6%
2020	11,612,928	11,455,492	98.6%	-	11,455,492	98.6%

Amount collected includes discounts

CITY OF SEGUIN, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 10

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Actual Taxable Value of Property	Percentage of Taxable Value of Property	Per* Capita	Percentage of Personal Income
	Bonds*	Anticipation Notes	Capital Leases	Revenue and CO Bonds*					
2011	\$ 3923,000	\$ 1,345,970	\$ 329,118	\$ 27,600,000	\$ 144,321	\$ 1,328,080,868	4.8%	2,528	163.1%
2012	4,183,415	930,000	211,860	27,816,105	122,815	1,388,352,916	4.7%	2,502	159.9%
2013	4,064,177	565,000	310,476	29,980,197	101,857	1,428,682,800	4.8%	2,408	152.9%
2014	6,147,631	185,000	406,658	19,914,665	70,339	1,369,272,941	6.0%	3,076	163.3%
2015	5,914,639	-	238,572	40,328,318	52,801	1,471,763,535	6.8%	3,424	183.1%
2016	7,025,698	-	126,366	43,811,388	36,120	1,554,809,696	7.3%	3,808	193.3%
2017	7,628,222	1,138,000	1,517,298	51,152,402	36,120	1,798,558,709	7.2%	4,317	214.7%
2018	8,048,441	1,455,224	1,455,224	57,826,332	-	1,957,487,506	7.2%	4,669	214.8%
2019	7,749,864	1,054,000	1,293,253	57,512,227	-	2,117,411,174	6.5%	4,487	218.4%
2020	8,445,655	661,000	1,319,913	59,216,823	-	2,902,127,171	5.0%	4,641	197.7%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* Bonds debt includes unamortized premiums

* Population and Personal Income data can be found on Table 15.

CITY OF SEGUIN, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 11

Fiscal Year	General Bonded Debt		Available in Debt Service Funds	Total	Actual Taxable Value of Property		Percentage of Actual Taxable Value of Property		Per Capita*
	Bonds	Tax Anticipation Notes			Property	Property	Value of Property	Value of Property	
2011	\$ 39,325,000	\$ 1,345,970	\$ (945,380)	\$ 39,725,590	\$ 1,328,080,868	3.0%	1,578		
2012	43,132,078	930,000	(1,019,857)	43,042,221	1,388,352,916	3.1%	1,659		
2013	46,521,750	565,000	(1,510,096)	45,576,654	1,428,682,800	3.2%	1,754		
2014	66,797,490	185,000	(1,645,809)	65,336,681	1,369,727,941	4.8%	2,451		
2015	64,347,379	-	(1,467,186)	62,880,193	1,471,763,535	4.3%	2,150		
2016	79,923,468	-	(982,371)	78,941,097	1,554,809,696	5.1%	2,631		
2017	85,412,933	-	(893,141)	84,519,792	1,798,538,709	4.7%	2,817		
2018	85,884,999	1,138,000	(1,093,814)	85,929,185	1,957,487,506	4.4%	2,835		
2019	90,110,949	1,054,000	(1,296,867)	89,868,082	2,117,411,174	4.2%	2,936		
2020	95,943,655	661,000	(1,351,621)	95,253,034	2,902,127,171	3.3%	3,035		

Note: Details about the City's outstanding debt can be found in the notes to the financial statements.

Bonds include GO Bonds being serviced by the Utility Fund.

*Population data can be found on Table 15.

CITY OF SEGUIN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2020
(Unaudited)

TABLE 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Guadalupe County	\$ 11,570,000	19.18%	\$ 2,219,126
Seguin Independent School District	134,904,104	49.68%	67,020,359
Subtotal, Overlapping Debt			69,239,485
Seguin Direct Debt			95,253,034
Total Direct and Overlapping Debt			\$ 164,492,519

Source: Municipal Advisory Council of Texas.

Note: Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Seguin, Texas. This process recognizes that, when considering the City of Seguin's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF SEGUIN, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 13

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed Value	\$ 2,902,127,171			
* Debt limit (10% of assessed value)	290,212,717			
Outstanding Debt ⁽¹⁾	96,604,655			
Less amount set aside for repayment of general obligation debt	(1,351,621)			
Total net debt applicable to limit	95,253,034			
Economic Debt Margin	\$ 194,959,683			

	Fiscal Year			
	2012	2013	2014	2015
Debt Limit	\$ 132,808,087	\$ 138,835,292	\$ 142,868,280	\$ 147,173,357
Total net debt applicable to limit	(39,725,590)	(41,289,480)	(39,242,331)	(58,047,453)
Economic Debt Margin	\$ 93,082,497	\$ 97,545,812	\$ 103,625,949	\$ 77,015,972
				\$ 89,125,904

	Fiscal Year			
	2016	2017	2018	2019
Debt Limit	\$ 152,480,970	\$ 179,855,871	\$ 195,746,751	\$ 211,741,117
Total net debt applicable to limit	(69,305,127)	(75,935,081)	(79,873,076)	(78,543,250)
Economic Debt Margin	\$ 86,175,843	\$ 103,920,790	\$ 115,873,675	\$ 133,197,867
				\$ 194,959,683

⁽¹⁾ Texas does not have a legal debt margin for cities. The only limit on taxation is \$2.50 per \$100 of assessed value. Good financial integrity calls for 10% of assessed value to be used for debt limit.

CITY OF SEGUIN, TEXAS
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 14

Fiscal Year	Utility Service Charges	Less: Operating Expenses *	Net Available Revenue	Debt Service Principal	Interest	Coverage
2011	\$ 43,211,099	\$ (34,002,636)	\$ 9,208,463	\$ 805,000	\$ 961,171	5.21
2012	41,463,853	(35,728,904)	5,734,949	904,521	944,857	3.10
2013	40,827,258	(35,513,981)	5,313,277	839,048	734,437	3.38
2014	42,017,948	(33,121,499)	8,896,449	1,079,232	703,016	4.99
2015	42,645,590	(37,931,959)	4,713,631	1,077,119	1,253,491	2.02
2016	46,502,423	(37,473,784)	9,028,639	1,326,771	1,382,137	3.33
2017	49,979,571	(40,706,005)	9,273,566	1,471,259	1,636,004	2.98
2018	52,260,671	(39,777,807)	12,482,864	1,773,378	1,822,007	3.47
2019	53,459,811	(45,797,030)	7,662,781	2,003,248	1,985,646	1.92
2020	55,650,708	(44,235,156)	11,415,552	2,033,084	2,123,205	2.75

* All operating expenses exclusive of depreciation

CITY OF SEGUIN, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN CALENDAR YEARS
 (Unaudited)

TABLE 15

Year	Census Population	Population Estimate	Median Family Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2011	25,175	25,175	38,060	15,730	32.4	7,547	7.3
2012	25,175	25,943	38,060	15,730	32.4	7,440	6.8
2013	25,175	25,981	38,060	15,730	32.4	7,556	5.4
2014	25,175	26,660	38,526	18,901	35.3	7,529	4.2
2015	25,175	29,241	41,835	18,933	36.2	7,400	3.4
2016	25,175	30,006	41,835	19,754	37.2	7,459	3.4
2017	25,175	30,006	36,755	19,853	37.2	7,461	3.6
2018	25,175	30,306	38,714	21,757	35.0	7,492	3.0
2019	25,175	30,609	40,909	20,612	36.3	7,427	3.2
2020	25,175	31,386	48,782	23,601	35.1	7,343	7.3

Sources: Population, median family income, per capita personal income, and median age information provided by the United States Census Bureau and the Texas State Data Center and are the most recent available for the city. Population estimates are based on addition of annexed areas. School enrollment information provided by Seguin Independent School District. Unemployment rate is for Guadalupe County and is provided by the Texas Workforce Commission and the U.S. Dept. of Labor. Unemployment data is not available for the City.

CITY OF SEGUIN, TEXAS
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

TABLE 16

Employer	2020			2011		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Texas Power Systems/CA T	1,998	1	16.35%	1,206	2	10.69%
Vitesco (Continental AG)	1,670	2	13.67%	1,374	1	12.18%
Seguin Independent School District	1,132	3	9.26%	1,129	3	10.01%
Tyson Foods	935	4	7.65%	850	5	7.54%
CMC Steel	853	5	6.98%	853	4	7.56%
Guadalupe Regional Medical Center	820	6	6.71%	695	6	6.16%
Guadalupe County	596	7	4.88%	586	7	5.20%
HEB	437	8	3.58%	-	-	-
City of Seguin	405	9	3.31%	333	9	2.95%
Wal-Mart Super Center	309	10	2.53%	400	8	3.55%
Texas Lutheran University	-	-	-	310	10	2.75%
Total	5,487		44.90%	5,156		45.72%

Source: Seguin Area Chamber of Commerce, Texas Workforce Commission, and Seguin Economic Development Corporation.

CITY OF SEGUIN, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 17

Function	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Police										
Physical arrests	1,101	1,084	1,072	1,755	2,328	1,798	1,605	1,138	1,509	1,548
Traffic citations	3,814	6,632	12,616	12,206	11,068	12,740	15,988	8,911	12,349	15,040
Parking citations	324	919	1,249	1,324	70	265	308	291	176	44
Fire/EMS										
Emergency responses	5,520	4,506	4,308	3,842	4,130	3,682	3,748	3,903	3,162	3,692
Non-emergency response/Service Calls	318	1,239	1,279	1,424	1,366	1,126	804	588	1,837	1,435
Inspections	563	787	1,334	1,252	1,467	1,065	379	482	831	289
Refuse collection (by private contractor)										
# of customers	8,296	8,162	9,025	8,796	8,623	8,400	8,079	7,945	7,850	7,739
Parks and Recreation										
Park and sport facility rentals	178	701	575	732	763	701	639	622	624	734
Sport league participants	1,227	-	-	3,614	3,352	2,358	740	2,251	2,815	2,670
Program participants	319	3,441	3,517	3,359	3,769	4,539	4,640	3,509	5,172	4,822
Wave Pool admissions	-	14,301	12,436	11,430	12,801	13,447	13,077	13,126	13,126	14,015
Library										
Volumes in collection	78,478	76,559	76,490	73,137	69,055	56,276	64,366	62,220	69,563	76,126
Total volumes borrowed	232,572	308,802	260,766	269,824	168,429	183,771	197,204	205,281	210,820	229,389
Electric										
# of customers	8,555	8,541	8,549	8,538	8,438	8,500	8,314	8,293	8,191	8,210
Sales (millions of \$)	29.4	30.1	30.5	29.7	27.3	28.5	25.7	25.3	25.8	26.5
Water										
# of customers	7,549	7,518	7,516	7,393	7,298	7,250	7,120	7,116	7,088	7,060
Average daily production (millions of gal.)										
Surface water	4.80	4.08	3.81	3.20	3.73	2.84	2.69	2.35	2.77	2.88
Well water	3.04	2.98	3.22	3.06	2.71	2.92	3.04	3.01	3.17	3.40
Total	7.84	7.06	7.03	6.26	6.44	5.76	5.73	5.36	5.94	6.28
Water main repairs (main sizes from 3/4" to 16")	129	178	133	175	126	455	403	127	74	56
Wastewater										
Average daily sewage treatment (millions of gal.)	4.05	4.33	4.65	5.40	4.57	4.05	3.29	3.74	4.13	3.96

Sources: City departments
Notes: Fire/EMS statistics are on a calendar basis. Program participants under Parks and Recreation include day camp, after-school, softball, & swimming lessons. Sales of electricity are of purchased power; the City does not generate electric power.

