

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

CITY OF SELMA, TEXAS

(A Political Subdivision of the State of Texas Located in Bexar, Comal and Guadalupe Counties, Texas)

\$9,000,000*

**COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION,
SERIES 2022
(THE "CERTIFICATES")**

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

**Bids due
Wednesday, April 20, 2022
at
11:00 A.M., Central Time**

*Preliminary, subject to change based on bid structures. See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" in the Official Notice of Sale relating to the Certificates.

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

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

OFFICIAL NOTICE OF SALE

\$9,000,000*

CITY OF SELMA, TEXAS

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

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID: The City Council (the “City Council”) of the City of Selma, Texas (the “City” or the “Issuer”) is offering for sale at competitive bid its \$9,000,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the “Certificates”).

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on Wednesday, April 20, 2022. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System (“PARITY”) and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on Wednesday, April 20, 2022 indicating their intent to submit a bid by internet.

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

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

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

OPENING OF BIDS: Bids will be opened and publicly read at 11:00 A.M., Central Time, on Wednesday, April 20, 2022, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the “Financial Advisor”) and the City Council shall provide final approval of the award at a City Council meeting later that evening. The Mayor of the City or his representative shall award the Certificates as described in the section entitled “AWARD AND SALE OF THE CERTIFICATES” below.

AWARD AND SALE OF THE CERTIFICATES: By 12:00 P.M. Noon, Central Time, on the date set for receipt of bids, the Mayor of the City or his representative shall tentatively award the Certificates to the **low qualified bidder (the “Winning Bidder”), as described in the section entitled “CONDITIONS OF SALE – BASIS OF AWARD” herein subject to final approval of the City Council which will take action to adopt an ordinance (the “Ordinance”)** authorizing the issuance and awarding sale of the Certificates or will reject all bids promptly at a scheduled meeting to commence at 6:00 P.M. Central Time on Wednesday, April 20, 2022. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

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

THE CERTIFICATES

DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES: The Certificates will be dated April 15, 2022 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on February 1, 2023, and semiannually on each August 1 and February 1 thereafter until the earlier of stated maturity or prior redemption. The Certificates will be issued as fully registered Certificates in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Certificates (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, N.A., Austin, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.) The Certificates will be stated to mature on February 1 in each of the following years in the following amounts:

MATURITY SCHEDULE (Due February 1)

Stated Maturity	Principal Amount*	Stated Maturity	Principal Amount*
2024	\$100,000	2034	\$535,000
2025	125,000	2035	545,000
2026	230,000	2036	560,000
2027	400,000	2037	570,000
2028	420,000	2038	580,000
2029	440,000	2039	600,000
2030	465,000	2040	615,000
2031	490,000	2041	635,000
2032	510,000	2042	655,000
2033	525,000		

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$9,000,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

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

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

OPTIONAL REDEMPTION: The City reserves the right, at its option, to redeem the Certificates maturing on or after February 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2031, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described in the Preliminary Official Statement.

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

SECURITY FOR PAYMENT: The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the “Ordinance”) to be adopted by the City Council on April 20, 2022. The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a continuing, direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the City’s combined utility system “the “System”) not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge being subordinate and inferior to the lien on and pledge of the Net Revenues that may be pledged to the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations while the Certificates are outstanding, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. See “THE CERTIFICATES – Security for Payment” in the Official Statement.

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

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

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

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Certificates will be sold in one block on an “All or None” basis, and at a price of not less than their par value, plus accrued interest on the Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates that results in a dollar price of less than 102% will be considered; provided, however, that any bid is subject to adjustment as described under the caption “THE CERTIFICATES - ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS”.** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Certificates (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Certificates of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

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

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

ESTABLISHMENT OF ISSUE PRICE:

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

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

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

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

In the event that the competitive sale requirements are not satisfied, the City shall so advise the Winning Bidder. In such event, the City intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Certificates as the issue price of that maturity (the “hold-the-offering-price rule”). The City shall promptly advise the Winning Bidder, at or before the time of award of the Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies. In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

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

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

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

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

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

Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.(g) Sales of any Certificates to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

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

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

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "City of Selma, Texas" in the amount of \$180,000, which is 2% of the par value of the Certificates (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the City until the Certificates are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Certificates; however, should the Purchaser fail or refuse to take up and pay for the Certificates, said Good Faith Deposit is to be cashed by the City and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Certificates has been made.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

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

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Selma, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Selma CO2022) and description of the goods or services (Purchase of the City of Selma, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City. The executed Disclosure Form must be sent by email to the City's financial advisor at mmcliney@samcocapital.com and to the City's bond counsel at arnold.cantu@cantuharden.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.

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

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

ADDITIONAL CONDITION OF AWARD - REQUIRED CERTIFICATIONS AND VERIFICATIONS BY WINNING BIDDER:

Section 2271.002 (No Boycott of Israel) Verifications. Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, as amended, and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

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

Section 2274.002 (No Discrimination Against Fossil-Fuel Companies) Verifications. To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session), Texas Government Code, as amended, each bidder, through submittal of an executed Official Bid Form, represents and verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of the contract. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies" shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

Section 2274.002 (No Discrimination Against Firearm Entities or Firearm Trade Associations) Verifications. To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislative Session, "SB 19"), Texas Government Code, as amended, each bidder, through submittal of an executed Official Bid Form, verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any,

- a) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and
- b) will not discriminate during the term of the contract against a firearm entity or firearm trade association.

The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

As used in the foregoing verification and the following definitions,

- a) 'discriminate against a firearm entity or firearm trade association,' a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or

regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association,

b) 'firearm entity,' a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting), and

c) 'firearm trade association,' a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

Additional Evidence of Compliance with State Law. In addition to the above verifications made by submitting a bid, each bidder agrees, should it be the winning bidder, to cooperate with the City and take any action necessary to further verify and confirm compliance with State law. Such actions may include providing the City with a stand-alone letter (addressed directly to the City and the Attorney General of the State of Texas), in a form acceptable to the City, executed by its general counsel, a managing director, chief compliance officer, or other comparable officer acceptable to the City, providing further verification and confirmation of compliance with the matters set forth above.

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

OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL CERTIFICATES: The initial delivery of the Certificates to the Purchaser on the “Delivery Date”, will be accomplished by the issuance of either (i) a single fully registered Certificate in the total principal amount of \$9,000,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Certificate for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the “Initial Certificate”), signed by manual, electronic, or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and registered and manually or electronically signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Certificates will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificate, they shall be immediately canceled and one Certificate for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC’s Book-Entry-Only System. Payment for the Initial Certificate must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six (6) business days’ notice of the time fixed for delivery of the Certificates. It is anticipated that Initial Delivery of the Initial Certificate can be made on or about May 18, 2022, but if for any reason the City is unable to make delivery by May 18, 2022, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Certificates. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City’s reasonable control.

EXCHANGE OF INITIAL CERTIFICATES FOR DEFINITIVE CERTIFICATES: Upon payment for the Initial Certificate at the time of such delivery, the Initial Certificate is to be canceled by the Paying Agent/Registrar and registered definitive Certificates delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser’s syndicate. Such Certificates shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser’s syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Certificate, final written instructions identifying the names

and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Certificate and delivery of registered definitive Certificates may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

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

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

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

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

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

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

GENERAL CONSIDERATIONS

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

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

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

SALE OF ADDITIONAL OBLIGATIONS: The City currently has no plans to issue additional ad valorem tax supported debt in 2022, except potentially issuing refunding bonds for debt service savings.

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

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

ADDITIONAL COPIES: Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from www.samcocapital.com.

The City Council of the City has approved the form and content of the Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement and authorized the use thereof in the initial offering of the Certificates.

On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Certificates, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

/s/ _____
Mayor,
City of Selma, Texas

ATTEST:

/s/ _____
City Secretary,
City of Selma, Texas

April 11, 2022

OFFICIAL BID FORM

Honorable Mayor and City Council
 City of Selma
 9375 Corporate Drive
 Selma, Texas 78154

April 20, 2022

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated April 11, 2022, which terms are incorporated by reference to this proposal (and which are agreed to as evidenced by our submission of this bid), we hereby submit the following bid for \$9,000,000 (preliminary, subject to change) CITY OF SELMA, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022, dated April 15, 2022 (the "Certificates").

For said legally issued Certificates, we will pay you \$_____ (being a price of no less than 102% of the par value) plus accrued interest from their date to the date of delivery to us for Certificates maturing February 1 and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2024	\$100,000		2034*	\$535,000	
2025	125,000		2035*	545,000	
2026	230,000		2036*	560,000	
2027	400,000		2037*	570,000	
2028	420,000		2038*	580,000	
2029	440,000		2039*	600,000	
2030	465,000		2040*	615,000	
2031	490,000		2041*	635,000	
2032*	510,000		2042*	655,000	
2033*	525,000				

**Maturities available for Term Certificates.*

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

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Certificates, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$9,000,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

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

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

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

Cashier's Check of the _____ Bank, _____, Texas, in the amount of \$180,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificates in immediately available funds at the Corporate Trust Division, UMB Bank, N.A., Texas, not later than 10:00 A.M., Central Time, on Wednesday, May 18, 2022, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Certificates to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Certificates in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the City. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it (1) does not and will not "boycott Israel", (2) is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, (3) does not and will not "discriminate against a firearm entity or firearm trade association", and (4) does not and will not "boycott energy companies", all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – REQUIRED CERTIFICATIONS AND VERIFICATIONS BY WINNING BIDDER".

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

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

Bidder:

By:

Authorized Representative

Telephone Number

E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Selma, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 20th day of April 2022.

/s/ _____
Mayor,
City of Selma, Texas

ATTEST:

/s/ _____
City Secretary,
City of Selma, Texas

\$9,000,000*
CITY OF SELMA, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2022

ISSUE PRICE CERTIFICATE

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

Reasonably Expected Initial Offering Price.

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

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

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Certificates.

Defined Terms.

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

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

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is April 20, 2022.

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

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

By: _____

Name: _____

Title: _____

Dated: April 20, 2022

*Preliminary, subject to change.

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

NEW ISSUE - BOOK-ENTRY-ONLY

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

PRELIMINARY OFFICIAL STATEMENT
April 11, 2022

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

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

\$9,000,000*

CITY OF SELMA, TEXAS

**(A political subdivision of the State of Texas located in Bexar, Comal and Guadalupe Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022**

Dated Date: April 15, 2022

Due: February 1, as shown on inside cover

The \$9,000,000* City of Selma, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Selma, Texas (the "City" or the "Issuer") on April 20, 2022. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

Interest on the Certificates will accrue from April 15, 2022 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2023, until the earlier of stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, N.A., Austin, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (1) constructing street improvements (including utilities repair, replacement and relocation), curbs, gutters, sidewalk improvements, and traffic safety signalization and signage incidental thereto; (2) acquiring, constructing, improving, renovating, and equipping public safety facilities (including a public safety training facility and fire station expansion); (3) acquiring public safety vehicles, heavy machinery, and equipment (including a ladder truck); (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)

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

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Cantu Harden LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "Appendix C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about May 18, 2022.

BIDS DUE WEDNESDAY, APRIL 20, 2022, BY 11:00 A.M., CENTRAL TIME

* Preliminary, subject to change.

\$9,000,000*
CITY OF SELMA, TEXAS
(A political subdivision of the State of Texas located in Bexar, Comal and Guadalupe Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

MATURITY SCHEDULE*

CUSIP Prefix No. 816587 ⁽¹⁾

Stated				CUSIP	Stated				CUSIP
Maturity	Principal	Interest	Intital	No.	Maturity	Principal	Interest	Intital	No.
<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u> ⁽¹⁾	<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u> ⁽¹⁾
2024	\$ 100,000				2034	535,000			
2025	125,000				2035	545,000			
2026	230,000				2036	560,000			
2027	400,000				2037	570,000			
2028	420,000				2038	580,000			
2029	440,000				2039	600,000			
2030	465,000				2040	615,000			
2031	490,000				2041	635,000			
2032	510,000				2042	655,000			
2033	525,000								

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2031, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as one or more "Term Certificates" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

* Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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

ELECTED OFFICIALS

Name	Years On Council	Term Expires (May)	Occupation
Tom Daly Mayor	12	2022	Fleet Servicemen, American Airlines
Becky Harris Mayor Pro-Tem	3	2022	Homemaker
Noah Washington Jr. Councilmember, Place 2	2	2022	Retire Military
Kevin Hadas Councilmember, Place 4	9	2023	Sales, Business Owner
Jim Parma Councilmember, Place 5	23	2023	CPA, Business Owner
Ken Polasek Councilmember, Place 6	7	2023	Project Manager, AGCM Inc.