CITY OF SEGUIN, TEXAS
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS
 (Unaudited)

TABLE 18

Function	Fiscal Year					
	2020	2019	2018	2017	2016	2015
Police						
Stations	1	1	1	1	1	1
Police vehicles	87	87	87	84	73	62
Fire stations	3	3	3	3	3	3
Public works						
Streets (miles of paved)	180.22	171.17	168.26	165.81	164.73	178.48
Parks and Recreation						
Number of parks	12	12	12	12	12	10
Acreage	346.91	346.91	346.91	346.91	346.91	289.41
Water						
Water mains (miles)	218.80	165.73	165.73	165.73	164.00	118.90
Fire hydrants	1,110	1,317	1,311	1,306	1,293	978
Storage capacity (millions of gallons)	9.01	8.64	8.64	8.64	8.64	7.79
Wastewater						
Sanitary sewers (miles)	201.92	179.88	179.88	179.88	178.00	129.00

CITY OF SEGUIN, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS
 (Unaudited)

TABLE 19

Function	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government										
Financial Administration	8	8	8	8	8	8	8	8	8	7
City Manager	3	3	3	3	4	4	4	3	3	3
Human Resources	6	6	6	6	6	5	5	5	5	5
Planning and Zoning	17	13	13	12	12	11	11	11	10	10
City Secretary	1	1	1	1	1	1	1	1	1	1
Information Systems	9	8	7	6	5	5	4	3	3	3
Facilities and Grounds	5	5	5	4	4	4	4	3	3	12
Public Safety										
Police	85	81	81	81	79	78	76	72	72	68
Fire/EMS	63	62	62	58	57	56	56	53	51	51
Legal & Judicial	6	6	6	6	6	5	5	5	5	5
Animal Control	7	7	7	7	5	5	4	4	4	3
Public Service										
Public Works	39	40	33	34	32	29	27	26	28	24
Vehicle Maintenance	4	3	3	3	3	3	3	3	3	3
Library	15	13	13	14	13	8	8	8	8	8
Parks and Recreation	21	21	19	19	19	19	16	18	17	10
Golf Course	8	8	8	8	9	9	9	9	9	9
Down Town & Main St. Program	2	2	2	2	2	2	2	2	2	2
Coliseum	2	2	2	2	2	1	1	1	1	1
Utility Fund										
Administration	2	2	3	3	3	3	2	2	2	2
Electric Production/Distribution	18	15	15	15	15	15	11	10	10	20
Utility Services	15	14	13	12	12	10	10	10	10	0
Water Production	11	11	11	11	11	11	11	10	11	11
Water/Sewer Maintenance	19	17	16	16	15	11	10	10	11	11
Sewer Plant	10	10	9	9	8	8	8	7	8	8
Economic Development	4	3	3	4	4	4	4	4	3	3
Facilities Maintenance	19	13	13	13	11	8	14	13	13	12
Utility Billing	6	6	6	6	6	5	6	5	6	6
CVB	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>1</u>
Total	<u>407</u>	<u>383</u>	<u>371</u>	<u>366</u>	<u>355</u>	<u>331</u>	<u>323</u>	<u>308</u>	<u>308</u>	<u>299</u>

Source: City Human Resources Department

COMPLIANCE SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seguin, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Seguin, Texas, basic financial statements and have issued our report thereon dated March 15, 2021. The financial statements of the discretely-presented component unit, Seguin Economic Development Corporation, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Seguin, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Seguin, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Seguin, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the city's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Seguin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armstrong, Vaughan & Associates, P.C.

March 15, 2021



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

The Honorable Mayor and City Council
City of Seguin, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Seguin, Texas' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of City of Seguin Texas' major federal programs for the year ended September 30, 2020. City of Seguin Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Seguin, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Seguin, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Seguin Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Seguin, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of City of Seguin, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Seguin, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Seguin, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Armstrong, Vaughan & Associates, P.C.

March 15, 2021

CITY OF SEGUIN, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

CITY OF SEGUIN, TEXAS
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Explanation Finding/Recommendation</u> Not Applicable	<u>Current Status</u>	<u>Management's Explanation</u> If Not Implemented
A. <u>Summary of Auditor's Results</u>		
1. <u>Financial Statements</u>		
Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
One or more material weaknesses identified	___ Yes ___ No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	___ Yes ___ No	
Noncompliance material to financial Statements noted?	___ Yes ___ No	
2. <u>Federal Awards</u>		
Internal control over major programs:		
One or more material weaknesses identified	___ Yes ___ No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	___ Yes ___ No	
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with CFR Part 200 of the Uniform Guidance?	___ Yes ___ No	
Identification of major programs:		
CFDA Number	21.019	<u>Name of Federal Program or Cluster</u> Coronavirus Relief Fund
Dollar threshold used to distinguish between Type A and type B Programs:	\$750,000	
Auditee qualified as low-risk auditee?	___ Yes ___ No	
B. <u>Financial Statement Findings</u>		
NONE		
C. <u>Federal Award Findings and Questioned Costs</u>		
NONE		

CITY OF SEGUIN, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

CITY OF SEGUIN, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Staffing for Adequate Fire and Emergency Response	97.083	SAFER-EMW-2016-FM-00334	\$ 89,591
U.S. DEPARTMENT OF HOMELAND SECURITY			
Texas Department of Emergency Management			
Disaster Grants - Public Assistance	97.036	DR-4332	1,309
U.S. DEPARTMENT OF HOUSING AND URBAN DEV			
Passes Through Texas Dept of Agriculture			
CDBG-Downtown Sidewalks	14.228	7219292	9,000
U.S. DEPARTMENT OF JUSTICE			
Direct Award			
Bullet Proof Vests	16.607	BA-2000S-SX02	8,489
Passed Through Office of the Governor			
Asset Forfeiture Program	16.922	3245402	103,690
Crime Victim Assistance	16.575	3019602	14,400
E. Byrne Memorial Justice Assistance Grant	16.738	3251301	36,167
U.S. DEPARTMENT OF TREASURY			
Passed Through Texas Dept of Emergency Mgmt			
Coronavirus Relief Fund	21.019	SPA-2020	1,718,145
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Texas Department of Transportation			
Highway Planning and Construction	20.205	0915-46-042/043	219,476
TOTAL FEDERAL AWARD EXPENDED			<u>\$ 2,200,267</u>

NOTE 1 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City, and is presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 – INDIRECT COSTS

The City has negotiated an indirect cost rate with grantors and has elected not to draw the 10% de minimis indirect cost rate allowed in the Uniform Guidance, Section 414.



It's real.

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APPENDIX E

**General Purpose Financial Statements for the
Schertz/Seguin Local Government Corporation
For the Fiscal Year Ended September 30, 2020**

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**SCHERTZ/SEGUIN
LOCAL GOVERNMENT CORPORATION**

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2020 and 2019



SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

CORPORATE OFFICIALS

SEPTEMBER 30, 2020

PRESIDENT DUDLEY WAIT
VICE-PRESIDENT DAVID REILEY
SECRETARY KEN GREENWALD
ASSISTANT SECRETARY DONNA DODGEN
TREASURER TIM CLARK
GENERAL MANAGER AMBER BRIGGS BEARD

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2020

INTRODUCTORY SECTION

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FINANCIAL SECTION

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Comparative Statements of Net Position	8
Comparative Statements of Revenues, Expenses and Changes in Net Position	10
Comparative Statements of Cash Flows	11
Notes to Financial Statements.....	13



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Schertz/Seguin Local Government Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Schertz/Seguin Local Government Corporation as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Schertz/Seguin Local Government Corporation's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Schertz/Seguin Local Government Corporation'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 an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

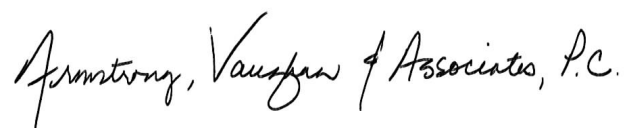
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schertz/Seguin Local Government Corporation, as of September 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 6 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 regarding the methods of preparing the information and comparing the information for consistency with management's response 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.

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

Armstrong, Vaughan & Associates, P.C.

January 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Schertz/Seguin Local Government Corporation's financial performance provide an overview of the Corporation's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the Corporation's financial statements.

HIGHLIGHTS

Financial Highlights

- The Corporation's net position was \$31.6 million at September 30, 2020.
- Total operating revenues were \$19.5 million, while total operating expenses were \$10.1 million.

Corporation Highlights

- The Corporation currently owns approximately 4,361 acres of land and leases water rights to another 15,147 acres in Gonzales County where the wells and treatment plant are located. SSLGC is permitted to produce 19,362 acre-feet of water per year from twelve wells.
- The Corporation currently owns approximately 1,494 acres of land and leases water rights to another 12,511 acres in Guadalupe County. SSLGC is permitted to produce for a total of 4,032.52 acre feet of water per year from the Carrizo aquifer and 1,290.4 acre feet from the Wilcox aquifer.

USING THIS ANNUAL REPORT

This annual report consists of two parts: Management's Discussion and Analysis and Financial Statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required financial statements

The Financial Statements of the Corporation report information about the Corporation using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the Corporation's assets, deferred outflows of resources, deferred inflows of resources, and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Corporation and assessing the liquidity and financial flexibility of the Corporation. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Corporation's operations over the past year and can be used to determine whether the Corporation has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Corporation's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations as "from where did the cash come?" "for what was cash used?" and "what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE

One of the most important questions asked about the Corporation's finances is "Is the Corporation, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Corporation's activities in a way that will help answer this question. These two statements report the net position of the Corporation and changes in them. You can think of the Corporation's net position—the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the Corporation's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

The Corporation's total net position is \$31.6 million. Our analysis below focuses on the Corporation's net position (Table 1) and changes in net position (Table 2) during the year.

Table 1
Schertz-Seguin Local Government Corporation's
Net Position

	2020	2019	2018
Current Assets	\$ 16,135,798	\$ 17,028,729	\$ 17,184,732
Restricted Assets	74,306,769	75,252,982	76,029,551
Net Property, Plant & Equipment	98,152,548	94,845,220	93,336,414
Other Assets	-	-	7,597
TOTAL ASSETS	188,595,115	187,126,931	186,558,294
Deferred Charge on Refunding	2,781,377	2,712,824	2,277,401
TOTAL DEFERRED OUTFLOWS	2,781,377	2,712,824	2,277,401
Current Liabilities	5,588,251	5,468,711	6,656,284
Revenue Bonds Payable	154,226,349	157,992,682	161,215,523
TOTAL LIABILITIES	159,814,600	163,461,393	167,871,807
Net Investment in Capital Assets	6,117,596	175,297	(2,296,656)
Restricted	7,815,465	8,318,209	7,559,142
Unrestricted	17,628,831	17,884,856	15,701,402
TOTAL NET POSITION	\$ 31,561,892	\$ 26,378,362	\$ 20,963,888

Changes in the Corporation's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Changes in Net Position for the year.

Table 2
Changes in Schertz-Seguin Local Government Corporation's
Net Position

	2020	2019	2018
Total Operating Revenues	\$ 19,499,178	\$ 18,485,988	\$ 18,447,823
Interest Income	810,812	1,960,714	1,190,130
TOTAL REVENUES	20,309,990	20,446,702	19,637,953
Total Operating Expenses	10,110,686	9,996,177	9,684,983
Interest Expense & Fiscal Agent Fees	4,658,091	4,713,034	5,201,020
Other Nonoperating Expenses	357,683	323,017	(41,109)
TOTAL EXPENSES	15,126,460	15,032,228	14,844,894
Change in Net Position	5,183,530	5,414,474	4,793,059
Net Position at Beginning of Year	26,378,362	20,963,888	16,170,829
TOTAL NET POSITION	\$ 31,561,892	\$ 26,378,362	\$ 20,963,888

Change in Net Position was \$5.2 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal year 2020, the Corporation had \$98.2 million, net of depreciation, invested in capital assets, including water treatment plants, water transmission and distribution mains, water storage facilities, pump stations as well as land. This is an increase of \$3.3 million due to current additions in excess of current depreciation. Several projects are still ongoing resulting in a balance of Projects in Progress of \$4.0 million. Accumulated Depreciation increased by \$2.5 million.

Table 3
Schertz-Seguin Local Government Corporation's Assets

	2020	2019	2018
Land	\$ 19,248,307	\$ 16,828,592	\$ 15,349,657
Water Distribution System	100,041,108	92,691,058	92,511,668
Buildings and Improvements	1,703,377	943,377	943,377
Equipment and Vehicles	649,954	618,807	608,891
Accumulated Depreciation	(27,458,980)	(24,927,525)	(22,414,736)
	94,183,766	86,154,309	86,998,857
Projects in Progress	3,968,782	8,690,911	6,337,557
Net Property, Plant & Equipment	\$ 98,152,548	\$ 94,845,220	\$ 93,336,414

Long Term Debt

At year-end, the Corporation had a total of \$153.2 million bonds outstanding as compared to \$159.1 million the previous year. During the current year, the Corporation issued Revenue Refunding Bonds, Series 2019 to refund the Revenue Bonds, Series 2012.

Table 4
Schertz-Seguin Local Government Corporation's
Long-Term Debt

	2020	2019	2018
Bonds Payable	\$ 153,235,000	\$ 159,140,000	\$ 163,030,000
Total Bonds Payable	\$ 153,235,000	\$ 159,140,000	\$ 163,030,000

Bond Ratings

The Corporation's bonds presently carry "AAA" ratings with underlying ratings as follows: Fitch "AA-" and Standard & Poors "A+".

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Corporation has secured SWIFT funding in the amount of \$66,500,000 for its current expansion project that includes the Guadalupe Project and a Parallel Pipeline from the booster pump station in Seguin to the terminus in Schertz. The Corporation owns property in Guadalupe County that includes well sites, a treatment plant site and one existing Carrizo well. Permits for production of groundwater from the Carrizo-Wilcox aquifer have been issued by the local groundwater conservation district. The Guadalupe Project consists of drilling new groundwater production wells, roads and pipelines for the new wells and a new water treatment facility. Construction of the Guadalupe Project will begin in 2021 with completion in 2022. Construction of the Parallel Pipeline Project will begin in 2021 with completion in 2022.
- Design is complete on the Guadalupe River Bridge Crossing Rehabilitation Project. This project includes replacement of the temporary Guadalupe River interconnection between SSLGC and the City of Seguin attached to the HWY 123 Bridge. Estimated costs of this project are approximately \$550,000 and the Repair and Replacement fund is being utilized for this project. The Construction of the Guadalupe River Bridge Crossing Rehabilitation Project will begin in 2021 with completion in early 2022.
- During 2022, SSLGC plans to begin the Rehabilitation of Existing Pressure Filters in Water Treatment Plant #1. This project includes the sand blasting and painting of the interiors and exteriors of the pressure filters (required every 10-12 years). All filter media must be removed and replaced during this process. The estimated project cost is \$4,883,000 and the Repair/Replacement fund will be utilized for this project.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Schertz-Seguin Local Government Corporation, General Manager, P. O. Box 833, Seguin, Texas 78156-0833.

BASIC FINANCIAL STATEMENTS

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
 COMPARATIVE STATEMENTS OF NET POSITION
 SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 14,103,879	\$ 14,505,979
Accounts Receivable	1,871,176	2,441,403
Other Receivables	79,763	18,332
Inventory	80,980	63,015
<i>Total Current Assets</i>	16,135,798	17,028,729
 <i>Restricted Assets:</i>		
Cash and Cash Equivalents	74,306,769	75,252,982
<i>Total Restricted Assets</i>	74,306,769	75,252,982
 <i>Property, Plant & Equipment:</i>		
Land	19,248,307	16,828,592
Water Distribution System	100,041,108	92,691,058
Buildings & Improvements	1,703,377	943,377
Equipment & Vehicles	649,954	618,807
Projects in Progress	3,968,782	8,690,911
Accumulated Depreciation	(27,458,980)	(24,927,525)
<i>Net Property, Plant & Equipment</i>	98,152,548	94,845,220
 Total Assets	188,595,115	187,126,931
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	2,781,377	2,712,824
Total Deferred Outflows of Resources	\$ 2,781,377	\$ 2,712,824

The accompanying notes are an integral part of these statements.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
 COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)
 SEPTEMBER 30, 2020 AND 2019

LIABILITIES	<u>2020</u>	<u>2019</u>
<i>Current Liabilities:</i>		
Accounts Payable - Trade	\$ 860,344	\$ 802,918
Accrued Interest Payable	855,944	855,107
Unearned Revenue	91,963	55,686
Current Portion of Revenue Bonds	<u>3,780,000</u>	<u>3,755,000</u>
<i>Total Current Liabilities</i>	<u>5,588,251</u>	<u>5,468,711</u>
Revenue Bonds Payable (Less Current Maturities and Net of Unamortized Discounts and Premiums)	<u>154,226,349</u>	<u>157,992,682</u>
Total Liabilities	<u>159,814,600</u>	<u>163,461,393</u>
NET POSITION		
Net Investment in Capital Assets	6,117,596	175,297
Restricted:		
Debt Service	1,454,888	1,342,955
Repairs and Replacement	500,000	500,000
Impact Fees	5,860,577	6,475,254
Unrestricted	<u>17,628,831</u>	<u>17,884,856</u>
Total Net Position	<u>\$ 31,561,892</u>	<u>\$ 26,378,362</u>

The accompanying notes are an integral part of these statements.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Operating Revenue		
Water Usage Fees	\$ 18,284,415	\$ 17,692,947
Rents, Royalties & Leases	391,255	122,996
Impact Fees	683,719	504,488
Management Services Provided	50,000	82,360
Miscellaneous Fees	89,789	83,197
Total Operating Revenues	19,499,178	18,485,988
 Operating Expenses		
<i>Operations & Maintenance:</i>		
Personnel Costs	1,141,382	1,076,171
Professional Services	289,678	192,108
Technical Services	331,491	470,826
Utilities	1,620,001	1,731,391
Repairs and Maintenance	781,600	720,393
General Supplies	597,115	514,700
Insurance	126,287	103,855
Other Operating Costs	61,420	79,627
<i>Total Operations & Maintenance</i>	4,948,974	4,889,071
 <i>Other Operating Expenses:</i>		
Amortization of Lease Acquisition Costs	-	7,597
Annual Lease Payments - Water Rights	2,630,257	2,586,720
Depreciation	2,531,455	2,512,789
<i>Total Other Operating Expenses</i>	5,161,712	5,107,106
 Total Operating Expenses	10,110,686	9,996,177
 Operating Income (Loss)	9,388,492	8,489,811
 Nonoperating Revenues (Expenses):		
Interest Income	810,812	1,960,714
Gain on Sale of Assets	-	73,471
Interest Expense and Fiscal Fees	(4,658,091)	(4,713,034)
Bond Issuance Costs	(357,683)	(396,488)
Total Nonoperating Revenues (Expenses)	(4,204,962)	(3,075,337)
 Change in Net Position	5,183,530	5,414,474
 Net Position - Beginning of Year	26,378,362	20,963,888
 Net Position - End of Year	\$ 31,561,892	\$ 26,378,362