ADMINISTRATION

Name	Position	Length of Service With the City (years)
Johnny Casias	City Administrator	15
Hortencia Lozano	Finance Clerk	22
Marc J. Schnall	City Attorney	20

CONSULTANTS AND ADVISORS

Bond Counsel..... Cantu Harden LLP
San Antonio, Texas

Certified Public AccountantsArmstrong, Vaughan & Associates
Universal City, Texas

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

For Additional Information Please Contact:

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

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

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

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

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

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

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

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General Information Regarding the City of Selma and Bexar, Comal and Guadalupe Counties, Texas	Appendix B
Form of Legal Opinion of Bond Counsel	Appendix C
Financial Statements of the City of Selma for the Year Ended October 31, 2020	Appendix D

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer

The City of Selma, Texas (the "City" or the "Issuer"), a municipal corporation and political subdivision of the State of Texas, was originally incorporated in 1951. The City operates under a Council/Manager form of government, as a Type A municipality, with a Mayor and a five member City Council. The City of Selma is located in the heart of the Austin-San Antonio Corridor along I.H. 35. The 2021 population was 11,561. (See "Appendix B – General Information Regarding the City of Selma and Bexar, Comal and Guadalupe Counties, Texas" herein.)

The Certificates

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code and an ordinance (the "Ordinance") to be adopted by the City Council of the City, on April 20, 2022. (See "THE CERTIFICATES - Authority for Issuance" herein.)

Paying Agent/Registrar

The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.

Security

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

Qualified Tax-Exempt Obligations

The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2031, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

Tax Matters

In the opinion of Cantu Harden LLP, San Antonio, Texas, as Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof. (See "TAX MATTERS" and "Appendix C - Form of Opinion of Bond Counsel" herein).

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (1) constructing street improvements (including utilities repair, replacement and relocation), curbs, gutters, sidewalk improvements, and traffic safety signalization and signage incidental thereto; (2) acquiring, constructing, improving, renovating, and equipping public safety facilities (including a public safety training facility and fire station expansion); (3) acquiring public safety vehicles, heavy machinery, and equipment (including a ladder truck); (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)

Rating

A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" herein.)

Payment Record

The City has never defaulted on the payment of its general obligation or revenue indebtedness.

Future Debt Issues

The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2022, except potentially issuing refunding bonds for debt service savings.

Delivery

When issued, anticipated on or about May 18, 2022.

Legality

Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Cantu Harden LLP, San Antonio, Texas, Bond Counsel.

(The remainder of this page intentionally left blank.)

PRELIMINARY OFFICIAL STATEMENT

relating to

\$9,000,000*

CITY OF SELMA, TEXAS

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

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Selma, Texas (the "City" or the "Issuer") of its \$9,000,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates") identified on the cover page.

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

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

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

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic which has been subsequently extended and remains in effect. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on March 2, 2021 (but effective as of March 10, 2021), the Governor issued Executive Order GA-34, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, the Governor issued Executive Order GA-36, which rescinds certain provisions of GA-34 and provides that no governmental entity, including the City, may require any person to wear a face covering or to mandate that another person wear a face covering and subjects a governmental entity or official to a fine of up to \$1,000 for noncompliance, subject to certain exceptions. Certain public entities and officials in the State have filed lawsuits challenging the enforcement of Executive Order GA-36. Many of those lawsuits are in various stages of litigation and have not been fully resolved at this time. 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.

Convening of the Texas Legislature

The Governor has called three special sessions of the 87th Texas Legislature. The third special session adjourned on October 19, 2021, and the Governor may call additional special sessions that could materially affect the City and/or its finances. The City 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 City.

* Preliminary, subject to change.

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated April 15, 2022 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2023, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by UMB Bank, N.A., Austin, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

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

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council of the City (the "City Council") on April 20, 2022.

Security for Payment

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

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, two or more consecutive maturities of the Certificates may be grouped together as a "Term Certificate" by the Purchaser, and such "Term Certificates" would also be subject to mandatory sinking fund redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

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

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

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Selection of Certificates to be Redeemed

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

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (1) constructing street improvements (including utilities repair, replacement and relocation), curbs, gutters, sidewalk improvements, and traffic safety signalization and signage incidental thereto; (2) acquiring, constructing, improving, renovating, and equipping public safety facilities (including a public safety training facility and fire station expansion); (3) acquiring public safety vehicles, heavy machinery, and equipment (including a ladder truck); (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

Sources and Uses

Sources	
Par Amount of the Certificates	\$ _____
Accrued Interest on the Certificates	_____
[Net] Reoffering Premium	_____
Total Sources of Funds	=====
Uses	
Construction Fund Deposit	\$ _____
Purchaser's Discount	_____
Certificate Fund Deposit	_____
Costs of Issuance	_____
Total Uses	_____

Payment Record

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

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition,

or rescission may (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

Defeasance

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

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

Default and Remedies

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

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

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“Wasson”) the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources”. While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

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

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar’s books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC’s Book-Entry-Only System is used, all payments will be made as described under “BOOK-ENTRY-ONLY SYSTEM” herein. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

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

Special Record Date for Interest Payment

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

Future Registration

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

Limitation on Transfer of Certificates

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

Replacement Certificates

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct

Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

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

INVESTMENT POLICIES

The City invests its investable funds in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the City Council of the City. Both State law and the City's investment policies are subject to change.

Legal Investments

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

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

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

Current Investments ⁽¹⁾

TABLE 1

As of December 31, 2021, the City held investments as follows (unaudited):

Type of Security	Market Value	Percentage of Total
Frost Bank	\$ 10,955,040.91	51.88
TexPool	1,037.50	0.01
Frost Brokerage Services	6,265,584.95	29.67
Schertz Bank & Trust	3,893,001.52	18.44
	<u>\$ 21,114,664.88</u>	<u>100.00</u>

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

⁽¹⁾ Unaudited.

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit

took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

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

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements – Chapter 380 Economic Development Agreement

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

City and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$50 million for the 2020 tax year and \$50.6 million for the 2021 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

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

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

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

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

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

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

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

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of

the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

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

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

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

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

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

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

The Property Tax Code as Applied to the City

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older of \$20,000.00.

The City has granted an additional exemption of 1% of the appraised value of residence homesteads; minimum exemption of \$5,000.

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

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

The City does not tax nonbusiness personal property; and the City has contracted with the Guadalupe County Tax Office does collect taxes for the City.

The City does not permit split payments, and discounts are not allowed.

The City does not tax freeport property.

The City does collect an additional one-quarter of one percent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy and does have existing tax abatement agreements (see “Appendix D – Note J – Tax Abatement”).

The City does participate in a tax increment financing zone (see “Appendix D – Note J – Tax Abatement – Tax Increment Financing (the “Zone”)”).

TAX MATTERS

Tax Exemption

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

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

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

Tax Changes

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

Ancillary Tax Consequences

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

Tax Accounting Treatment of Discount Certificates

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the “Discount Certificates”). An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificates. A portion of such original issue discount, allocable to the holding period of a Discount Certificate by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other

interest on the Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

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

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

Tax Accounting Treatment of Premium on Certain Certificates

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

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

Qualified Tax-Exempt Obligations

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

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

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CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The Issuer will provide certain updated financial information and operating data to the MSRB annually. Such information to be provided consists of the quantitative and financial information and operating data with respect to the City of the general type included in Table 1 of this Official Statement and in Tables 1-14 of Appendix A to this Official Statement and in Appendix D. The Issuer will update and provide this information within six months after the end of each fiscal year of the City beginning in the year 2021. The Issuer will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

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

The Issuer's current fiscal year end is October 31. Accordingly, it must provide updated information by the end of April in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the change.

Notice of Certain Events

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

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

Effective July 1, 2009, the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule. All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Cantu Harden LLP, San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Sources and Uses", "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation

of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

Litigation

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

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

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

Rating

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

Authenticity of Financial Information

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

Financial Advisor

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

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

Winning Bidder

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

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d) there has been no material adverse change in the financial condition of the City, since October 31, 2020, the date of the last financial statements of the City appearing in the Official Statement.

Information from External Sources

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

Concluding Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

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

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

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

CITY OF SELMA, TEXAS

/s/

Mayor
City of Selma, Texas

ATTEST:

/s/

City Secretary
City of Selma, Texas

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APPENDIX A

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

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2021 Certified Market Value of Taxable Property (100% of Market Value).....	\$ 1,674,508,213
Less Exemptions:	
Optional Over-65 or Disabled.....	\$ 8,080,000
Homestead Exemption.....	9,369,968
Veterans' Exemptions.....	63,046,206
Freeport Exemptions.....	24,314,274
Open-Space Land and Timberland.....	8,004,463
Tax Abatement Act.....	40,083,438
Loss to 10% HO Cap.....	<u>1,232,320</u>
TOTAL EXEMPTIONS	154,130,669
2021 Assessed Value of Taxable Property.....	<u>\$ 1,520,377,544</u> *

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

GENERAL OBLIGATION BONDED DEBT ⁽¹⁾

(as of March 1, 2022)

General Obligation Debt Principal Outstanding

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2008	\$ 3,095,000
General Obligation Bonds, Series 2015	7,660,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	635,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019	5,550,000
General Obligation Refunding Bonds, Series 2021	1,665,000
Tax Notes, Series 2021	1,205,000
The Certificates	<u>9,000,000</u> *
Total Gross General Obligation Debt	<u>\$ 28,810,000</u> *

Less: Self Supporting Debt

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2008 (50.57% Utility Fund)	\$ 1,565,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (26.04% Utility Fund)	1,445,000
General Obligation Refunding Bonds, Series 2021 (11.41% HOT Fund)	<u>190,000</u>
Total Self-Supporting Debt	<u>\$ 3,200,000</u>
Total Net General Obligation Debt Outstanding	<u>\$ 25,610,000</u> *

2021 Preliminary Net Assessed Valuation	\$ 1,520,377,544
Ratio of Gross General Obligation Debt Principal to Preliminary Net Taxable Assessed Valuation	1.89%
Ratio of Net General Obligation Debt to Preliminary Net Taxable Assessed Valuation	1.68%

Population: 1990 - 520; 2000 - 788; 2010 - 5,046; est. 2021 - 11,561
Per Capita Preliminary Net Taxable Assessed Valuation - \$131,509.17
Per Capita Gross General Obligation Debt Principal - \$2,492.00
Per Capita Net General Obligation Debt Principal - \$2,215.21

⁽¹⁾ Unaudited.

* Preliminary, subject to change.

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

(As of October 31, 2020)

Capital Lease

The City leased police vehicles totaling \$225,180 with interest rates of 3.3% for the 2018 lease and 4.2% for the 2019 lease, respectively. Total accumulated depreciation on the vehicles was \$103,798, as of October 31, 2020.

The City also leased Public Works equipment totaling \$205,062 with interest rates of 3.3% for the 2020 lease. Total accumulated depreciation on the vehicles was \$37,595 as of October 31, 2020.

Future Minimum Lease Payments are as follows:

Year Ending	
<u>October 31,</u>	
2021	\$ 70,839
2022	53,781
2023	<u>53,781</u>
Total Lease Payments	<u>\$ 178,401</u>
Amount Representing Interest	<u>(10,238)</u>
Total Payments	<u>\$ 168,163</u>

Source: The Issuer's Annual Financial Report for the fiscal year ended October 31, 2020.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending (10/31)	Current Total Outstanding Debt ⁽¹⁾	The Certificates*			Combined Debt Service	Less: Self Supporting Debt Service	Total Net Debt Service
		Principal	Interest*	Total			
		2022	\$ 2,369,914	\$ -			
2023	2,449,443	-	374,879	374,879	2,824,322	487,214	2,337,108
2024	2,127,113	100,000	287,106	387,106	2,514,219	415,253	2,098,966
2025	2,115,553	125,000	282,809	407,809	2,523,362	398,313	2,125,049
2026	2,107,946	230,000	277,994	507,994	2,615,940	395,063	2,220,877
2027	1,975,403	400,000	264,975	664,975	2,640,378	396,313	2,244,065
2028	1,981,885	420,000	244,475	664,475	2,646,360	396,938	2,249,422
2029	1,222,072	440,000	222,975	662,975	1,885,047	107,469	1,777,578
2030	1,217,232	465,000	200,350	665,350	1,882,582	104,494	1,778,088
2031	1,101,453	490,000	176,475	666,475	1,767,928	102,794	1,665,134
2032	1,096,853	510,000	156,575	666,575	1,763,428	106,044	1,657,384
2033	1,100,128	525,000	141,050	666,050	1,766,178	104,244	1,661,934
2034	1,102,328	535,000	127,825	662,825	1,765,153	107,334	1,657,819
2035	1,098,271	545,000	117,025	662,025	1,760,296	105,256	1,655,040
2036	401,553	560,000	105,625	665,625	1,067,178	103,119	964,059
2037	403,115	570,000	96,113	666,113	1,069,228	105,925	963,303
2038	404,160	580,000	83,850	663,850	1,068,010	103,600	964,410
2039	399,740	600,000	66,150	666,150	1,065,890	101,200	964,690
2040	-	615,000	47,925	662,925	662,925	-	662,925
2041	-	635,000	29,175	664,175	664,175	-	664,175
2042	-	655,000	9,825	664,825	664,825	-	664,825
Total	\$ 24,674,162	\$ 9,000,000	\$ 3,313,176	\$ 12,313,176	\$ 36,987,338	\$ 4,125,572	\$ 32,861,766

⁽¹⁾ Includes self supporting debt.