The accompanying notes are an integral part of these statements.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities		
Cash Received From Customers	\$ 20,044,251	\$ 17,702,576
Cash Paid to Suppliers	<u>(7,539,770)</u>	<u>(8,721,024)</u>
Net Cash Provided (Used) by Operating Activities	<u>12,504,481</u>	<u>8,981,552</u>
 Cash Flows From Capital and Related Financing Activities		
Payments Toward Projects in Progress	(3,257,157)	(3,945,603)
Purchase of Land and Rights of Way	(2,419,715)	-
Purchase of Building & Improvements	(130,764)	(179,390)
Purchase of Equipment and Vehicles	(31,147)	(9,916)
Proceeds from Sale of Assets	-	186,785
Proceeds from Revenue Refunding Bonds	21,789,893	19,345,803
Payments to Escrow Agent to Refund Bond Issue	(22,138,393)	(19,679,632)
Bond Interest and Fiscal Fees Paid	(4,721,323)	(4,680,831)
Bond Principal Payment	<u>(3,755,000)</u>	<u>(3,685,000)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(14,663,606)</u>	<u>(12,647,784)</u>
 Cash Flows From Investing Activities		
Interest Received	<u>810,812</u>	<u>1,960,714</u>
Net Cash Provided (Used) by Investing Activities	<u>810,812</u>	<u>1,960,714</u>
 Net Increase (Decrease) In Cash and Cash Equivalents	 (1,348,313)	 (1,705,518)
Cash and Cash Equivalents at Beginning of Period	<u>89,758,961</u>	<u>91,464,479</u>
Cash and Cash Equivalents at End of Period	<u>\$ 88,410,648</u>	<u>\$ 89,758,961</u>
 Cash and Cash Equivalents as Reported on Balance Sheet:		
Cash and Cash Equivalents	\$ 14,103,879	\$ 14,505,979
Restricted Cash and Cash Equivalents	<u>74,306,769</u>	<u>75,252,982</u>
	<u>\$ 88,410,648</u>	<u>\$ 89,758,961</u>

The accompanying notes are an integral part of these statements.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
 COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
 YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating Income (Loss)	\$ 9,388,492	\$ 8,489,811
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided by Operating Activities:		
Amortization of Lease Acquisition Costs	-	7,597
Depreciation	2,531,455	2,512,789
(Increase) Decrease in Accounts Receivable	570,227	(803,313)
(Increase) Decrease in Other Receivables	(61,431)	30,367
(Increase) Decrease in Inventory	(17,965)	-
Increase (Decrease) in Accounts Payable	57,426	(1,245,233)
Increase (Decrease) in Unearned Revenue	36,277	(10,466)
Net Cash Provided (Used) by Operating Activities	\$ 12,504,481	\$ 8,981,552

The accompanying notes are an integral part of these statements.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Reporting Entity

The Schertz/Seguin Local Government Corporation was incorporated December 23, 1998 pursuant to the provisions of the Texas Transportation Corporation Act and the Texas Local Government Code. The Corporation was organized to aid, assist, and act on behalf of the Cities of Schertz and Seguin, collectively, in acquiring, constructing, improving or extending, and maintaining and operating a water utility system for public use.

The Corporation meets the criteria of a joint venture between the cities of Schertz and Seguin with an ongoing financial responsibility. The Cities have pledged revenues from existing water utility systems to finance the operations and long-term debt of the Corporation, either through purchasing water from the Corporation or subsidizing through direct payments (reflected as “Contributions from Participating Governments”). The Corporation continues to actively pursue the development of alternate water sources.

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Enterprise Fund

The Corporation is an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public. The activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

3. Basis of Accounting

The statements are presented on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is used whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

4. Cash and Cash Equivalents

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the Corporation. Cash and cash equivalents also include investments in local government pools because the pools seek to maintain a \$1 per share value and average dollar weighted maturity of not more than 90 days (see also Note A-5).

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019

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

5. Investments

Investments consist of certificates of deposit; investments in TexPool and MBIA Asset Management Group (public funds investment pools); and obligations of the U.S. government and its agencies. Investments are recorded at fair value, except for short-term (one year or less to maturity at time of purchase) participating interest-earning investment contracts which are reported at amortized cost. In addition, non-participating contracts (such as nonnegotiable certificates of deposit) are reported at amortized cost.

Following Statement No. 72, "Fair Value Measurement and Application," the Corporation categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

6. Accounts Receivable

Accounts receivable consists of amounts due from member entities and customers. Management considers all outstanding amounts to be collectible and has not recorded an allowance for doubtful accounts.

7. Inventory

Inventory of replacement parts for the water distribution system are valued at cost on a first-in, first-out basis.

8. Restricted Assets

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

Part of the agreement for bond proceeds from the Texas Water Development Board required reserve funds to be kept in a restricted bank account to serve as collateral. These funds are shown as Investments Held in Escrow and included as Cash and Cash Equivalents under the Restricted Assets on the Statement of Net Position.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2020 AND 2019

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

9. Property, Plant & Equipment

All purchased property, plant and equipment is valued at cost if purchased, and donated property is valued at the estimated fair market value on the date received. 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. Depreciation of exhaustible plant and equipment is charged as an expense against operations when the asset is placed in service and accumulated depreciation is reported on the balance sheet. Depreciation is provided in amounts sufficient to relate the cost of fixed assets to operations over their estimated service lives using the straight-line method. Estimated useful lives are as follows:

Fixed Asset	Useful Life (Years)
Utility Water System	10 - 50
Building and Improvements	40
Equipment and Vehicles	5 - 20

For the years ended September 30, 2020 and 2019, depreciation in the amount of \$2,531,455 and \$2,512,789, respectively, was recognized.

10. Lease Acquisition and Lease Costs

Costs incurred to purchase or lease property for its water rights are capitalized. Those costs include amounts paid to landowners to enter into the leases, and legal costs. The costs were amortized over the 10 year minimum lease term but became fully amortized as of September 30, 2019.

11. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation only has one item that qualifies for reporting in this category: deferred charge on refunding reported in the statement of position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

12. Unearned Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. The Corporation does not recognize revenues for Impact Fees until a work order has been approved. Therefore, fees received in advance of approved work orders are reflected as unearned revenue.

13. Long-Term Obligations

Long-term obligations are reported as liabilities in the Corporation's balance sheet. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019

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

14. Equity Classifications

Equity is classified as net position and displayed in three components:

- a. *Net Investment in Capital Assets* – Consists of capital assets (net of accumulated depreciation) and lease acquisition costs (net of accumulated amortization) and reduced by the outstanding balances of bonds (net of premiums and discounts) and short-term notes that are attributable to the acquisition, construction or improvement of those assets. As of September 30, 2020, total outstanding debt exceeded investment in capital assets due to annual depreciation and amortization charges exceeding principal repayments on bonded debt in early years of debt issuance schedules.
- b. *Restricted net position* – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Bond covenants require a Repairs and Replacement fund be maintained and funds restricted for that purpose. Additionally, the Impact Fee Resolution requires that fees be separated and restricted (along with investment earnings) to finance water facilities generated by new development.
- c. *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

15. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the Corporation, those revenues are charges for water provided to customers, and charges for use of property. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

16. Use of Estimates

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

NOTE B -- DEPOSITS AND INVESTMENTS

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized in the following paragraphs.

Deposits – All deposits with financial institutions must be fully collateralized. The collateral must be held by the pledging financial institution’s trust department or equivalent. As of September 30, 2020, the carrying amount of the Corporation’s deposits was \$216,539 and the bank balance was \$886,538. The bank balance was fully collateralized.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2020 AND 2019

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

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

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the Corporation adhered to the requirements of the Act. Additionally, investment practices of the Corporation were in accordance with local policies.

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

As of the end of the year (respectively), the Corporation had the following investments:

Investment Type	2020 Carrying Value	2019 Carrying Value
Local Government Investment Pools	\$ 25,502,168	\$ 27,488,313
FIMM Govt. Portfolio - Held in Escrow	62,691,941	62,190,957
	\$ 88,194,109	\$ 89,679,270

All of the Corporation’s investments are valued using prices quoted in active markets (Level 1 inputs) except for Certificates of Deposit which are recorded at amortized cost.

Credit Risk. The Corporation’s investment policy limits investments to obligations of the United States or its agencies and instrumentalities (maximum 95% of funds); direct obligations of the State of Texas; obligations of states, agencies, contracts, cities, and other political subdivisions rated as to investment quality of not less than AAA by a nationally recognized investment firm.

The Corporation may also invest up to 100% of its funds in government investment pools provided the pool maintains a AAA rating, the pool maintains a stable asset value, and the average dollar weighted maturity does not exceed 90 days. As of September 30, 2020, the Corporation had investments in TexPool and MBIA Texas Class Portfolio Holdings. The escrowed funds are invested in Fidelity Investments Money Market Government Portfolio – Class II, which also maintains a stable asset value (\$1 per share) and has an average dollar weighted maturity of less than 90 days. TexPool, MBIA Texas Class Portfolio Holdings, and FIMM Govt. Portfolio – Class II are rated AAAM by Standard and Poors.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2020, the Corporation was not subject to custodial credit risk.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019

NOTE C-- PROPERTY, PLANT & EQUIPMENT, AND LEASE ACQUISITION COSTS

The Corporation has acquired land and land leases for the purpose of establishing well sites and water treatment facilities. The Corporation has acquired over 4,000 acres to date for this purpose.

Changes in Land, Equipment & Vehicles, Projects in Progress, and Lease Acquisition costs are as follows:

	Balance 10/1/2019	Additions	(Retirements)	Balance 9/30/2020
Land and Rights of Way	\$ 16,828,592	\$ 2,419,715	\$ -	\$ 19,248,307
Water Distribution System	92,691,058	7,350,050	-	100,041,108
Buildings & Improvements	943,377	760,000	-	1,703,377
Equipment and Vehicles	618,807	31,147	-	649,954
Projects in Progress	8,690,911	3,257,157	(7,979,286)	3,968,782
Accumulated Depreciation	<u>(24,927,525)</u>	<u>(2,531,455)</u>	-	<u>(27,458,980)</u>
	94,845,220	11,286,614	(7,979,286)	98,152,548
Water Lease Acquisition Costs	853,994	-	-	853,994
Less Accumulated Amortization	<u>(853,994)</u>	<u>-</u>	<u>-</u>	<u>(853,994)</u>
Total Property, Plant & Equipment and Lease Acquisition Costs (Net)	<u>\$ 94,845,220</u>	<u>\$ 11,286,614</u>	<u>\$ (7,979,286)</u>	<u>\$ 98,152,548</u>

Land and Rights of Way, as well as, Projects in Progress are not depreciated.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019

NOTE D -- LONG-TERM DEBT

Following is a summary of the Corporation's long-term debt transactions for the year ended September 30, 2020:

	<u>Balance</u> 10/1/2019	<u>Additions</u>	<u>(Payments)/</u> <u>Amortization</u>	<u>Balance</u> 9/30/2020
Revenue Bonds, Series 2001 Original Issue \$41,040,000 3.70% to 5.375%	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000
Less Unamortized Discount	(41,206)	-	-	(41,206)
Contract Revenue Bonds, Series 2012 Original Issue \$25,425,000 2.00% to 4.00%	22,395,000	-	(22,395,000)	-
Plus Unamortized Premium	171,979	-	(171,979)	-
Revenue Refunding Bonds, Series 2014 Original Issue \$6,275,000 2.00% to 3.5%	3,610,000	-	(555,000)	3,055,000
Plus Unamortized Premium	125,102	-	(20,851)	104,251
Revenue Refunding Bonds, Series 2015 Original Issue \$41,720,000 2.00% to 5.00%	38,850,000	-	(775,000)	38,075,000
Plus Unamortized Premium	1,686,211	-	(67,448)	1,618,763
Contract Revenue Bonds, Series 2016, TWDB SWIRFT Original Issue \$43,670,000 0.66% to 3.11%	42,410,000	-	(1,240,000)	41,170,000
Board Participation Program Series 2016 Original Issue \$22,830,000 3.19% to 3.88%	22,830,000	-	-	22,830,000
Revenue Refunding Bonds, Series 2018 Original Issue \$19,045,000 3.00% to 5.00%	19,045,000	-	(515,000)	18,530,000
Plus Unamortized Premium	665,596	-	(31,696)	633,900
Revenue Refunding Bonds, Series 2019 Original Issue \$19,575,000 2.25% to 5.00%	-	19,575,000	-	19,575,000
Plus Unamortized Premium	-	2,572,576	(116,935)	2,455,641
	<u>\$ 161,747,682</u>	<u>\$ 22,147,576</u>	<u>\$ (25,888,909)</u>	<u>158,006,349</u>
Less Current Maturities				<u>(3,780,000)</u>
Net Long-Term Bonds Payable				<u>\$ 154,226,349</u>

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019

NOTE D -- LONG-TERM DEBT (Continued)

The Corporation has issued bonds 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 to bondholders. Under the intergovernmental water supply contract, the participating governments are unconditionally obligated to pay their respective shares of annual contract revenue bond debt service as operating expenses from their respective utility systems. The reserve fund requirement, which is average annual debt service, has been met with the purchase of a surety bond. As additional security for the bonds, the Corporation has established a reserve fund. The cash balance held in the reserve fund as of September 30, 2020 was \$1,361,147.

During the year ended September 30, 2020, the Corporation issued \$19,575,000 of revenue bonds to provide resources to purchase U.S. Government securities to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$21,725,000 of revenue bonds, Series 2012. As a result, the refunded portion of the Revenue Bonds, Series 2012 has been removed from the Statement of Net Position and is considered to be defeased.

The reacquisition price exceeded the net carrying amount of the old debt by \$241,414. This amount is amortized over the remaining life of the refunding debt. The refunding resulted in gross debt service savings of \$2,577,728, which provided a net present value benefit of \$1,894,648 (difference between the present values of the debt service payments on the old and new debt).

The total unamortized deferred loss on debt refunding is \$2,781,377 as of September 30, 2020 and is shown on the Statement of Net Position as a deferred outflow of resources.

The Corporation issued revenue bonds through the Board Participation Program with Texas Water Development Board in the amount of \$22,830,000 on November 1, 2016. The Corporation also issued revenue bonds through the Texas Water Development Board SWIRFT Project Financing in the amount of \$43,670,000 on November 1, 2016. The bonds were issued to fund development of a well field and water treatment plant known as the "Guadalupe Project" as well as develop a parallel pipeline. As of September 30, 2020, the Corporation has drawn \$6,020,000. The remaining funds after issuance costs are held in escrow by the Texas Water Development Board in the Corporation's name (see Note B). The bonds were privately placed with the Texas Water Development Board and contain no subjective acceleration clauses, events of default with finance-related consequences or termination events with finance-related consequences.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019

NOTE D -- LONG-TERM DEBT (Continued)

Annual Requirements to amortize all long-term debt outstanding as of September 30, 2020, including interest payments, are as follows:

Year Ending September 30	Public Offerings		
	Principal	Interest	Total
2021	\$ 2,530,000	\$ 3,794,200	\$ 6,324,200
2022	2,635,000	3,700,100	6,335,100
2023	2,735,000	3,605,387	6,340,387
2024	2,835,000	3,497,663	6,332,663
2025	2,955,000	3,381,732	6,336,732
2026 - 2030	17,630,000	14,653,756	32,283,756
2031 - 2035	22,520,000	9,797,815	32,317,815
2036 - 2040	27,915,000	4,377,300	32,292,300
2041 - 2044	7,480,000	246,800	7,726,800
	<u>\$ 89,235,000</u>	<u>\$ 47,054,753</u>	<u>\$ 136,289,753</u>

Year Ending September 30	Private Placement		
	Principal	Interest	Total
2021	\$ 1,250,000	\$ 1,146,494	\$ 2,396,494
2022	1,260,000	1,217,683	2,477,683
2023	1,270,000	1,287,645	2,557,645
2024	1,285,000	1,397,641	2,682,641
2025	1,300,000	1,506,056	2,806,056
2026 - 2030	6,775,000	9,503,741	16,278,741
2031 - 2035	7,805,000	11,569,872	19,374,872
2036 - 2040	13,985,000	6,703,608	20,688,608
2041 - 2045	16,790,000	3,923,683	20,713,683
2046 - 2050	10,445,000	1,311,636	11,756,636
2051	1,835,000	65,693	1,900,693
	<u>\$ 64,000,000</u>	<u>\$ 39,633,752</u>	<u>\$ 103,633,752</u>

The Corporation also entered into a Cost Allocation Agreement, along with the Cities of Schertz and Seguin, whereby the City of Schertz has agreed to fund 100% of the debt service for the bonds issued to fund the Guadalupe Project in exchange for delivery of sufficient water to Schertz. The agreement contains provisions for an annual review (with modifications as necessary), the possibility of other third-party users, and separate rates established for water produced by the project.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2020 AND 2019

NOTE E -- COMMITMENTS

Leases – Water Rights

The Corporation has entered into lease agreements with various land owners for rights of development, production, transportation, and use of ground water on the properties. In addition to incentive and acquisition costs (see Note A-10), the leases call for annual royalty payments based upon, at a minimum, the surface acres of the property times a royalty rate base amount (\$105 - \$125) adjusted for increases in the consumer price index. The minimum term of the leases is ten years, but if the Corporation continues the royalty payments, the leases remain in effect. Changes in maximum allowable production by the Gonzales County Underground Conservation District may decrease the future commitment for some leases.

As of September 30, 2020, the Corporation has leased a total of 18,761 acre feet. Total estimated annual costs of \$2,507,907 are expected for the year ended September 30, 2021, assuming the leases remain in effect beyond the initial minimum term.

Contract Commitments

The Corporation had the following outstanding contract commitments as of September 30, 2020:

	Original Commitment	Incurred to Date	Outstanding Commitment
Consulting	\$ 852,022	\$ 211,217	\$ 640,805
Engineering	3,960,815	1,088,379	2,872,436
Improvements & Repairs	2,078,730	1,007,221	1,071,509
Totals	\$ 6,891,567	\$ 2,306,817	\$ 4,584,750

Gonzales County Underground Water Conservation District Mitigation Fund

The Corporation has entered into an agreement with Gonzales County Underground Water Conservation District (GCUWCD) effective March 16, 2010 to fund a Mitigation Fund (the “Fund”) for the purpose of investigating and evaluating mitigation claims and implementing mitigation measures for qualifying wells in Western Gonzales County. Contributions to the Fund are in lieu of the Corporation’s obligation to perform its own mitigation under GCUWCD’s rules.

The Corporation’s initial fund principal is \$30 per acre foot of water authorized to be produced and transported. The initial contribution was \$530,860 and was recognized in prior financial statements as operating expenses of the system. In addition, the Corporation will pay a negotiated export fee surcharge of \$0.0175 per 1,000 gallons of water exported each calendar year, except the export fee surcharge shall not be imposed during the initial 3-year period of the agreement while the Fund Balance remains at or above \$250,000 as of each July 1st. As of July 1, 2019, the Fund Balance fell below \$250,000 and the Corporation was responsible for making an additional payment in the amount of \$61,852.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019

NOTE E -- COMMITMENTS (Continued)

Monitoring Well System Construction, Operations, and Maintenance Agreement

The Corporation has entered into an agreement with Gonzales County Underground Water Conservation District (GCUWCD) effective December 30, 2016 to fund the Corporation's percentage of a project (the "Project") for the construction of new monitoring wells in Gonzales County. Contributions to the Project are based on the number of monitoring wells that each contributing party is responsible for as determined in the agreement.

The Corporation's required contribution represents 21.05% of the total cost of the project and is equal to \$192,608. The total contribution will be paid in three installments related to the completion of each phase of the Project. There were no costs incurred for the year ended September 30, 2020. Total payments made by the Corporation as of September 30, 2020 are \$162,196.

San Antonio Water System Contract

The Corporation has entered into a Mutual Regional Water Supply Contract with San Antonio Water System (SAWS) whereby SAWS intends to deliver untreated groundwater to the Corporation, and the Corporation will deliver treated water to SAWS. The Corporation and SAWS have determined that significant efficiencies can be achieved through the agreement.

Pursuant to the agreement, SAWS has unconditionally agreed, on a take-or-pay basis, to pay the Corporation an amount equal to the debt service payments on the Contract Revenue Bonds, Series 2012. The water supply contract specifies that the agreement does not create any legal or equitable interest in the land or equipment to be purchased by the Corporation with the proceeds of the bonds. Under the take-or-pay agreement, SAWS will make monthly payments toward the debt service regardless of whether SAWS takes any water from the Corporation. For the year ended September 30, 2020, total payments received from SAWS for water treatment, water purchases and debt service were \$5,981,481.

NOTE F -- CONTINGENCIES

Contractual Contingencies

The Corporation has entered into contracts with the cities of Selma and Universal City (referred to as "Customers") to provide supplemental water to those cities' existing systems. The contracts call for connection fees in the amount of \$2,270,171 from each customer. The Corporation has agreed to provide a conditional right to each customer of 400 acres of land with water rights in the Carrizo Aquifer well field in Gonzales County, owned by the Corporation. At the election of the Corporation, or in the event the Corporation dissolves, the title to 400 acres will be transferred to the customer. The Corporation's contingent commitment does not restrict the Corporation's right to buy and sell real estate as long as the Corporation's holdings in Gonzales County do not fall below the amount necessary to fulfill this obligation.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019

NOTE F -- CONTINGENCIES (Continued)

Litigation

The Corporation filed a lawsuit against the Post Oak Clean Green, Inc. (POCG) to prevent them from getting a permit and building a landfill in the aquifer recharge zone. As of the date of this report, the litigation is ongoing as the Corporation is appealing the permit approved by Texas Commission on Environmental Quality. Management is of the opinion that any proceedings known to exist as of September 30, 2020 are not likely to have a material adverse effect on the Corporation's financial position.