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

TAX ADEQUACY (Includes Self Supporting Debt)

2022 Preliminary Net Taxable Assessed Valuation	\$ 1,442,150,935
Maximum Annual Debt Service Requirements (Fiscal Year Ending 6-30-2023)	2,824,322.21 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirement	\$ 0.19984 *

* Includes the Certificates. Preliminary, subject to change.

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

TAX ADEQUACY (Excludes Self Supporting Debt)

2022 Preliminary Net Taxable Assessed Valuation	\$ 1,442,150,935
Maximum Annual Debt Service Requirements (Fiscal Year Ending 6-30-2023)	2,337,108.21 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirement	\$ 0.16536 *

* Includes the Certificates. Preliminary, subject to change.

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

INTEREST AND SINKING FUND MANAGEMENT INDEX

Unaudited Interest and Sinking Fund Balance, Fiscal Year Ended October 31, 2021	\$ 1,068,042
2021 Anticipated Interest and Sinking Fund Tax Levy at 95% Collections Produce ⁽¹⁾	1,653,642
Plus: Other sources of revenue	484,999
Total Available for General Obligation Debt	\$ 3,206,683
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 10/31/22	2,369,914
Estimated Surplus at Fiscal Year Ending 10/31/2022 ⁽¹⁾	\$ 836,769

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

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(As of March 1, 2022)

Fiscal Year Ending 10-31	Principal Repayment Schedule			Principal Unpaid at End of Year *	Percent of Principal Retired (%) *
	Currently Outstanding ^(a)	The Certificates *	Total*		
2022	\$ 1,000,000	\$ -	1,000,000	27,810,000	3.47%
2023	1,930,000	-	1,930,000	25,880,000	10.17%
2024	1,650,000	100,000	1,750,000	24,130,000	16.24%
2025	1,685,000	125,000	1,810,000	22,320,000	22.53%
2026	1,730,000	230,000	1,960,000	20,360,000	29.33%
2027	1,650,000	400,000	2,050,000	18,310,000	36.45%
2028	1,710,000	420,000	2,130,000	16,180,000	43.84%
2029	995,000	440,000	1,435,000	14,745,000	48.82%
2030	1,020,000	465,000	1,485,000	13,260,000	53.97%
2031	930,000	490,000	1,420,000	11,840,000	58.90%
2032	950,000	510,000	1,460,000	10,380,000	63.97%
2033	980,000	525,000	1,505,000	8,875,000	69.19%
2034	1,010,000	535,000	1,545,000	7,330,000	74.56%
2035	1,035,000	545,000	1,580,000	5,750,000	80.04%
2036	370,000	560,000	930,000	4,820,000	83.27%
2037	380,000	570,000	950,000	3,870,000	86.57%
2038	390,000	580,000	970,000	2,900,000	89.93%
2039	395,000	600,000	995,000	1,905,000	93.39%
2040	-	615,000	615,000	1,290,000	95.52%
2041	-	635,000	635,000	655,000	97.73%
2042	-	655,000	655,000	-	100.00%
Total	\$ 19,810,000	\$ 9,000,000	\$ 28,810,000		

^(a) Includes self-supporting debt.

*Preliminary, subject to change.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2012-2021

TABLE 3

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2012-13	\$ 658,122,164	-	0.00%
2013-14	719,725,377	\$ 61,603,213	9.36%
2014-15	815,616,831	95,891,454	13.32%
2015-16	904,948,773	89,331,942	10.95%
2016-17	996,255,526	91,306,753	10.09%
2017-18	1,109,187,360	112,931,834	11.34%
2018-19	1,194,314,319	85,126,959	7.67%
2019-20	1,237,938,080	43,623,761	3.65%
2020-21	1,414,224,981	176,286,901	14.24%
2021-22	1,442,150,935	27,925,954	1.97%

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

PRINCIPAL TAXPAYERS 2021-2022

TABLE 4

Name	Type of Business/Property	2021 Net Taxable Assessed Valuation	% of Total 2021 Assessed Valuation
S A Development Company LP	Land Development	\$ 66,013,433	4.45%
FPK Realty Lookout Hollow 1 LLC	Real Estate	42,770,000	2.88%
KIMCO Forum at Olympia LP	Shopping Mall	33,481,698	2.26%
Costco Wholesale Corporation	Wholesale Distributor	23,518,320	1.59%
Selma Retail LTD	Commercial	10,655,650	0.72%
Haverty Furniture CO Inc.	Furniture Store	7,665,514	0.52%
Furniture Row USA LLC	Furniture Store	7,350,000	0.50%
GVD Commercial Properties Inc.	Real Estate	6,600,000	0.45%
Selma-SMC Health Invest Holdings LLC	Medical Facility	6,044,590	0.41%
Maple Seven Investments LLC	Real Estate	5,600,000	0.38%
		\$ 209,699,205	14.14% *

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

As shown in the table above, the top ten taxpayers in the City account for in excess of 14.14% of the City's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the city, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Certificates may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "THE CERTIFICATES – Default and Remedies" and "AD VALOREM TAX PROCEDURES – Issuer's Rights in the Event of Tax Delinquencies" in this Official Statement.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 5

	2021	% of Total	2020	% of Total	2019	% of Total
Real, Residential, Single-Family	\$ 745,897,014	44.54%	\$ 709,664,551	44.60%	\$ 669,156,058	45.63%
Real, Residential, Multi-Family	136,682,652	8.16%	111,534,442	7.01%	104,276,364	7.11%
Real, Vacant Lots/Tracts	26,414,950	1.58%	26,399,536	1.66%	26,120,664	1.78%
Real, Acreage (Land Only)	8,047,855	0.48%	\$ 9,589,895	0.60%	6,865,747	0.47%
Real, Farm and Ranch Improvements	13,627,457	0.81%	10,640,642	0.67%	9,669,782	0.66%
Real, Commercial and Industrial	443,927,335	26.51%	436,251,556	27.42%	408,662,497	27.87%
Real & Tangible, Personal Utilities	1,165,231	0.07%	\$ 1,249,451	0.08%	1,285,049	0.09%
Tangible Personal, Commercial & Industrial	247,280,973	14.77%	236,427,610	14.86%	200,373,385	13.66%
Tangible Personal, Mobile Homes	90,353	0.01%	90,212	0.01%	96,630	0.01%
Real Inventory	9,057,854	0.54%	7,767,148	0.49%	3,282,581	0.22%
Special Inventory	42,316,539	2.53%	41,549,601	2.61%	36,629,963	2.50%
Total Appraised Value	\$ 1,674,508,213	100.00%	\$ 1,591,164,644	100.00%	\$ 1,466,418,720	100.00%
Less:						
Optional Over-65 or Disabled	\$ 8,080,000		\$ 7,390,000		\$ 7,410,000	
Homestead Exemption	9,369,968		9,336,650		9,506,996	
Veterans' Exemptions	63,046,206		53,757,369		45,430,062	
Freeport Exemptions	24,314,274		26,748,751		37,159,153	
Open-Space Land and Timberland	8,004,463		9,543,270		6,822,288	
Tax Abatement Act	40,083,438				54,590,717	
Solar	52,635		52,635		52,635	
Loss to 10% HO Cap	1,232,320		1,244,202		1,950,782	
Net Taxable Assessed Valuation	\$ 1,520,324,909		\$ 1,483,091,767		\$ 1,303,496,087	
Less: Freeze Taxable	\$ 78,173,974		\$ 68,866,786		\$ 65,558,007	
Freeze Adjusted Taxable Assessed Valuation	\$ 1,442,150,935		\$ 1,414,224,981		\$ 1,237,938,080	

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

TAX DATA

TABLE 6

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2012	\$ 658,122,164	\$ 0.2793	\$ 1,838,135	98.82	98.86	10/31/2013
2013	719,725,377	0.2342	1,685,597	99.38	99.77	10/31/2014
2014	815,616,831	0.2223	1,813,116	99.40	99.56	10/31/2015
2015	904,948,773	0.2223	2,011,701	98.08	99.43	10/31/2016
2016	996,255,526	0.2065	2,057,268	99.49	100.51	10/31/2017
2017	1,109,187,360	0.2016	2,236,122	99.61	100.61	10/31/2018
2018	1,194,314,319	0.2016	2,407,738	96.84	97.57	10/31/2019
2019	1,237,938,080	0.1968	2,436,262	95.71	96.43	10/31/2020
2020	1,414,224,981	0.1968	2,783,195	99.48	103.27	10/31/2021
2021	1,442,150,935	0.1968	2,838,153	96.58	101.73	10/31/2022

TAX RATE DISTRIBUTION

TABLE 7

	2021	2020	2019	2018	2017
General Fund	\$ 0.0761	\$ 0.0798	\$ 0.0929	\$ 0.0866	\$ 0.0805
I & S Fund	0.1207	0.1170	0.1039	0.1150	0.1211
Total Tax Rate	\$ 0.1968	\$ 0.1968	\$ 0.1968	\$ 0.2016	\$ 0.2016

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

MUNICIPAL SALES TAX COLLECTIONS

TABLE 8

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. At an election held on April 1, 2002, an additional ½ cent sales tax was authorized by the voters for the Selma Municipal Development District. The remaining 1/2 cent is levied by the City for ad valorem tax relief (1/4 cent) and Street Maintenance Repair (1/4 cent). Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	Selma Municipal Development Corporation	Total	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2012	4,472,521	1,301,498	5,774,019	243.32%	0.68
2013	4,853,151	1,351,218	6,204,369	287.92%	0.67
2014	5,468,800	1,438,189	6,906,989	301.62%	0.67
2015	6,041,449	1,559,041	7,600,489	300.32%	0.67
2016	6,047,485	1,580,303	7,627,788	293.96%	0.61
2017	6,225,607	1,596,792	7,822,398	278.41%	0.56
2018	6,507,169	1,652,245	8,159,414	270.26%	0.54
2019	7,001,363	1,713,636	8,714,999	287.38%	0.57
2020	6,913,447	1,733,847	8,647,294	248.40%	0.49
2021	8,605,179	2,124,363	10,729,542	303.20%	0.60
2022	1,670,322	414,971	2,085,293	(as of February 1, 2022)	

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

OVERLAPPING DEBT INFORMATION

(As of February 1, 2022)

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

Taxing Body	Gross Debt (As of 8/1/19)	% Overlapping	Amount Overlapping
Alamo Community College District	\$ 578,325,000	0.48%	\$ 2,775,960
Bexar County	2,061,555,000	0.48%	9,895,464
Bexar County Hospital District	902,130,000	0.48%	4,330,224
Comal County	129,825,000	0.70%	908,775
Comal ISD	1,090,110,179	0.37%	4,033,408
Guadalupe County	15,625,000	2.95%	460,938
Judson ISD	580,839,085	7.33%	42,575,505
Schertz-Cibolo-Universal City ISD	388,305,330	6.14%	23,841,947
Total Gross Overlapping Debt			<u>\$ 88,822,220</u>
Selma, City of			\$ 28,810,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 117,632,220 *</u>
Ratio of Gross Direct Debt and Overlapping Debt			7.74% *
Per Capita Gross Direct Debt and Overlapping Debt			\$10,174.92 *

Note: The above figures show Gross General Obligation Debt for the City of Selma, Texas. The Issuer's Net General Obligation Debt is \$25,610,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	\$ 114,432,220 *
Ratio of Net Direct and Overlapping Debt to 2021 Net Assessed Valuation	7.53% *
Per Capita Net Direct and Overlapping Debt	\$9,898.12 *

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

* Preliminary, subject to change. Includes the Certificates.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES**TABLE 9**

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

	Fiscal Year Ended				
	10/31/2020	10/31/2019	10/31/2018	10/31/2017	10/31/2016
Fund Balance - Beginning of Year	\$ 7,605,751	\$ 8,313,432	\$ 7,849,997	\$ 7,566,770	\$ 8,482,159
Revenues	\$ 10,624,855	\$ 10,399,234	\$ 9,783,168	\$ 10,008,622	\$ 9,211,266
Expenditures	10,315,561	11,962,155	9,809,167	10,163,513	10,162,009
Excess (Deficit) of Revenues Over Expenditures	\$ 309,294	\$ (1,562,921)	\$ (25,999)	\$ (154,891)	\$ (950,743)
Other Financing Sources (Uses):					
Issuance of Bonds	\$ -	\$ -	\$ 127,520	\$ -	\$ -
Capital Lease	-	130,240	-	95,340	-
Operating Transfers In	-	-	361,914	-	35,354
Operating Transfers Out	717,000	725,000	-	342,778	-
Total Other Financing Sources (Uses):	\$ 717,000	\$ 855,240	\$ 489,434	\$ 438,118	\$ 35,354
Prior Year End Adjustment	-	-	-	-	-
Fund Balance - End of Year*	<u>\$ 8,632,045</u>	<u>\$ 7,605,751</u>	<u>\$ 8,313,432</u>	<u>\$ 7,849,997</u>	<u>\$ 7,566,770</u>

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

* The City anticipates its unaudited General Fund balance for fiscal year ending October 31, 2021 will be approximately \$12,303,852.

Information regarding the City's Pension Plan can be found in the Fiscal Year Ended October 31, 2020 under Note H - Pension Plan.

UTILITY SYSTEM PLANT IN OPERATION

TABLE 11

	FYE 10/31/2020
Land	\$ 173,139
Buildings & Improvements	404,337
Water Rights	2,558,666
Water Sewer Utility Plant	11,148,944
Construction in Process	32,179
Vehicles and Equipment	915,521
Total Capital Assets	\$ 15,232,786
Less: Accumulated Depreciation	(4,223,757)
Net Capital Assets	<u>\$ 11,009,029</u>

Source: The Issuer's Annual Financial Report for Fiscal year ended October 31, 2020.

UTILITY FUND OPERATING STATEMENT

TABLE 12

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

Fiscal Year Ended:	Fiscal Year Ended				
	<u>10/31/2020</u>	<u>10/31/2019</u>	<u>10/31/2018</u>	<u>10/31/2017</u>	<u>10/31/2016</u>
Revenues:					
Utility Sales and Changes	\$ 4,835,135	\$ 4,937,001	\$ 4,648,368	\$ 4,358,901	\$ 4,216,297
Miscellaneous (includes Interest Income)	<u>1,391,709</u>	<u>838,999</u>	<u>610,255</u>	<u>282,828</u>	<u>282,828</u>
Total Revenues	\$ 6,226,844	\$ 5,776,000	\$ 5,258,623	\$ 4,641,729	\$ 4,499,125
Expenses:					
Administration Cost	434,304	412,507	434,758	417,921	376,350
Water & Sewer Operations	<u>3,797,032</u>	<u>3,945,514</u>	<u>3,658,231</u>	<u>3,209,849</u>	<u>3,293,601</u>
Total Expenses	\$ 4,231,336	\$ 4,358,021	\$ 4,092,989	\$ 3,627,770	\$ 3,669,951
Net Available for Debt Service	\$ 1,995,508	\$ 1,417,979	\$ 1,165,634	\$ 1,013,959	\$ 829,174
Customer Count:					
Water	3,829	3,700	3,531	3,491	3,408
Sewer	3,393	3,288	3,180	3,104	3,022

WATER SUPPLY

The City's water supply is the Edwards Aquifer and Schertz/Seguin Local Government Corporation via the Carrizo-Wilcox Aquifer. The City has permits for 1, 200 acre-feet per year (394,493,468 gallons) from Edwards Aquifer and 800 acre-feet from Schertz/Seguin Local Government Corporation. In 2016, the City of Selma acquired an additional 250 acre-feet from Schertz/Seguin Local Government Corporation.

Combined between four water plants, the City of Selma has \$5million gallons of elevated and groundwater storage. The City plans to add another \$1million gallons of water storage.

WATER RATES

TABLE 13

[Based on Monthly Billing]

Current Rates
(Effective November 1, 2021)

Minimum Base Rate \$12.28

	Summer Rates	Winter Rates
0-2,000 Gallons	\$12.28 (mimimum base rate)	\$12.28
3,000-5,000	\$1.93 per thousand	\$ 1.93
6,000-10,000	\$2.51 per thousand	\$ 2.30
11,000-20,000	\$3.04 per thousand	\$ 2.73
21,000-35,000	\$4.13 per thousand	\$ 3.60
36,000-45,000	\$8.33 per thousand	\$ 6.66
46,000 and over	\$11.80 per thousand	\$ 8.69

Winter rates for water service shall be in effect for the meter readings taken in October through April. Summer rates for water service shall be in effect for the meter readings taken in May through September.

WASTEWATER TREATMENT

Selma contracts with the Cibolo Creek Municipal Authority, created in 1971 as a conservation and reclamation district, for the purpose of providing a regional sewer system for an area which includes Selma, the City of Schertz, The City of Cibolo and parts of the Cities of Live Oak, Universal City and San Antonio, and the Randolph Air Force Base (the "member Cities"). On October 1, 2021, the Sewer Rate billed to Member Cities increased to \$4.05 per thousand gallons with a \$1,800 Impact Fee per new connection. The Member Cities are responsible for payment when billed.

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

SEWER RATES

TABLE 14

Current Rates (Effective November 1, 2018)

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

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

Old Rates (Effective November 1, 2017)

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

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

APPENDIX B

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

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

The City of Selma

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

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

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

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

Economy

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

Bexar County

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

Economic Factors

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

Education

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

Bexar County, Texas Principal Employers Employers	Total Number of Employees
Joint Base San Antonio ⁽¹⁾	74,289
H.E.B. Grocery Company	21,302
USAA	19,217
Northside Independent School District	14,117
City of San Antonio	11,903
Methodist Healthcare System	10,393
University Health System	9,372
Northeast Independent School District	9,001
San Antonio Independent School District	7,451
Baptist Health System	6,490

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

Labor Force Statistics ⁽¹⁾

	<u>2022 ⁽²⁾</u>	<u>2021 ⁽³⁾</u>	<u>2020 ⁽³⁾</u>	<u>2019 ⁽³⁾</u>
Civilian Labor Force	968,398	945,855	927,557	932,179
Total Employed	926,488	895,189	856,813	902,782
Total Unemployed	41,910	50,666	70,744	29,397
% Unemployment	4.3%	5.4%	7.6%	3.2%
Texas Unemployment	4.7%	5.7	7.7%	3.5%

(1) Source: Texas Workforce Commission.

(2) As of February 2022.

(3) Average Annual Statistics.

Guadalupe County

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

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

Labor Force Statistics ⁽¹⁾

	<u>2022 ⁽²⁾</u>	<u>2021 ⁽³⁾</u>	<u>2020 ⁽³⁾</u>	<u>2019 ⁽³⁾</u>
Civilian Labor Force	84,627	82,209	80,164	80,826
Total Employed	81,432	78,557	75,248	78,431
Total Unemployed	3,195	3,652	4,916	2,395
% Unemployment	3.8%	4.4%	6.1%	3.0%
Texas Unemployment	4.7%	5.7%	7.7%	3.5%

(1) Source: Texas Workforce Commission.

(2) As of February 2022.

(3) Average Annual Statistics.

Comal County

General Information

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

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

Commercial

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

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

Major Employers

Employer	Number of Employees
Comal ISD	3,132
Schlitterbahn Water Park	2,300
New Braunfels ISD	1,238
Wal-Mart Distribution Center	1,215
Rush Enterprises	859
Hunter Industries/Colorado Materials, Inc	826
Comal County	792
Taskus	700
Sysco	570
City of New Braunfels	480

Labor Force Statistics ⁽¹⁾

	<u>2022</u> ⁽²⁾	<u>2021</u> ⁽³⁾	<u>2020</u> ⁽³⁾	<u>2019</u> ⁽³⁾
Civilian Labor Force	81,022	79,105	76,810	75,124
Total Employed	77,929	75,529	72,136	72,890
Total Unemployed	3,093	3,576	4,674	2,234
% Unemployment	3.8%	4.5%	6.1%	3.0%
Texas Unemployment	4.7%	5.7%	7.7%	3.5%

(1) Source: Texas Workforce Commission.

(2) As of February 2022

(3) Average Annual Statistics.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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DRAFT

IN REGARD to the authorization and issuance of the “City of Selma, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022” (the *Certificates*), dated April 15, 2022 in the aggregate principal amount of \$ _____, we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Selma, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 2024 through 2042, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

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

WE HAVE EXAMINED, the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Certificates, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws

Legal Opinion of Cantu Harden LLP, San Antonio, Texas, in connection with the authorization and issuance of City of Selma, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022

affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

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

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Very truly yours,

APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED OCTOBER 31, 2020

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements
not intended to be a complete statement of the Issuer's financial condition.)

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Selma, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Selma, Texas, as of and for the year ended October 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of City of Selma, Texas' primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the reporting entity and unmodified audit opinions on the governmental activities, business-type activities, and major funds of the primary government.

Basis for Adverse Opinion on the Reporting Entity

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

Adverse Opinion on the Reporting Entity

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Selma, Texas, as of October 31, 2020, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The City of Selma, Texas has not issued separate reporting entity financial statements, however separate financial statements are available for the Retama Development Corporation.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund for the primary government of the City of Selma, Texas, as of October 31, 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 the management's discussion and analysis, budgetary comparison information, and schedules of changes and contributions for net pension liability and other post-employment benefits, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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

Armstrong, Vaughan & Associates, P.C.

March 11, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Selma’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended October 31, 2020. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

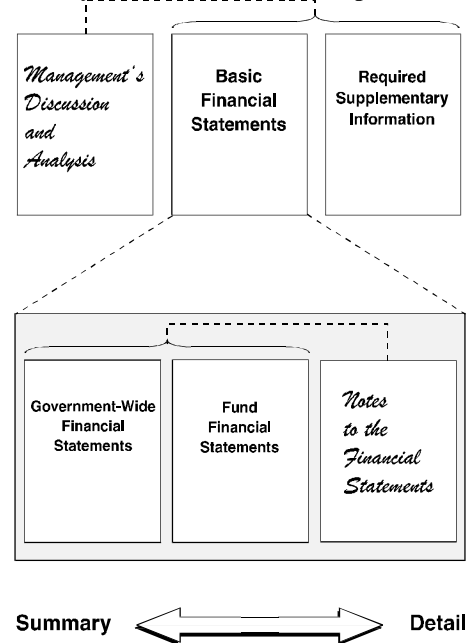
- The City’s total combined net position was \$45.7 million at October 31, 2020. The general fund reported a fund balance this year of \$8.6 million.
- During the year, the City’s governmental expenses were \$2.1 million less than the \$13.7 million generated in taxes and other revenues for governmental activities.
- The City’s Water/Sewer Fund reported a \$764 thousand increase in net position over the previous fiscal year. Net position at October 31, 2020 was \$8.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position was \$45.7 million at October 31, 2020. (See Table A-1).

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2020	2019	2020	2019	2020	2019	
ASSETS							
<i>Current Assets:</i>							
Cash and Investments	\$ 17,625	\$ 18,708	\$ 4,674	\$ 3,458	\$ 22,299	\$ 22,166	0.60%
Other Current Assets	2,063	1,869	644	666	2,707	2,535	6.79%
Total Current Assets:	19,688	20,577	5,318	4,124	25,006	24,701	1.23%
<i>Noncurrent Assets:</i>							
Capital Assets (Net)	42,169	39,563	11,009	11,187	53,178	50,750	4.78%
Total Noncurrent Assets	42,169	39,563	11,009	11,187	53,178	50,750	4.78%
Total Assets	61,857	60,140	16,327	15,311	78,184	75,451	3.62%
Deferred Outflows of Resources							
Deferred Total OPEB Outflows	387	67	22	4	409	71	476.06%
Deferred Pension Related Outflows	1,854	2,280	93	118	1,947	2,398	-18.81%
Total Deferred Outflows of Resources	2,241	2,347	115	122	2,356	2,469	-4.58%
LIABILITIES							
Current Liabilities	2,388	1,796	4,929	4,515	7,317	6,311	15.94%
Long-Term Liabilities	22,640	24,635	3,125	3,349	25,765	27,984	-7.93%
Total Liabilities	25,028	26,431	8,054	7,864	33,082	34,295	-3.54%
DEFERRED INFLOWS							
Future Tax Levy Collections	7	19	-	-	7	19	-63.16%
Deferred Total OPEB Inflows	53	59	3	3	56	62	-9.68%
Deferred Pension Related Inflows	1,587	631	87	32	1,674	663	152.49%
Total Deferred Inflows of Resources	1,647	709	90	35	1,737	744	133.47%
NET POSITION							
Net Investment in							
Capital Assets	28,940	25,955	8,088	8,087	37,028	34,042	8.77%
Restricted	8,174	8,495	-	-	8,174	8,495	-3.78%
Unrestricted (Deficit)	309	897	210	(553)	519	344	50.87%
Total Net Position	\$ 37,423	\$ 35,347	\$ 8,298	\$ 7,534	\$ 45,721	\$ 42,881	6.62%

CHANGES IN NET POSITION

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2020	2019	2020	2019	2020	2019	
Program Revenues:							
Charges for Services	\$ 1,174	\$ 1,295	\$ 5,141	\$ 5,386	\$ 6,315	\$ 6,681	-5.5%
Operating Grants & Contributions	466	-	-	-	466	-	0.0%
General Revenues							
Property Taxes	2,499	2,332	-	-	2,499	2,332	7.2%
Franchise Taxes	711	766	-	-	711	766	-7.2%
Sales Taxes	8,537	8,651	-	-	8,537	8,651	-1.3%
Occupancy Taxes	171	188	-	-	171	188	-9.0%
Impact Fees	-	-	1,073	373	1,073	373	187.7%
Investment Earnings	87	178	1	5	88	183	-51.9%
Other	39	95	12	12	51	107	-52.3%
Total Revenues	13,684	13,505	6,227	5,776	19,911	19,281	3.3%
General Government	2,523	2,511	-	-	2,523	2,511	0.5%
Police Department	4,064	4,109	-	-	4,064	4,109	-1.1%
Fire Department	2,650	2,755	-	-	2,650	2,755	-3.8%
Building Inspections	411	568	-	-	411	568	-27.6%
Infrastructure	1,680	1,377	-	-	1,680	1,377	22.0%
Others	426	138	-	-	426	138	208.7%
Water/Sewer	-	-	4,783	4,770	4,783	4,770	0.3%
Interest on Long-Term Debt	534	496	-	100	534	596	-10.4%
Total Expenses	12,288	11,954	4,783	4,870	17,071	16,824	1.5%
Transfers In (Out)	680	560	(680)	(560)	-	-	0.0%
Increase (Decrease) in Net Position	\$ 2,076	\$ 2,111	\$ 764	\$ 346	\$ 2,840	\$ 2,457	15.6%

Governmental Activities

- Property tax rates decreased from .201600 to .196800, however, higher property values resulted in an increase of 7.1% in property tax revenues.
- The City's total revenues were \$13.7 million. A significant portion, 87.1%, comes from taxes and 8.6% relates to charges for services.