NOTE G -- RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and other claims of various natures. The Corporation contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty. The provider is a multi-employer group that provides a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by TML. Liability for the Corporation is generally limited to the contributed amounts.

NOTE H -- MANAGEMENT SERVICES AGREEMENT

The Corporation operates under a Management Services Agreement with the City of Seguin whereby the City provides all financial administrative duties (including bookkeeping and record retention, purchasing, and monitoring contracts approved by the Board or General Manager) on a cost reimbursement basis. In addition, all personnel of the Corporation are employees of the City of Seguin and participate in and are subject to City policies and benefits, with the exception of the General Manager, who is an employee of the City of Schertz.

The Corporation also provided financial and administrative duties (including bookkeeping and record retention, purchasing, and monitoring contracts approved by the Board or General Manager) on a cost reimbursement basis under a Management Services Agreement with the Cibolo Valley Local Government Corporation through September 30, 2020. Funds received from the Cibolo Valley Local Government Corporation for Management Services have been shown as operating revenue on the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE I -- SOLAR LEASE AGREEMENT

The Corporation entered into a solar lease agreement with Elm Creek Energy, LLC (the Tenant) effective June 30, 2020. The agreement establishes a development term that began on the effective date and shall continue until the earlier of either the Generation Commencement Date or the fifth anniversary of the effective date. At that time the agreement begins an operations term for forty years. The tenant will be granted easement of 5,791.74 acres in Gonzales County for the purpose of generating solar energy. During the development term, the tenant agrees to pay between \$40 and \$75 per acre of applicable acreage each year. During the operations term, then tenant agrees to pay annually an amount equal to the greater of (a) \$725 multiplied by the applicable acreage, which amount shall escalate at 1.25% each year, or (b) 3.50% of gross revenues received by the tenant, which percentage shall escalate in increments of 0.5% every five years.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019

NOTE J -- SUBSEQUENT EVENT

Subsequent to year end, the Corporation awarded the contract for construction of the 36" Parallel Pipeline Project to Garney Companies in the amount of \$26,603,884.



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APPENDIX F

Certain Provisions of the Resolution

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APPENDIX F

CERTAIN PROVISIONS OF THE RESOLUTION

The following constitutes a summary of certain selected provisions of the Resolution. This summary should be qualified by reference to other provisions of the Resolution referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Resolution in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Resolution, a copy of which may be obtained from the City.

SECTION 9: Definitions. For all purposes of this Resolution (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 36 and 53 of this Resolution have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Resolution to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Resolution as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Section or other subdivision.

A. The term *Additional New Series Bonds* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the Corporation that are payable wholly or in part from and equally and ratably secured by a lien and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is immediately junior and inferior to the lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds until such time as no Priority Bonds remain Outstanding (at which point all New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments), but senior and superior to the lien thereon and pledge thereof of any additional Corporation obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments that is subordinate and inferior to the lien thereon and pledge thereof securing the repayment of any New Series Bonds and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a lien on and pledge of the of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, as determined by the Corporation in accordance with applicable law, on parity with the lien thereon and pledge thereof securing the other New Series Bonds then-Outstanding.

B. The term *Additional Priority Bonds* shall mean any bonds, notes, warrants, or other evidences of indebtedness (including those issued for the purpose of refunding previously issued bonds, notes, or other evidences of indebtedness) which the Corporation reserved the right to issue under the Priority Bonds Resolutions the repayment of which is secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is on parity with the lien thereon and pledge thereof securing the repayment of the Priority Bonds.

C. The term *Additional Obligations* shall mean collectively, any Prior Lien Obligations, Junior Lien Obligations, or Inferior Lien Obligations hereafter issued by the Corporation.

D. The term *Annual Payments* shall mean the payments, including the Bond Payment, Operation and Maintenance Expenses, and Overhead Expenses, that the Corporation expects to receive from the Cities pursuant to the terms of the Contract.

E. The term *Authorized Officials* shall mean the Board President, Board Secretary, and/or the General Manager.

F. The term *Average Annual Debt Service Requirements* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements on all outstanding Priority Bonds and New Series Bonds when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirement by the number of Fiscal Years then remaining before Stated Maturity of such Priority Bonds and New Series Bonds. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

G. [The term ___ shall mean _____, or any successor thereto].

H. The term *Bond Fund* shall mean the special Fund or account created and established by the provisions of Section 13 of this Resolution.

I. The term *Bond Payment* shall have the meaning ascribed thereto in the Contract.

J. The term *Bonds* shall mean the \$_____ “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, TAXABLE NEW SERIES 2022”, dated January 15, 2022, authorized by this Resolution and issued by the Corporation as the fifth series of New Series Bonds.

K. The term *Closing Date* shall mean the date of physical delivery of the Initial Bonds for the payment in full by the Purchasers.

L. The term *Contract* shall mean the Regional Water Supply Contract, dated as of November 15, 1999, together with amendments and supplements thereto (which by the term of such instrument is designated as a supplement to such Contract), a conformed copy of such Contract being attached hereto as Exhibit G for the purposes of identification.

M. The term *Corporation* shall mean Schertz/Seguin Local Government Corporation and any other nonprofit corporation, public agency, or other entity succeeding to the powers, rights, privileges and functions of the Corporation and, when appropriate, the Board of Directors of the Corporation.

N. The term *Credit Agreement* shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap

agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the Corporation as a Credit Agreement in connection with the authorization, issuance, security, or payment of any Bond.

O. The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations under and pursuant to Texas law, or (ii) a letter or line of credit issued by any financial institution authorized under applicable Texas law to deliver such types of financial instrument.

P. The term *Credit Provider* shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

Q. The term *Debt Service Requirements* shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the Corporation as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the “Revenue Bond Index” or, if such Revenue Bond Index is no longer being maintained by *The Bond Buyer* (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds or in the manner permitted under Section 1371.057(c), as amended, Texas Government Code as the same relates to interim or non-permanent indebtedness, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any Credit Agreement in the form of an interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the Corporation under such hedge agreement from the amounts payable by the Corporation under such hedge agreement and such obligations.

R. The term *Depository* shall mean an official depository bank of the Corporation.

S. The term *Fiscal Year* shall mean the twelve month accounting period used by the Corporation in connection with the operation of the System, currently ending on September 30th of each year, which may be any twelve consecutive month period established by the Corporation, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

T. The term *Government Securities*, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the

United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

U. The term *Gross Revenues* shall mean all income and increment, including, but not limited to, any revenues, income, or connection fees which may be derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired, including payments pursuant to the Contract (excluding the Bond Payment portion of the Annual Payments), but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the Corporation's Special Project Bonds issued particularly to finance certain facilities (even though the facilities to be financed with the Special Project Bonds are physically connected to the System) needed in performing any such contract or contracts; provided, however, that the Board of Directors of the Corporation may utilize any revenues, including those generated by the Contract, in excess of the debt service requirements on the New Series Bonds for any lawful purpose in accordance with this Resolution and the Contract.

V. The term *Holder* or *Holder*s shall mean the registered owner, whose name appears in the Security Register, for any Bond.

W. The term *Inferior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other obligations hereafter issued by the Corporation payable wholly or in part from a pledge of and lien on Net Revenues of the System, all as further provided in Section 21 of this Resolution, which is subordinate and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the Corporation, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

X. The term *Insurance Policy* means each insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

Y. The term *Insured Obligations* shall mean those Bonds covered by the Insurance Policy, for so long as the same remains valid, in force, and in effect.

Z. The term *Insurer* means _____, or its successors or assigns.

AA. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being February 1 and August 1 of each year, commencing August 1, 2022, while any of the Bonds remain Outstanding.

BB. The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the Corporation that are payable wholly or in part from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, all as further provided in Section 21 of this Resolution and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

CC. The term *Late Payment Rate* means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (*Prime Rate*) (any change in such Prime Rate to be effective on the date such change is publically announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates, including Chapter 1204, as amended, Texas Government Code. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as [BAM], in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to [BAM] shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

DD. The term *Maintenance and Operating Expenses* shall mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the Corporation's System, including the cost of purchasing water, paying necessary wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operating expenses of the System, including Operation and Maintenance Expenses and Overhead Expenses (each as defined in the Contracts).

EE. The term *Operation and Maintenance Expenses* shall have the meaning ascribed thereto in the Contract.

FF. The term *Overhead Expenses* shall have the meaning ascribed thereto in the Contract.

GG. The term *Net Revenues* shall mean Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operating Expenses during such period.

HH. The term *New Series Bonds* shall mean the currently outstanding New Series Bonds heretofore issued, the Bonds, and any Additional New Series Bonds hereafter issued, designated as:

(1) \$6,275,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, NEW SERIES 2014”, dated September 1, 2014;

(2) \$41,720,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT AND REFUNDING BONDS, NEW SERIES 2015”, dated December 1, 2014;

(3) \$43,670,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, NEW SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)”, dated August 1, 2016;

(4) \$22,830,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION TEXAS WATER DEVELOPMENT BOARD PARTICIPATION PROGRAM 2016”, dated November 1, 2016; and

(5) \$19,045,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, NEW SERIES 2018”, dated November 15, 2018.

II. The term *Outstanding* shall mean when used in this Resolution with respect to Bonds means, as of the date of determination, all Bonds issued and delivered under this Resolution, except:

(1) those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds for which payment has been duly provided by the Corporation in accordance with the provisions of Section 38 of this Resolution by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Resolution or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 34 of this Resolution.

JJ. The term *Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other evidences of indebtedness which the Corporation reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 20 of this Resolution and which are equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and secured by a first and prior lien on and pledge of the Net Revenues as determined by the Board in accordance with applicable law.

KK. The term *Priority Bonds* shall mean those obligations heretofore issued by the Corporation and that remain Outstanding after the issuance of the Bonds and the refunding of the Refunded Obligations, which Outstanding obligations are payable from and secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments, which lien and pledge is senior and superior to the lien thereon and pledge thereof securing the repayment of the New Series Bonds, being the:

(1) \$41,040,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2001”, dated February 1, 2001.