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

- The cost of all *governmental* activities this year was \$12.3 million.
- However, the amount that our taxpayers paid for these activities through taxes was \$11.9 million.
- Some of the cost was paid by those who directly benefited from the programs, \$1.2 million.

Business-Type Activities (Water Sewer)

Revenues of the City’s business-type activities were \$6.3 million (a 5.1% increase) and expenses were \$4.8 million (1.8% decrease).

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

	Total Cost of			Net Cost of		
	Services		Percent	Services		Percent
	2020	2019	Change	2020	2019	Change
General Government	\$ 2,523	\$ 2,511	0.5%	\$ 1,790	\$ 2,221	-19.4%
Police Department	4,064	4,109	-1.1%	3,689	3,496	5.5%
Fire Department	2,650	2,755	-3.8%	2,650	2,755	-3.8%
Building Inspection	411	568	-27.6%	(120)	177	-167.8%
Infrastructure	1,680	1,377	22.0%	1,680	1,377	22.0%
Other	426	138	208.7%	426	138	208.7%
Debt Service – Interest & Fiscal	534	496	7.7%	534	496	7.7%
Water/Sewer	4,783	4,870	-1.8%	(358)	(517)	-30.8%

FUND FINANCIAL STATEMENTS

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

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

The City has the following types of funds:

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

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Revenues from governmental fund types totaled \$13.7 million, a 1.7% increase over the prior year. Expenditures decreased 8.5% to \$12.3 million.

Budgetary Highlights

The City did not make any amendments during the year. Expenditures were under budget in total by \$1.2 million in the general fund and under budget by \$202 thousand in the municipal development district. Ending resources increased by \$1 million in the general fund. Additionally, the MDD was budgeted to have a decrease of \$800 thousand in fund balance. Although there was a decrease of \$564 thousand in fund balance, the fund balance remained strong with a \$3.5 million fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of October 31, 2020, the City had invested \$65.8 million and \$15.2 million in a broad range of capital assets, including land, equipment, buildings, infrastructure and vehicles for governmental and business-type activities, respectively. Significant additions during the year include several infrastructure projects, police cars, community sign, street sweeper, and rehabilitation of an elevated water storage tank. (See Table A-4.)

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2020	2019	2020	2019	2020	2019	
Land	\$ 1,761	\$ 1,688	\$ 173	\$ 173	\$ 1,934	\$ 1,861	3.9%
Water Rights	-	-	2,559	2,559	2,559	2,559	0.0%
Buildings	8,048	8,395	404	404	8,452	8,799	-3.9%
Water and Sewer Plant	-	-	11,149	11,111	11,149	11,111	0.3%
Vehicles and Equipment	5,984	5,760	916	856	6,900	6,616	4.3%
Infrastructure	41,691	40,473	-	-	41,691	40,473	3.0%
Construction in Progress	8,344	5,652	32	33	8,376	5,685	47.3%
Totals at Historical Cost	<u>65,828</u>	<u>61,968</u>	<u>15,233</u>	<u>15,136</u>	<u>81,061</u>	<u>77,104</u>	<u>5.1%</u>
Accumulated Depreciation	<u>(23,659)</u>	<u>(22,405)</u>	<u>(4,224)</u>	<u>(3,949)</u>	<u>(27,883)</u>	<u>(26,354)</u>	<u>5.8%</u>
Net Capital Assets	<u>\$ 42,169</u>	<u>\$ 39,563</u>	<u>\$ 11,009</u>	<u>\$ 11,187</u>	<u>\$ 53,178</u>	<u>\$ 50,750</u>	<u>4.8%</u>

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

Long Term Debt

As of October 31, 2020, the City had \$21.3 million in bonds outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2020	2019	2020	2019	2020	2019	
Bonds Payable	\$ 18,594	\$ 19,732	\$ 2,770	\$ 3,100	\$ 21,364	\$ 22,832	-6.43%
Capital Leases	17	95	151	-	168	95	100.00%
Total Debt	<u>\$ 18,611</u>	<u>\$ 19,827</u>	<u>\$ 2,921</u>	<u>\$ 3,100</u>	<u>\$ 21,532</u>	<u>\$ 22,927</u>	<u>-6.08%</u>

TAX RATE, BUDGET, AND ECONOMIC OUTLOOK

The proposed budget for Fiscal Year 2020-2021 was filed with the City Secretary on August 10, 2020, and the Notice of Public Hearing was published in the Northeast Herald on August 19, 2020 and August 26, 2020. The Guadalupe County Appraisal District lists the City's tax roll for Fiscal Year 2020-2021 at \$1,376,055,234. Last fiscal year, the Guadalupe County Appraisal District listed the City's tax roll at \$1,214,331,202. The City adopted a Tax Rate of \$0.1968 per \$100 of valuation for FY 2020-2021. This tax rate remains unchanged from last year's tax rate. The tax components for the proposed Fiscal Year 2020-2021 tax rate would be as follows: \$0.0798 for Maintenance & Operations (General Fund) and \$0.1170 for Interest & Sinking (Debt Service).

The retail outlook from January 2020 through August 2020, exactly two-thirds of the way into the current fiscal year, Selma's local economy saw a slight setback as sales tax collections were 3% below this same period last year. As with cities across the country, this decrease was a direct byproduct of the COVID-19 crisis. Ewald Kubota, one of Central Texas' most renowned agriculture machinery dealers, recently opened their newest location in Selma, moving into the location just off Interstate 35 formerly occupied by Rush Bus Center. Mercedes-Benz of Selma is in the final stages of construction for their new dealership at the corner of Interstate 35 and Corporate Drive. This newest neighbor to city hall will serve as one of the areas only Mercedes-Benz dealerships and will provide yet another option for luxury vehicle sales for the residents of Selma. We look forward to officially welcoming Mercedes-Benz of Selma by the end of 2020.

The industrial sector in Selma continues to expand, especially in the area of the Titan Industrial Park, located on 188 acres off of Lookout Road. Penske Truck Rentals recently opened their newest location in Selma just across from O'Reilly Auto Parts. This 24,000 square foot facility adds yet another world-renowned business to the Selma family. Speaking of O'Reilly Auto Parts, 2021 will see a much-anticipated expansion of their distribution center on Lookout Road. This expansion is already permitted and planned, with construction set to begin early this fiscal year. Beyer Boys Mechanical and Plumbing continues construction on their new company headquarters just off Lookout Road near the new Penske Truck Rentals Facility. This new complex, which will serve as the central location for all facets of the Beyer Boys company, plans to be fully operational by early 2021. Selma continues to be one of the most sought-after locations for new and relocating businesses along the Interstate 35 corridor. We look forward to continuing this success in the upcoming fiscal year and beyond. With more exciting business announcements being planned in coming months, these continued successes look to continue going forward.

Progress on Phase 2 of The Retreat at Retama Subdivision, a quad-plex townhome development located along Lookout Road, is moving along at a rapid pace. Phase 2 is projected to be completed in the coming fiscal year. New home construction in Selma Park Estates also continues to see increases not seen in previous years. This continued development is the direct result of the investment that the City has made in the stormwater drainage, utilities, and roads over the past decade. A number of road improvement projects in this area have been completed over the last fiscal year. Selma's newest single-family home subdivision, Sunrise Village, has begun construction on the first of its single-family homes, which looks to continue through this current fiscal year. Located just off Retama Parkway between Creekside Ridge and TruCare Living Centers, this new subdivision will provide close to 100 new upscale living options for residents in the City. Lastly, a new multi-family housing project located on Lookout Road near the Selma-Live Oak city limits is currently under construction. This new apartment complex will contain approximately 300 units and provide another multi-family residence option for new and current residents of the City.

For almost twenty years, the City of Selma has experienced robust residential and commercial growth. During this time of unprecedented growth, the City of Selma has also been conscious of the need to manage and encourage this growth. This understanding led the City of Selma to implement a blueprint for its future successes. With this in mind, the City Council approved a 2017-2032 Comprehensive Development Plan (CDP), which provides a variety of capital improvement projects for the next decade and beyond. The CDP Update included improvements to a number of streets in the Selma Park Estates Subdivision. Over the last year, we have completed a number of road reconstruction and repair projects in this area, allowing for the continued development of the subdivision, which has led to an uptick in our residential building permits.

Also within the last year, we have completed a number of other quality of life projects and initiatives. One such project was the construction of Selma's very own splash pad. Located at Stage Stop Park, this 3,220 square foot amenity will be able to provide some comfort from the blazing Texas sun in warmer months. Similarly, this past year saw the completed development of the final portion of the Historic John S. Harrison House and Property. This development provides additional hike/bike trails, orchards, and much more to celebrate the rich history and natural beauty of Selma. We also conducted a community-wide survey to assess the city's parks. This survey, which received overwhelmingly positive feedback, will be a key component in the continued development of our parks and trails systems, ensuring that each park provides the highest quality for our residents and visitors.

This fiscal year will see the start of yet another major road project in the long-awaited reconstruction of Evans Road. The Evans Road project was scheduled to be begin earlier this year, but the onset of COVID-19 led to the fiscally conservative decision to postpone the project, ensuring that adequate funding would be available. It is our belief that our local economy has rebounded in such a way that this project should now be back on track for the next fiscal year. Once completed, the new Evans Road will provide a wider, smoother surface for one of Selma's most travelled connector streets.

The City recently issued certificates of obligation, which were approved at the August 8, 2019 Regular Monthly City Council Meeting. The issuance of these certificates has allowed for water system upgrades and a number of construction projects, all of which were identified in the Selma 2017-2032 Comprehensive Development Plan.

The much-needed water system infrastructure improvements cover a variety of programs and equipment to ensure that our water system continues to operate at optimal levels. These improvements include upgrades to our SCADA system, a GIS database for the City water system, water storage tank inspections, and the installation of backflow preventers on 1 ½" meters throughout the City per TCEQ and City regulations. Each of these improvements addresses a critical need to ensure that our water system continues to operate properly for years to come.

Another key component of the approved certificates of obligation are two crucial building projects for the City. One of the approved building projects is the construction of a new Public Works facility on Lookout Road near O'Reilly Auto Parts. The current Public Works building is the oldest building at the City Hall Complex and currently does not provide enough room for staff or equipment. The new Public Works facility will provide the space necessary to house our hard-working Public Works Staff and all of their equipment. The second bond funded building project is an expansion to City Hall. This expansion will add several offices to City Hall, allowing our Development Services Staff to relocate from the Stage Stop Visitors Center to City Hall. In an effort to provide more centralized and efficient customer service, this relocation will provide a one-stop shop for residents and businesses in need of assistance from the city. Construction began in August 2020, with both projects scheduled to be completed by Summer 2021.

ANNUAL OPERATING BUDGET

Collectively, the funds that make up the Fiscal Year 2020-2021 Annual Operating Budget (which begins on November 1) will decrease by 4.3% or \$986,232 from the previous fiscal year. The following is a list of all city funds represented in this budget: General Fund, Municipal Development District Fund, Utility Fund, Reserve Funds and the Debt Service Fund. Combined, these funds equate to a total operating budget for Fiscal Year 2020-2021 of \$22,075,629.

Expected Revenues for Fiscal Year 2020-2021 are \$11,292,769, a decrease of 4.3% or \$508,286 from the previous fiscal year. Most of this decrease is primarily due to uncertain sales tax collections as a direct result of the COVID-19 health crisis. It is estimated that \$37,871,314 worth of new improvements and property will be added to the City's tax rolls this year.

Expenditures for FY 2020-2021 balance with the revenue total of \$11,292,769. Highlights of General Fund Expenditures include:

- Additional funds allocated for street repairs and capital improvement projects;
- Additional equipment for the Fire Department by way of new/replacement fire hoses, thermal imagers, and rescue tools;
- Three new/replacement vehicles in the Police Patrol Division; and,
- Only a 5% increase to our medical insurance premium costs.

Municipal Development District (MDD) Revenue and Expenditures equal \$2,475,000 of which \$900,000 is rolled into this fiscal year from the MDD fund balance. Projects that may be supported by the MDD Fund must be located in Bexar County. The Evans Road Improvement Project is planned to be funded from the MDD fund.

Several Reserve Funds have been allocated for various items in the next fiscal year. These reserve fund expenditures will include continued street repairs, technology upgrades, court security upgrades, police equipment and hotel/motel expenditures. Reserve funds allocated for these expenditures total \$82,500.

Overall, the City of Selma is in a sound financial position heading into next fiscal year. Despite the economic setbacks felt across the nation in recent months, the City of Selma continues to enjoy a sound fiscal footing and relative economic stability. We will continue to monitor economic conditions throughout the current and next fiscal year and recommend adjustments to the budget that may be warranted. In July 2015, Standard & Poor's Credit Rating Agency raised the City's long-term rating to 'AA' from 'AA-'. According to Standard & Poor's, this upgrade was due primarily to the City's further strengthened wealth and income levels, strong economy, strong management, adequate budgetary performance, very strong budgetary flexibility, very strong liquidity, weak debt & contingent liability profile, and strong institutional framework. In August 2019, Standard and Poor's affirmed this 'AA' rating. This rating, which was assigned during the bond process for the 2019 certificates of obligation, reflects the city's stable budgetary operation and ability to achieve strong budgetary performance. In an effort to further affirm this rating, the City Council adopted comprehensive financial management policy statements in late 2019. These Comprehensive Financial Management Policy Statements will serve as to ensure that the City is financially able to meet its current and future service needs. The individual statements contained in the Comprehensive Financial Management Policy Statements serve as guidelines for both the financial planning and internal financial management of the City.

We would like to thank all the department heads for their hard work and assistance in developing this document. Lastly, we would like to thank the Mayor, City Council and the Citizens of Selma for your continued support as together, we continue to strive to make Selma, “a unique city that leads through providing planned growth, quality of life, a safe environment, and a vision for the future.” Our goal is that this annual operating budget will continue to provide exemplary and sustainable city services and infrastructure to our residents and visitors, while maintaining good stewardship of our public’s financial resources and continuing to invest in our City Staff by making our workplace enjoyable and challenging.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

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



CITY OF SELMA, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED OCTOBER 31, 2020

BASIC FINANCIAL STATEMENTS

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

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

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

CITY OF SELMA, TEXAS
STATEMENT OF NET POSITION
OCTOBER 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 17,624,740	\$ 4,674,445	\$ 22,299,185
Receivables (Net of Allowance for Uncollectibles):			
Property Taxes	33,480	-	33,480
Nonproperty Taxes	1,921,877	-	1,921,877
Lot Maintenance	405	-	405
Water Sewer Customers	-	613,312	613,312
Prepaid Expenses	136,969	1,488	138,457
Internal Balances	(29,530)	29,530	-
Capital Assets:			
Land	1,760,807	173,139	1,933,946
Water Rights	-	2,558,666	2,558,666
Buildings & Improvements	8,047,744	404,337	8,452,081
Water Sewer Plant	-	11,148,944	11,148,944
Vehicles & Equipment	5,983,817	915,521	6,899,338
Infrastructure	41,690,971	-	41,690,971
Construction in Progress	8,344,787	32,179	8,376,966
Accumulated Depreciation	(23,659,060)	(4,223,757)	(27,882,817)
TOTAL ASSETS	61,857,007	16,327,804	78,184,811
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Total Other Post Employment Benefit (OPEB) Outflows	387,168	21,934	409,102
Deferred Pension Related Outflows	1,854,098	93,327	1,947,425
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 2,241,266	\$ 115,261	\$ 2,356,527

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
OCTOBER 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 1,080,583	\$ 240,584	\$ 1,321,167
Accrued Expenses	646,116	12,077	658,193
Accrued Compensated Absences	525,986	21,680	547,666
Accrued Interest Payable	135,324	21,085	156,409
Unearned Revenue	-	4,625,228	4,625,228
Customer Deposits	-	9,550	9,550
<i>Noncurrent Liabilities:</i>			
Due within One Year	1,244,890	388,804	1,633,694
Due in more than One Year	17,366,252	2,532,477	19,898,729
Total Other Post Employment Benefits (OPEB) Liability	1,234,168	67,224	1,301,392
Net Pension Liability	2,795,016	136,909	2,931,925
TOTAL LIABILITIES	25,028,335	8,055,618	33,083,953
DEFERRED INFLOWS OF RESOURCES			
Property Tax Levy for Future Period	7,198	-	7,198
Deferred Total Other Post Employment Benefit (OPEB) Inflows	52,922	2,743	55,665
Deferred Pension Related Inflows	1,587,085	87,039	1,674,124
TOTAL DEFERRED INFLOWS	1,647,205	89,782	1,736,987
NET POSITION			
Net Investment in Capital Assets	28,939,950	8,087,749	37,027,699
<i>Restricted Net Position:</i>			
Debt Service	975,503	-	975,503
Municipal Development District	3,524,838	-	3,524,838
Police Department	69,008	-	69,008
Hotel/Motel	137,952	-	137,952
Building Security and Technology	373,151	-	373,151
Street Repairs	2,895,803	-	2,895,803
Other	197,253	-	197,253
Unrestricted (Deficit)	309,275	209,916	519,191
TOTAL NET POSITION	\$ 37,422,733	\$ 8,297,665	\$ 45,720,398

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2020

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Administration	\$ 2,523,446	\$ 272,603	\$ 460,900	\$ -
Police Protection	4,064,036	370,597	4,905	-
Fire Protection	2,649,605	-	-	-
Building Inspections	411,331	531,263	-	-
Infrastructure	1,679,680	-	-	-
Other	425,528	-	-	-
Interest on Long-Term Debt	534,294	-	-	-
Total Governmental Activities	<u>12,287,920</u>	<u>1,174,463</u>	<u>465,805</u>	<u>-</u>
Business-Type Activities				
Water & Sewer Utility	<u>4,782,831</u>	<u>5,140,835</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>4,782,831</u>	<u>5,140,835</u>	<u>-</u>	<u>-</u>
Total Government	<u>\$ 17,070,751</u>	<u>\$ 6,315,298</u>	<u>\$ 465,805</u>	<u>\$ -</u>
General Revenues:				
Taxes				
General Property Taxes				
Franchise Taxes				
Sales Taxes				
Occupancy Tax				
Interest and Investment Earnings				
Impact Fees				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

The accompanying notes are an integral part of these statements.

Net (Expense) Revenue

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,789,943)	\$ -	\$ (1,789,943)
(3,688,534)	-	(3,688,534)
(2,649,605)	-	(2,649,605)
119,932	-	119,932
(1,679,680)	-	(1,679,680)
(425,528)	-	(425,528)
(534,294)	-	(534,294)
<u>(10,647,652)</u>	<u>-</u>	<u>(10,647,652)</u>
<u>-</u>	<u>358,004</u>	<u>358,004</u>
<u>-</u>	<u>358,004</u>	<u>358,004</u>
<u>(10,647,652)</u>	<u>358,004</u>	<u>(10,289,648)</u>
2,498,519	-	2,498,519
710,960	-	710,960
8,537,120	-	8,537,120
170,529	-	170,529
86,650	1,544	88,194
-	1,072,593	1,072,593
39,364	11,872	51,236
<u>12,043,142</u>	<u>1,086,009</u>	<u>13,129,151</u>
<u>680,030</u>	<u>(680,030)</u>	<u>-</u>
2,075,520	763,983	2,839,503
<u>35,347,213</u>	<u>7,533,682</u>	<u>42,880,895</u>
<u>\$ 37,422,733</u>	<u>\$ 8,297,665</u>	<u>\$ 45,720,398</u>

CITY OF SELMA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
OCTOBER 31, 2020

	Major Funds				Total Governmental Funds
	General Fund	Debt Service Fund	Municipal Development District	Capital Projects	
ASSETS					
Cash and Investments	\$ 7,791,402	\$ 1,120,644	\$ 3,571,666	\$ 5,141,028	\$ 17,624,740
Receivables (Net of Uncollectibles):					
Property Taxes	14,198	19,282	-	-	33,480
Sales and Franchise Tax	1,594,071	-	327,806	-	1,921,877
Lot Maintenance	405	-	-	-	405
Prepaid Items	136,969	-	-	-	136,969
TOTAL ASSETS	<u>\$ 9,537,045</u>	<u>\$ 1,139,926</u>	<u>\$ 3,899,472</u>	<u>\$ 5,141,028</u>	<u>\$ 19,717,471</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts Payable	\$ 237,057	\$ -	\$ 374,634	\$ 468,892	\$ 1,080,583
Accrued Expenditures	646,116	-	-	-	646,116
Due To Other Funds	4,710	24,820	-	-	29,530
TOTAL LIABILITIES	<u>887,883</u>	<u>24,820</u>	<u>374,634</u>	<u>468,892</u>	<u>1,756,229</u>
<i>Deferred Inflow of Resources:</i>					
Unavailable Revenue	14,198	19,282	-	-	33,480
Future Property Tax Levy	2,919	4,279	-	-	7,198
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>17,117</u>	<u>23,561</u>	<u>-</u>	<u>-</u>	<u>40,678</u>
<i>Fund Balances:</i>					
Nonspendable:					
Prepaid Items	136,969	-	-	-	136,969
Restricted for:					
Debt Service	-	1,091,545	-	-	1,091,545
Police Department	69,008	-	-	-	69,008
Hotel/Motel	137,952	-	-	-	137,952
Building Security and Technology	373,151	-	-	-	373,151
Municipal Development District	-	-	3,524,838	-	3,524,838
Street Repairs	2,895,803	-	-	-	2,895,803
Construction Projects	-	-	-	4,672,136	4,672,136
PEG Fees	197,253	-	-	-	197,253
Assigned for:					
Fire Department	31,478	-	-	-	31,478
Parks	13,262	-	-	-	13,262
Police Department	80,070	-	-	-	80,070
Unassigned	4,697,099	-	-	-	4,697,099
TOTAL FUND BALANCES	<u>8,632,045</u>	<u>1,091,545</u>	<u>3,524,838</u>	<u>4,672,136</u>	<u>17,920,564</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
	<u>\$ 9,537,045</u>	<u>\$ 1,139,926</u>	<u>\$ 3,899,472</u>	<u>\$ 5,141,028</u>	<u>\$ 19,717,471</u>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
OCTOBER 31, 2020

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 17,920,564

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 42,169,066

Other long-term assets are not available to pay for current-period expenditures and therefore, are not reported in the governmental funds. 33,480

Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the governmental funds. (525,986)

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

Bonds Payable	(17,975,000)	
Premium	(619,260)	
Capital Lease	<u>(16,882)</u>	(18,611,142)

Net Pension Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in governmental funds.

Net Pension Liability	(2,795,016)	
Pension Related Deferred Outflows	1,854,098	
Pension Related Deferred Inflows	<u>(1,587,085)</u>	(2,528,003)

Total Other Post Employment Benefit (OPEB) Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in governmental funds.