LL. The term *Purchasers* shall mean the initial purchaser or purchasers of the Bonds named in Section 35 of this Resolution.

MM. The term *Rating Agency* shall mean any nationally recognized securities rating agency which has assigned a rating to the Bonds.

NN. The term *Renewal and Replacement Fund* shall mean the special fund, creation and establishment under the Priority Bonds Resolutions of which is recognized by the Corporation in Section 15 of this Resolution.

OO. The term *Resolution* shall mean this resolution adopted by the Board on December 16, 2021.

PP. The term *Special Project Bonds* shall mean bonds which the Corporation expressly reserves the right to issue in Section 22 of this Resolution.

QQ. The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on February 1 of each year, as set forth in Section 2 of this Resolution.

RR. The term *Surety Policy* shall mean a bond insurance policy, letter of credit, or other agreement or instrument whereby the Corporation is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument.

SS. The term *System* shall mean the works, improvements, facilities, plants, equipments, appliances, property, easements, leaseholds, licenses, privileges, right of use or enjoyment, contract rights or other interests in property comprising the utility system of the Corporation, including the Project, now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, or the utility system of any other entity to which the Corporation has contractual rights of use, except the facilities which the Corporation may purchase or acquire with the proceeds of the sale of Special Project Bonds, so long as such Special Project Bonds are outstanding, notwithstanding that such facilities may be physically connected with the System.

TT. The term *TWDB* shall mean the Texas Water Development Board or any successor entity thereof.

UU. The term *TWDB Program* shall have the meaning ascribed in Section 59 of the Resolution.

SECTION 10: Pledge of the Bond Payment Portion of the Annual Payments; Availability of Net Revenues for Payment; Perfection of Security Interest.

A. The Corporation hereby covenants and agrees that the Bond Payment portion of the Annual Payments, subject (but only subject) to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, is hereby irrevocably pledged to the payment and security of the New Series Bonds including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, as hereinafter provided. It is hereby resolved that the New Series Bonds, and the interest thereon, shall constitute a lien on and pledge of the Bond Payment portion of the Annual Payments (subject only to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds) and shall be valid and binding without any physical delivery thereof or further act by the Corporation. This lien on the Bond Payment portion of the Annual Payments for the payment and security of the New Series Bonds, as heretofore described, shall be subject only to the first and prior lien thereon and pledge thereof securing the currently outstanding Priority Bonds and, at such time as no Priority Bonds are Outstanding, the lien on and pledge of the Bond Payment Portion of the Annual Payments securing the repayment of the New Series Bonds hereby created shall be elevated to a first and prior lien position such that this lien and pledge shall be prior in right and claim as to any other indebtedness, liability, or obligation of the Corporation or the System.

B. As an additional source of payment of debt service on the New Series Bonds, but not pledged as additional security therefor, the Corporation hereby reserves the right to utilize its Net Revenues for such lawful purpose, but any use of Net Revenues for the payment of New Series Bonds debt service shall be subject to the prior lien on and pledge of the Net Revenues securing the payment of any Additional Obligations hereafter issued by the Corporation.

C. Chapter 1208, as amended, Texas Government Code applies to the issuance of the New Series Bonds and the pledge of Bond Payment portion of the Annual Payments granted by the Corporation under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the New Series Bonds are outstanding and unpaid such that the pledge of the Bond Payment portion of the Annual Payments granted by the Corporation is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the New Series Bonds the perfection of the security interest in this pledge, the Corporation agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges. For the benefit of the Holders of the New Series Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Resolution, the Corporation hereby expressly stipulates and agrees, while any of the New Series Bonds are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and

experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

A. To pay all Maintenance and Operating Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;

B. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Prior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Prior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on and pledge of the Net Revenues of the System;

C. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Junior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior and inferior lien on and pledge of the Net Revenues of the System;

D. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Inferior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Inferior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a subordinate and inferior lien on and pledge of the Net Revenues of the System;

E. To produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the currently outstanding Priority Bonds as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account, including the Priority Bonds' debt service and debt service reserve funds and the Renewal and Replacement Fund heretofore created and established for the payment and security of the Priority Bonds; and

F. To produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the New Series Bonds as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account, including the Bond Fund created herein and any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds, created and established for the payment and security of the New Series Bonds.

SECTION 12: System Fund. The Corporation hereby ratifies, confirms and herein assumes the application for so long as any New Series Bonds are Outstanding its prior covenants and agreements made in the Priority Bonds Resolution that the Gross Revenues of the System shall be deposited, as collected and received, into a separate Fund or account previously created, established, and maintained with the Depository known as the "Schertz/Seguin Local Government

Corporation Revenue Fund” (the *System Fund*) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the Corporation. The Corporation covenants that the Overhead Expenses and Operation and Maintenance Expenses (each as defined in the Contract) shall be deposited upon receipt by the Corporation into the System Fund. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

- FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute, to be a first charge on and claim against the Gross Revenues of the System.
- SECOND: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Prior Lien Obligations hereafter issued by the Corporation as the same become due and payable.
- THIRD: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Junior Lien Obligations hereafter issued by the Corporation as the same become due and payable.
- FOURTH: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Inferior Lien Obligations hereafter issued by the Corporation as the same become due and payable.
- FIFTH: to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds and the Renewal and Replacement Fund created and established for the payment and security of the currently outstanding Priority Bonds.
- SIXTH: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund created herein and any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds, created and established for the payment and security of the New Series Bonds.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Corporation purpose now or hereafter permitted by law.

SECTION 13: Bond Fund; Surplus Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the New Series Bonds as the same become due and payable, the Corporation agrees to maintain, at the Depository, a separate and special Fund or account previously created and known as the “Schertz/Seguin Local Government Corporation Contract Revenue Refunding Bonds, Taxable New Series Interest and Sinking Fund” (the *Bond Fund*). The Corporation covenants that the Bond Payment portion of the Annual Payments shall be deposited upon receipt by the Corporation into the Bond Fund. The Authorized Officials covenant that there

shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Bond Payment portion of the Annual Payments an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and the principal of the New Series Bonds then falling due and payable, such deposits to pay maturing principal and accrued interest on the New Series Bonds to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers. If the Bond Payment portion of the Annual Payments in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month. For the avoidance of doubt, and for purposes of clarity, the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract shall be utilized by the Corporation, as received, in the following manner for so long as any Priority Bonds remain Outstanding:

- **FIRST:** to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds created and established for the payment and security of the currently outstanding Priority Bonds and the Renewal and Replacement Fund, in the times and in the amounts (if at all) specified in the Priority Bonds Resolution.
- **SECOND:** to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund, created and established for the payment and security of the New Series Bonds (and including any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds).

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the New Series Bonds shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all outstanding New Series Bonds (principal and interest) or (ii) the New Series Bonds are no longer Outstanding.

Accrued interest received from the Purchasers, as well as any Net Revenues deposited to the Bond Fund at the Corporation's discretion, shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments. Additionally, any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments.

SECTION 14: Reserve Fund. The Corporation hereby reserves the right to establish, at the time of issuance of any series of Additional New Series Bonds, a debt service reserve fund, as either a segregated fund created for the benefit of a particular series of Additional New Series Bonds or a combined fund applicable to all New Series Bonds at such time Outstanding, and to provide for the funding of any such debt service reserve fund in the manner (which may be in any manner then or thereafter permitted by applicable law) and amount as prescribed in the Corporation resolution authorizing the issuance of the series of Additional New Series Bonds in conjunction

with which such reserve fund is created. No debt service reserve was created in the issuance of the currently outstanding Priority Bonds, the currently outstanding New Series Bonds, and no debt service reserve is created in connection with the issuance of the Bonds.

SECTION 15: Renewal and Replacement Fund. There has been previously created and established under the Priority Bonds Resolutions that there shall be maintained at the Depository, and accounted for separate and apart from all other funds of the Corporation a separate fund entitled the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds Renewal and Replacement Fund” (the *Renewal and Replacement Fund*). The amount deposited initially into the Renewal and Replacement Fund from proceeds of the previously issued Priority Bonds was \$500,000.00 (the *Emergency Amount*) which amount may not be decreased while any Priority Bonds are Outstanding. The Renewal and Replacement Fund shall be used for the purpose of (1) paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or (2) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, or (3) paying unexpected or extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, or (4) paying the debt service requirements on the currently outstanding Priority Bonds for which other System revenues are not available, or (5) for any other lawful purpose in support of the System.

Though it has not exercised such right with respect to the issuance of the Bonds, the Corporation hereby reserves the right to provide, in any prospective Corporation resolution authorizing the issuance of any series of Additional New Series Bonds, for an increase in the amount to be maintained from time to time in the Renewal and Replacement Fund and to provide that the amounts on deposit from time to time in the Renewal and Replacement Fund shall be available to pay debt service on the New Series Bonds *subject* to the prior use of any such proceeds to pay debt service on any Priority Bonds at such time Outstanding. Such Corporation resolution shall provide for the manner of funding any resultant increase in the amount to be accumulated and maintained in the Repair and Replacement Fund in a manner permitted under the Priority Bonds Resolutions and other applicable law and that is not in conflict with terms and provisions of this Resolution.

SECTION 16: Deficiencies - Excess Net Revenues. If on any occasion there shall not be a sufficient amount of the Bond Payment portion of the Annual Payments to make the required deposits into the Bond Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Bond Payment portion of the Annual Payments, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months. Subject to making the required deposits to any funds or accounts securing any Additional Obligations or Priority Bonds, when and as required by any Corporation resolution authorizing a series of Additional Obligations or any Priority Bonds Resolution, respectively, the excess Net Revenues of the System may be used by the Corporation for any lawful purpose including, but not limited to, the payment of debt service on or redemption of any Bonds.

SECTION 17: Payment of Bonds. While any of the New Series Bonds are Outstanding, any Authorized Official shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the New Series Bonds as such installment accrues or

matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the New Series Bonds at the close of the business day next preceding the date a debt service payment is due on the New Series Bonds.

SECTION 18: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Resolution shall, at the option of the Corporation, be invested as permitted by the provisions of the Public Funds Investment Act (codified at Chapter 2256, as amended, Texas Government Code), or any other law, and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the New Series Bonds.

SECTION 19: Issuance of Additional Bonds.