Total OPEB Liability	(1,234,168)	
Total OPEB Related Deferred Outflows	387,168	
Total OPEB Related Deferred Inflows	<u>(52,922)</u>	(899,922)

Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the governmental funds. (135,324)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 37,422,733

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED OCTOBER 31, 2020

	Major Funds				Total Governmental Funds
	General Fund	Debt Service Fund	Municipal Development District Fund	Capital Projects	
REVENUES					
Ad Valorem Taxes	\$ 1,152,076	\$ 1,339,370	\$ -	\$ -	\$ 2,491,446
Sales and Mixed Beverage Tax	6,811,763	-	1,733,847	-	8,545,610
Franchise Taxes	710,960	-	-	-	710,960
Occupancy Tax	170,529	-	-	-	170,529
Charges for Services	785,560	-	-	-	785,560
Fines and Forfeits	369,364	-	-	-	369,364
Miscellaneous	624,603	312	-	38,727	663,642
TOTAL REVENUES	<u>10,624,855</u>	<u>1,339,682</u>	<u>1,733,847</u>	<u>38,727</u>	<u>13,737,111</u>
EXPENDITURES					
Current:					
General Administration	2,228,565	-	3,999	-	2,232,564
Police Protection	3,466,279	-	-	-	3,466,279
Fire Protection	2,405,013	-	-	-	2,405,013
Building Inspections	374,308	-	-	-	374,308
Infrastructure	342,619	-	-	-	342,619
Other	75,002	-	-	-	75,002
Capital Outlay	1,342,757	-	2,294,171	1,548,487	5,185,415
Debt Service:					
Principal	78,072	1,090,000	-	-	1,168,072
Interest and Fiscal Charges	2,946	574,792	-	-	577,738
TOTAL EXPENDITURES	<u>10,315,561</u>	<u>1,664,792</u>	<u>2,298,170</u>	<u>1,548,487</u>	<u>15,827,010</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	<u>309,294</u>	<u>(325,110)</u>	<u>(564,323)</u>	<u>(1,509,760)</u>	<u>(2,089,899)</u>
OTHER FINANCING SOURCES (USES):					
Transfers In (Out)	717,000	-	-	(36,970)	680,030
TOTAL OTHER FINANCING SOURCES (USES)	<u>717,000</u>	<u>-</u>	<u>-</u>	<u>(36,970)</u>	<u>680,030</u>
Net Change in Fund Balance	1,026,294	(325,110)	(564,323)	(1,546,730)	(1,409,869)
FUND BALANCES - NOVEMBER 1	<u>7,605,751</u>	<u>1,416,655</u>	<u>4,089,161</u>	<u>6,218,866</u>	<u>19,330,433</u>
FUND BALANCES - OCTOBER 31	<u>\$ 8,632,045</u>	<u>\$ 1,091,545</u>	<u>\$ 3,524,838</u>	<u>\$ 4,672,136</u>	<u>\$ 17,920,564</u>

The accompanying notes are an integral part of these statements.



CITY OF SELMA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,409,869)

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

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

Capital Outlay	4,697,222	
Depreciation Expense	<u>(2,026,507)</u>	2,670,715

Governmental funds report proceeds from the sale of capital assets as other financing sources. However in the statement of activities, the proceeds are reduced by the net book value of the capital assets disposed. This amount represents the net book value of capital assets disposed. (64,959)

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

Property Taxes Not Available for Current Period		7,074
---	--	-------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to government funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal Repayments	1,168,072	
Amortization of Debt Related Balances	<u>48,008</u>	1,216,080

Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that the actuarially determined pension expense exceeded contributions. \$ (204,190)

CITY OF SELMA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED OCTOBER 31, 2020

Governmental funds report required contributions to Other Post Employment Benefits (OPEB) as expenditures. However, in the Statement of Activities the expense for the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that contributions differed from the actuarially determined OPEB expense.		\$	(73,297)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:			
Compensated Absences	(58,524)		
Accrued Interest	<u>(7,510)</u>		<u>(66,034)</u>
 CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES			 <u>\$ 2,075,520</u>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND
OCTOBER 31, 2020

	<u>Water & Sewer</u>
ASSETS	
<i>Current Assets:</i>	
Cash and Investments	\$ 4,674,445
Accounts Receivables - Customers (Net of Allowance for Uncollectibles)	613,312
Prepaid Expenses	1,488
Due From Other Funds	29,530
<i>Total Current Assets</i>	5,318,775
 <i>Capital Assets:</i>	
Land	173,139
Water Rights	2,558,666
Building and Improvements	404,337
Water Sewer Plant	11,148,944
Equipment	915,521
Construction in Progress	32,179
Accumulated Depreciation	(4,223,757)
<i>Total Capital Assets, Net</i>	11,009,029
TOTAL ASSETS	16,327,804
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Total Other Post Employment Benefit Outflows	21,934
Deferred Pension Related Outflows	93,327
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 115,261

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)
OCTOBER 31, 2020

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 240,584
Accrued Expenses	12,077
Accrued Vacation Payable	21,680
Accrued Interest	21,085
Unearned Revenue	4,625,228
Customer Deposits	9,550
Current Portion of Bonds Payable	388,804
<i>Total Current Liabilities</i>	5,319,008

Noncurrent Liabilities:

Bonds Payable	2,532,477
Total Other Post Employment Benefits Liability	67,224
Net Pension Liability	136,909
<i>Total Noncurrent Liabilities:</i>	2,736,610
TOTAL LIABILITIES	8,055,618

**DEFERRED INFLOWS
OF RESOURCES**

Deferred Total Other Post Employment Benefit Inflows	2,743
Deferred Pension Related Inflows	87,039
TOTAL DEFERRED INFLOWS OF RESOURCES	89,782

NET POSITION

Net Investment in Capital Assets	8,087,749
Unrestricted (Deficit)	209,916
TOTAL NET POSITION	\$ 8,297,665

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED OCTOBER 31, 2020

	<u>Water & Sewer</u>
OPERATING REVENUE	
Water Service	\$ 1,373,312
Sewer Service	1,470,305
Stormwater Fees	534,943
Garbage Billing	1,456,575
Connection and Extension Fees	78,185
Other Fees	227,515
TOTAL OPERATING REVENUE	5,140,835
OPERATING EXPENSES	
Administration Costs:	
Personnel	434,304
Administrative Services	3,398,339
Water and Sewer Operations:	
Supplies and Materials	226,966
Repairs and Maintenance	144,969
Other	26,758
Depreciation	459,832
TOTAL OPERATING EXPENSES	4,691,168
OPERATING INCOME (LOSS)	449,667
NONOPERATING INCOME (EXPENSE)	
Impact Fees	1,072,593
Miscellaneous	11,872
Interest Income	1,544
Interest Expense	(91,663)
TOTAL NONOPERATING INCOME (EXPENSE)	994,346
NET INCOME (LOSS) BEFORE TRANSFERS	1,444,013
Transfers In (Out)	(680,030)
NET INCOME (LOSS)	763,983
NET POSITION, BEGINNING OF YEAR	7,533,682
NET POSITION, END OF YEAR	\$ 8,297,665

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED OCTOBER 31, 2020

	<u>Water & Sewer</u>
CASH FLOWS FROM	
OPERATING ACTIVITIES	
Cash Received from Customers	\$ 5,800,554
Cash Paid to Suppliers	(3,983,295)
Cash Paid to Employees	<u>(416,681)</u>
NET CASH FLOWS PROVIDED (USED)	
BY OPERATING ACTIVITIES	<u>1,400,578</u>
CASH FLOWS FROM NONCAPITAL	
FINANCING ACTIVITIES	
Miscellaneous Income	11,872
Impact Fees	1,072,593
Deposits Collected (Refunded)	(24,124)
Due to (from) Other Funds	(11,241)
Transfers From (to) Other Funds	<u>(680,030)</u>
NET CASH PROVIDED (USED) BY	
NONCAPITAL FINANCING ACTIVITIES	<u>369,070</u>
CASH FLOWS FROM CAPITAL AND RELATED	
FINANCING ACTIVITIES	
Acquisition of Capital Assets	(282,927)
Loss on Disposal of Capital Assets	644
Proceeds from Long-Term Debt	205,062
Principal Payments on Long-term Debt	(383,781)
Interest Paid for Financing Activities	<u>(94,104)</u>
NET CASH USED FROM CAPITAL AND	
RELATED FINANCING ACTIVITIES	<u>(555,106)</u>
CASH FLOWS FROM	
INVESTING ACTIVITIES	
Interest Income Received	<u>1,544</u>
NET CASH PROVIDED (USED) BY	
INVESTING ACTIVITIES	<u>1,544</u>
NET INCREASE (DECREASE) IN CASH	
AND CASH EQUIVALENTS	1,216,086
CASH AND INVESTMENTS,	
BEGINNING OF YEAR	<u>3,458,359</u>
CASH AND INVESTMENTS,	
END OF YEAR	<u>\$ 4,674,445</u>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED OCTOBER 31, 2020

	<u>Water & Sewer</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 449,667
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	459,832
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (net)	32,824
(Increase) Decrease in Total Deferred Other Post Employment Benefit Outflows	(18,392)
(Increase) Decrease in Deferred Pension Outflows	24,424
Increase (Decrease) in Accounts Payable	(186,263)
Increase (Decrease) in Accrued Expenses	1,701
Increase (Decrease) in Unearned Revenue	626,895
Increase (Decrease) in Total Other Post Employment Benefits Liability	22,935
Increase (Decrease) in Net Pension Liability	(67,590)
Increase (Decrease) in Total Deferred Other Post Employment Benefit Inflows	(338)
Increase (Decrease) in Deferred Pension Related Inflows	54,883
Total Adjustments	950,911
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,400,578

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
OCTOBER 31, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

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

Component Units

The Retama Development Corporation (the "Corporation") is a local, nonprofit government corporation, without powers of taxation, created pursuant to Article 15281, Texas Revised Civil Statutes, as amended. The Corporation was created to act on behalf of the City of Selma to finance, acquire and operate a Class I horse racetrack. The City of Selma is not obligated for any of the debts of Retama Development Corporation. The City of Selma appoints the directors of the Corporation. When the bonds issued by the Corporation are paid, the Retama Development Corporation will own the horse racetrack. The City has elected not to present a discrete presentation of those financial statements in the City's annual financial report. Copies of the individual audit of Retama Development Corporation for the year ended December 31, 2019 can be obtained from City Hall.

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

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

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

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

The government reports the following major governmental funds:

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

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

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

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

The City has no nonmajor governmental funds.

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

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

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

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

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

4. INVESTMENTS

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

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

5. CASH AND CASH EQUIVALENTS

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

6. ACCOUNTS RECEIVABLE

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

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

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

6. ACCOUNTS RECEIVABLE (CONT.)

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

7. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Allowances have been established by management based on best available information for a variety of receivables as of October 31, 2020.

	General Fund	Debt Service Fund	Water/Sewer Fund
	2020	2020	2020
Property taxes	\$ 1,655	\$ 602	\$ -
Lot Maintenance	7,700	-	-
Water/Sewer Accounts	-	-	113,232

8. INTERFUND BALANCES AND TRANSACTIONS

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

9. PREPAID ITEMS

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

10. CAPITAL ASSETS

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

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

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

10. CAPITAL ASSETS (CONT.)

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

Buildings and Improvements	5 to 30 years
Improvements Other than Buildings	7 to 50 years
Utility System in Service	12 to 40 years
Machinery and Equipment	3 to 10 years

11. COMPENSATED ABSENCES

Vested or accumulated vacation and sick leave and compensatory time that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No expenditure is reported for these amounts. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. Vested or accumulated vacation and sick leave of the Proprietary Fund is recorded as an expense and liability of those funds as the benefits accrue to employees. Accumulated vacation and sick pay and compensatory time at October 31, 2020 have been recorded in accrued liabilities of the Proprietary Fund and government-wide statements. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The General Fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

12. UNEARNED REVENUE

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

13. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

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

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

14. LONG-TERM OBLIGATIONS

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

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

15. PENSIONS

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

16. OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY

The net position of the Texas municipal Retirement System (TMRS) and the City's Retiree Health Insurance have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for the purposes of measuring OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions or deductions from the net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as both OPEBs are pay as you go.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

17. FUND BALANCES

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

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

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

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

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council has delegated the authority to make assignments to the City Administrator.

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

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

18. NET POSITION

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

19. OPERATING REVENUES AND EXPENSES

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

20. USE OF ESTIMATES

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

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

21. BUDGET

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

NOTE B -- CASH AND INVESTMENTS

1. Cash and Cash Equivalents

At October 31, 2020, the amount of the city's cash on hand was \$900 and deposits in bank (including certificates of deposit) was \$16,546,584, and the carrying amount was \$16,033,142. The city's cash and cash equivalents were fully collateralized between pledged securities and FDIC as of October 31, 2020.

2. Investments

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

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

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

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.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

2. Investments (Cont.)

The City’s investments at October 31, 2020 were in short-term certificates of deposit, Texpool and Invesco, which are both AAAM rated, public funds external investment pools. These investments are valued using prices quoted in active markets for those securities (Level 1). The certificates of deposit are 90 days or less in length and are included in cash and cash equivalents.

The following table summarizes the assets for which fair values are determined on a recurring basis as of October 31, 2020:

Investment	Fair Value	Maturity in Days
TexPool	\$ 1,038	39
Invesco	6,264,038	29
Total Investments	\$ 6,265,076	

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Concentration of Credit Risk

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

c. Interest Rate Risk

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

d. Custodial Credit Risk

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

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

3. Analysis of Specific Deposit and Investment Risks (Cont.)

d. Custodial Credit Risk (Cont.)

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

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

e. Foreign Currency Risk

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

4. Investment Accounting Policy

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

5. Public Funds Investment Pools

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

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

NOTE C -- PROPERTY TAXES

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

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

For fiscal year 2020, the assessed tax rate for the City was \$0.196800 per \$100 on a taxable assessed valuation of \$1,228,294,324. The rate is broken out as \$0.079800 per \$100 for general operations and \$0.117000 per \$100 for debt retirement. Total tax levy for fiscal year 2020 after all exemptions and freeze adjustments was \$2,529,789.

NOTE D -- INTERFUND TRANSACTIONS

As of October 31, 2020, interfund receivables and payables that resulted from various interfund transactions were as follows:

Payable from/to		Reason
General Fund/Proprietary Fund	\$ 4,710	reimbursement
Debt Service Fund/Proprietary Fund	24,820	reimbursement
	\$ 29,530	

The following transfers occurred during the year ended October 31, 2020:

	Transfer In	Transfer Out	Reason
General Fund			
Proprietary Fund	\$ 717,000	\$ -	Transfer in lieu of taxes
Capital Projects Fund			
Proprietary Fund	-	36,970	Contribution
Proprietary Fund			
Capital Projects Fund	36,970	-	Contribution
General Fund	-	717,000	Transfer in lieu of taxes
	\$ 753,970	\$ 753,970	

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

NOTE E -- CAPITAL ASSETS

Capital asset activity for the year ended October 31, 2020, was as follows:

Governmental Activities	Balances at 11/1/19	Additions	Disposals/ Transfers	Balances at 10/31/20
Land	\$ 1,688,152	\$ 72,655	\$ -	\$ 1,760,807
Buildings	8,394,618	-	(346,874)	8,047,744
Infrastructure	40,472,886	-	1,218,085	41,690,971
Vehicles and Equipment	5,760,178	714,408	(490,769)	5,983,817
Construction in Progress	5,652,713	3,910,159	(1,218,085)	8,344,787
	<u>61,968,547</u>	<u>4,697,222</u>	<u>(837,643)</u>	<u>65,828,126</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(3,457,166)	(317,585)	346,874	(3,427,877)
Infrastructure	(14,167,027)	(1,326,818)	-	(15,493,845)
Vehicles and Equipment	(4,781,044)	(382,104)	425,810	(4,737,338)
	<u>(22,405,237)</u>	<u>(2,026,507)</u>	<u>772,684</u>	<u>(23,659,060)</u>
Governmental Capital Assets, Net	<u>\$ 39,563,310</u>	<u>\$ 2,670,715</u>	<u>\$ (64,959)</u>	<u>\$ 42,169,066</u>

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 232,554
Police Department	326,303
Fire Department	134,528
Infrastructure	1,323,935
Building Inspection	9,187
Total Depreciation Expense	<u>\$ 2,026,507</u>

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

NOTE E -- CAPITAL ASSETS (CONT.)

Business-Type Activities	Balances at 11/1/19	Additions	Disposals/ Transfers	Balances at 10/31/20
Land	\$ 173,139	\$ -	\$ -	\$ 173,139
Buildings	404,337	-	-	404,337
Water Rights	2,558,666	-	-	2,558,666
Water Sewer Utility Plant	11,110,733	40,895	(2,684)	11,148,944
Vehicles and Equipment	856,064	256,630	(197,173)	915,521
Construction in Progress	32,179	-	-	32,179
	<u>15,135,118</u>	<u>297,525</u>	<u>(199,857)</u>	<u>15,232,786</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(160,071)	(13,943)	-	(174,014)
Water Sewer Utility Plant	(3,174,066)	(339,285)	2,040	(3,511,311)
Vehicles and Equipment	(614,403)	(121,202)	197,173	(538,432)
	<u>(3,948,540)</u>	<u>(474,430)</u>	<u>199,213</u>	<u>(4,223,757)</u>
Business-Type Capital Assets, Net	<u>\$ 11,186,578</u>	<u>\$ (176,905)</u>	<u>\$ (644)</u>	<u>\$ 11,009,029</u>

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

NOTE F -- UNEARNED REVENUE – PROPRIETARY FUND

The unearned revenue represents the amount of \$4,625,228 that Developers have paid to provide for the current and future water rights for the new water users of the City. As the City purchases water rights from the Edwards Aquifer, the unearned revenue will be recognized as revenue.

NOTE G -- LONG-TERM DEBT

At October 31, 2020, the City’s long-term debt consisted of the following:

	Interest Rates	Original Issue	Outstanding
<u>Governmental Activities</u>			
General Obligation, Series 2010	0.9-3.25%	\$ 1,660,000	\$ 185,000
General Obligation, Series 2012	2-3%	2,210,000	695,000
Certificate of Obligation, Series 2012	2-3%	2,435,000	1,295,000
Certificate of Obligation, Series 2008	3.75%	4,000,000	1,970,000
General Obligation, Series 2015	2-3.5%	8,995,000	7,940,000
General Obligation, Series 2019	2-5%	5,950,000	5,890,000
			<u>\$ 17,975,000</u>
<u>Business-Type Activities</u>			
Certificate of Obligation, Series 2008	3.75%	\$ 4,100,000	\$ 2,015,000
Certificate of Obligation, Series 2016	1.075-1.975%	1,200,000	755,000
			<u>\$ 2,770,000</u>

These certificates of obligation and general obligations are not direct borrowings or direct placements.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

Changes in the City's long-term debt during the fiscal year ending October 31, 2020, follows:

	Balance Outstanding 11/1/19	Current Additions	Current Retirements	Balance Outstanding 10/31/20	Due Within One Year
<i>Governmental Activities:</i>					
<i>Certificates of Obligation:</i>					
Series 2008	\$ 2,175,000	\$ -	\$ (205,000)	\$ 1,970,000	\$ 215,000
Series 2012	1,445,000	-	(150,000)	1,295,000	150,000
Series 2019	5,950,000	-	(60,000)	5,890,000	125,000
<i>General Obligation</i>					
Series 2010	365,000	-	(180,000)	185,000	185,000
Series 2012	915,000	-	(220,000)	695,000	225,000
Series 2015	8,215,000	-	(275,000)	7,940,000	280,000
Premiums	667,268	-	(48,008)	619,260	48,008
Capital Leases	94,954	-	(78,072)	16,882	16,882
Totals	<u>\$ 19,827,222</u>	<u>\$ -</u>	<u>\$ (1,216,080)</u>	<u>\$ 18,611,142</u>	<u>\$ 1,244,890</u>
<i>Business-Type Activities:</i>					
Series 2008	\$ 2,225,000	\$ -	\$ (210,000)	\$ 2,015,000	\$ 220,000
Series 2016	875,000	-	(120,000)	755,000	120,000
Capital Leases	-	205,062	(53,781)	151,281	48,804
Totals	<u>\$ 3,100,000</u>	<u>\$ 205,062</u>	<u>\$ (383,781)</u>	<u>\$ 2,921,281</u>	<u>\$ 388,804</u>

Future minimum lease payments are as follows:

Year End October 31,	
2021	\$ 70,839
2022	53,781
2023	53,781
Total Lease Payments	178,401
Amount Representing Interest	(10,238)
Total Payments	<u>\$ 168,163</u>

The City leased police vehicles totaling \$225,180 with interest rates of 3.3% for the 2018 lease and 4.2% for the 2019 lease, respectively. Total accumulated depreciation on the vehicles was \$103,798, as of October 31, 2020.

The City also leased Public Works equipment totaling \$205,062 with interest rates of 3.3% for the 2020 lease. Total accumulated depreciation on the vehicles was \$37,595 as of October 31, 2020.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

The annual requirements to amortize all bonded debt outstanding as of October 31, 2020, including interest payments, are as follows:

Year Ending October 31,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,180,000	\$ 541,290	\$ 1,721,290	\$ 340,000	\$ 84,338	\$ 424,338
2022	1,290,000	508,434	1,798,434	355,000	74,160	429,160
2023	1,355,000	467,353	1,822,353	365,000	63,410	428,410
2024	1,075,000	428,116	1,503,116	370,000	52,254	422,254
2025	1,095,000	392,378	1,487,378	385,000	40,691	425,691
2026-2030	5,540,000	1,364,576	6,904,576	955,000	49,724	1,004,724
2031-2035	4,905,000	594,031	5,499,031	-	-	-
2036-2039	1,535,000	73,568	1,608,568	-	-	-
Total	<u>\$ 17,975,000</u>	<u>\$ 4,369,746</u>	<u>\$ 22,344,746</u>	<u>\$ 2,770,000</u>	<u>\$ 364,577</u>	<u>\$ 3,134,577</u>

NOTE H -- PENSION PLAN

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

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

Benefits Provided

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

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

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

NOTE H -- PENSION PLAN (CONT.)

Benefits Provided (Cont.)

At the December 31, valuations and measurement dates, the following employees were covered by the benefit terms:

	2019	2018
Inactive Employees or Beneficiaries Currently Receiving Benefits	26	22
Inactive Employees Entitled to but Not Yet Receiving Benefits	49	44
Active employees	85	85
	160	151

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The matching rate is 2 to 1. The contribution rates for the City were 14.66% and 14.64% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended October 31, 2020 were \$810,471, 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.

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
Overall Payroll Growth	2.75% per year
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

NOTE H -- PENSION PLAN (CONT.)

Actuarial Assumptions (Continued)

Salary increases were 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 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 healthy annuitants and Annuity Purchase Rate (APRs) are 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.

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

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2020

NOTE H -- PENSION PLAN (CONT.)

Actuarial Assumptions (Continued)

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
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.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

NOTE H -- PENSION PLAN (CONT.)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 20,688,815	\$ 16,511,234	\$ 4,177,581
Changes for the year:			
Service Cost	1,049,876	-	1,049,876
Interest	1,404,837	-	1,404,837
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(75,115)	-	(75,115)
Changes of Assumptions	169,783	-	169,783
Contributions - Employer	-	847,064	(847,064)
Contributions - Employee	-	404,465	(404,465)
Net Investment Income	-	2,558,364	(2,558,364)
Benefit Payments, Including Refunds of Employee Contributions	(802,692)	(802,692)	-
Administrative Expense	-	(14,423)	14,423
Other Changes	-	(433)	433
Net Changes	<u>1,746,689</u>	<u>2,992,345</u>	<u>(1,245,656)</u>
Balance at December 31, 2019	<u>\$ 22,435,504</u>	<u>\$ 19,503,579</u>	<u>\$ 2,931,925</u>

Discount Rate Sensitivity Analysis

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 6,921,807	\$ 2,931,925	\$ (250,461)

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.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

NOTE H -- PENSION PLAN (CONT.)

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

For the year ended October 31, 2020, the City recognized pension expense of \$1,027,075. Also as of October 31, 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	\$ 164,375	\$ 131,321
Changes in Actuarial Assumptions	152,498	-
Differences Between Projected and Actual Investment Earnings	947,610	1,542,803
Contributions Subsequent to the Measurement Date	682,942	-
	\$ 1,947,425	\$ 1,674,124

Deferred outflows of resources in the amount of \$682,942 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. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,	
2020	\$ (78,751)
2021	(107,487)
2022	50,974
2023	(282,192)
2024	1,899
Thereafter	5,916
	\$ (409,641)

NOTE I -- OTHER POST EMPLOYMENT BENEFITS (OPEB)

TMRS Supplemental Death Benefits Other Post Employment Benefit

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2020

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

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 annual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

Membership in the plan at the December 31, valuations and measurement dates, consisted of:

	2019	2018
Inactive Employees or Beneficiaries Currently Receiving Benefits	19	16
Inactive Employees Entitled to but Not Yet Receiving Benefits	10	8
Active Employees	85	85
Total	114	109

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

	Total SDBF Contribution Rate	Retiree Portion of SDBF Contribution Rate
For the Plan Year Ended December 31,		
2019	0.13%	0.01%
2020	0.11%	0.01%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 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:

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

TMRS Supplemental Death Benefits Other Post Employment Benefit (Continued)

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 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.
Other Information:	No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.
Note:	The Actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 14, 2014 to December 31, 2018.

The City's Total SDB 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 SDB OPEB Liability
Balance at December 31, 2018	\$ 114,732
Changes for the year:	
Service Cost	8,667
Interest on Total SDB OPEB Liability	4,407
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	2,172
Changes of Assumptions or Other Inputs	29,533
Benefit Payments	(578)
Net Changes	44,201
Balance at December 31, 2019	\$ 158,933

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.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

TMRS Supplemental Death Benefits Other Post Employment Benefit (Continued)

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:

	Discount Rate 1.75%	Discount Rate 2.75%	Discount Rate 3.75%
Total SDB OPEB Liability	\$ 199,543	\$ 158,933	\$ 128,105

For the year ended October 31, 2020, the City recognized OPEB expense of \$16,072 and reported deferred outflows of resources and deferred inflows of resources related to SDB OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,936	\$ 4,276
Changes in Assumptions and Other Inputs	34,125	8,049
Contributions Subsequent to the