A. The Corporation hereby covenants to not issue any Additional Priority Bonds.

B. In addition to the right to issue bonds of inferior lien as authorized by the laws of this State, the Corporation reserves the right hereafter to issue Additional New Series Bonds. The Additional New Series Bonds, when issued, shall be payable from and secured by a lien on and pledge of the Bond Payment portion of the Annual Payments in the same manner and to the same extent as are the New Series Bonds at such time Outstanding and such Additional New Series Bonds and New Series Bonds at such time Outstanding shall in all respects be of equal dignity. The Additional New Series Bonds may be issued in one or more installments provided, however, that no Additional New Series Bonds, shall be issued unless and until the following conditions have been met:

(1) The Corporation is not then in default as to any covenant, condition or obligation prescribed in any Priority Bonds Resolution authorizing the issuance of Priority Bonds at such time outstanding and any resolution authorizing the issuance of the New Series Bonds at such time Outstanding or the Contract (including any amendment or supplement thereto).

(2) A consulting engineer certifies to the Corporation the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the Project, if new money bonds are being issued.

(3) The Cities shall have approved the resolution(s) authorizing the issuance of the Additional New Series Bonds as to form and content and acknowledged that the payment of principal of and interest on such Additional New Series Bonds is payable, in whole or in part, from the Bond Payment portion of the Annual Payments to be made by the Cities to the Corporation under and pursuant to the Contract.

(4) The Additional New Series Bonds are made to mature on February 1 or August 1 or both in each of the years in which they are scheduled to mature.

(5) The resolution authorizing the issuance of the Additional New Series Bonds provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional New Series Bonds as the same become due.

Outstanding New Series Bonds may be refunded (pursuant to any law then available) upon such terms and conditions as the governing body of the Corporation may deem to the best interest of the Corporation.

SECTION 20: Issuance of Prior Lien Obligations. The Corporation also reserves the right to issue Prior Lien Obligations that are payable from and secured by a first and prior lien and pledge of the Net Revenues of the System. The Corporation covenants and agrees, however, it will not issue any Prior Lien Obligations unless:

A. Except for a refunding to cure a default, the Corporation is not then in default as to any covenant, condition or obligation prescribed by the resolutions authorizing the issuance of New Series Bonds.

B. Each of the funds created solely for the payment of principal of and interest on the then-outstanding Priority Bonds and any New Series Bonds contains the amounts of money then-required to be on deposit therein.

In addition, the Prior Lien Obligations may be refunded pursuant to any law then available upon such terms and conditions as the Board may deem to be in the best interest of the Corporation and its inhabitants.

SECTION 21: Obligations of Inferior Lien and Pledge. The Corporation hereby reserves the right to issue, at any time, obligations including, but not limited to, Junior Lien Obligations and Inferior Lien Obligations payable from and secured, in whole or in part, by a lien on and pledge of the Net Revenues of the System, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations hereafter issued by the Corporation as may be authorized by the laws of the State of Texas.

SECTION 22: Special Project Bonds. The Corporation further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of utility facilities necessary under a contract or contracts with

persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The Corporation further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner or as otherwise permitted by the laws of the State.

SECTION 23: Maintenance of System - Insurance. The Corporation covenants, agrees, and affirms its covenants that while the New Series Bonds remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the New Series Bonds until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Resolution shall be construed as requiring the Corporation to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the Corporation from doing so.

SECTION 24: Records and Accounts - Annual Audit. The Corporation covenants, agrees, and affirms its covenants that so long as any of the New Series Bonds remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto as provided by applicable law. The Holders of the Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The Corporation further agrees that following (and in no event later than 120 days after) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. A copy of each annual audit shall be made publically available in the manner described in Section 53 hereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 25: Sale or Encumbrance of System. While any New Series Bonds remain Outstanding, the Corporation will not sell, dispose of or, except as permitted in Sections 18, 19, 20, 21, and 59, further encumber the System or any substantial part thereof; provided, however, that this provision shall not prevent the Corporation from disposing of any of the System which is being replaced or is deemed by the Corporation to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the Corporation contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

SECTION 26: Competition. To the extent it legally may, the Corporation will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.

SECTION 27: Special Covenants. The Corporation further covenants and agrees that:

A. Encumbrance and Sale.

(1) The Annual Payments and the Net Revenues have not in any manner been pledged to the payment of any debt or obligation of the Corporation except with respect to the currently outstanding Priority Bonds; and while any of the New Series Bonds are Outstanding, the Corporation will not, except as provided in this Resolution, additionally encumber any portion of the Annual Payments or the Net Revenues.

(2) While the New Series Bonds are Outstanding, and except as specifically permitted in Section 18, 19, 20, 21, and 59 of this Resolution, the Corporation shall not mortgage, pledge, encumber, sell, lease, or otherwise dispose of or impair its title to the System or any significant or substantial part thereof.

B. Title. Subject to the provisions of Section 59 of the Resolution, the Corporation or the Cities lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its System is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the System, and it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the owners of the New Series Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Bond Payment portion of the Annual Payments to the payment of the New Series Bonds, in the manner prescribed herein, and that it has lawfully exercised such rights.

(i) Liens. The Corporation will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its System, and it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its System, provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the Corporation.

(ii) Performance. The Corporation will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Contract and in the resolutions authorizing the issuance of New Series Bonds, and in each and every New Series Bond and pay from the Bond Payment portion of the Annual Payments the principal of and interest on every New Series Bond (subject to the payment obligations relating to the currently outstanding Priority Bonds, as specified in the Priority Bonds Resolutions) on the dates and in the places and manner prescribed in such resolutions and New Series Bonds; and that it will, at the times and in the manner prescribed (and subject to the payment requirements applicable to the currently outstanding Priority Bonds, as specified

in the Priority Bonds Resolutions), deposit or cause to be deposited from the Bond Payment portion of the Annual Payments the amounts required to be deposited into the Bond Fund; and the Holder of the Bonds may require the Corporation, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional New Series Bonds including, but without limitation, the use and filing of mandamus proceedings, in any court or competent jurisdiction, against the Corporation, its officials, agents, and employees.

(iii) Legal Authority. The Corporation is duly authorized under the laws of the State of Texas to issue the Bonds; that all action on its part for the authorization and issuance of the Bonds has been duly and effectively taken, and the Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the Corporation in accordance with their terms.

(iv) Budget. The Corporation will prepare, adopt, and place into effect an annual budget (the *Annual Budget*) for operation and maintenance of the System for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a utility system budget under generally accepted accounting procedures.

(v) Permits. The Corporation will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the System and which have been obtained from any governmental agency; and the Corporation has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the System.

SECTION 28: Limited Obligations of the Corporation. The Bonds are limited, special obligations of the Corporation payable from and equally and ratably secured, together with the currently outstanding New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, solely by a lien on and pledge of the Bond Payment portion of the Annual Payments at the level of priority specified in Section 10 hereof, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds from any funds raised or to be raised through taxation by the Corporation.

SECTION 29: Security of Funds. All money on deposit in the Funds or accounts for which this Resolution makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and money on deposit in such Funds or accounts shall be used only for the purposes permitted by this Resolution.

SECTION 30: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the Corporation covenants and agrees particularly that in the event the Corporation (a) defaults in the payments to be made to the Bond Fund or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Resolution, the Holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Corporation and other officers of the Corporation to observe and perform any covenant,

condition, or obligation prescribed in this Resolution or in the Contract. In addition, the Holders shall be entitled to exercise any rights of enforcement against the Cities, as provided in the Contract.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

SECTION 31: Notices to Holders Waiver. Wherever this Resolution provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first-class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Resolution provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

APPENDIX G

Form of Legal Opinion of Bond Counsel

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February __, 2022

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IN REGARD to the authorization and issuance of the “Schertz/Seguin Local Government Corporation Contract Revenue Refunding Bonds, Taxable New Series 2022” (the *Bonds*), dated January 15, 2022, in the principal amount of \$ _____, we have reviewed the legality and validity of the issuance thereof by the Schertz/Seguin Local Government Corporation (the *Corporation*), which 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 of 2023 through 2044, 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 resolution (the *Resolution*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Resolution.

WE HAVE SERVED AS BOND COUNSEL for the Corporation solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas 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 Corporation or the Cities (as defined herein) or their respective utility systems. We have not assumed any responsibility with respect to the financial condition or capabilities of the Corporation or the Cities 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 Corporation’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 Corporation in connection with the issuance of the Bonds, including the Resolution, the Regional Water Supply Contract dated as of November 15, 1999 (the *Contract*) between the Corporation, the City of Seguin, Texas (*Seguin*), and the City of Schertz, Texas (*Schertz*, and together with Seguin, the *Cities*), the Escrow and Trust Agreement (the *Escrow Agreement*) between the Issuer and Zions Bancorporation, National Association, Houston, Texas (the *Escrow Agent*), and a special report (the *Report*) of Ritz & Associates PA (the *Verification Agent*) concerning the sufficiency of the cash deposited with the Escrow Agent; (2) the legal opinions of the Schertz City Attorney, the Seguin City Attorney, and the General Counsel to the Corporation; (3) customary certifications and opinions of officials of the Corporation and the Cities and certificates executed by officers of the Corporation and the Cities relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Corporation, and to certain other facts solely within the knowledge and control of the Corporation and the Cities; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the

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Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas in connection with the authorization and issuance of “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, TAXABLE NEW SERIES 2022”

Corporation, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with the 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, the resolution authorizing their issuance, and in accordance with the provisions of Chapter 22, as amended, Texas Business Organizations Code and Chapter 1201, as amended, Texas Government Code (incorporated by reference, respectively, under Sections 431.006 and 431.070, as amended, Texas Transportation Code). In rendering this opinion, we have relied upon the Report of the Verification Agent concerning the sufficiency of 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 by the Corporation in compliance with the Constitution and laws of the State of Texas now in force, and the Bonds issued in compliance with the provisions of the Resolution are valid, legally binding and enforceable special obligations of the Corporation payable, together with any the currently outstanding New Series Bonds, solely from and equally and ratably secured by a lien on and pledge of the Bond Payment portion of the Annual Payments to be received by the Corporation from the Cities pursuant to the Contract that is junior and inferior to the lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, together with certain other funds on deposit in the accounts established in the Resolution, 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 do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Corporation, except with respect to the Bond Payment portion of the Annual Payments. The holder of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation. In the Resolution, the Corporation retains the right to issue Additional New Series Bonds and Additional Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas in connection with the authorization and issuance of “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, TAXABLE NEW SERIES 2022”

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; 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 H

Specimen Municipal Bond Insurance Policy

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Financial Advisory Services
Provided By:

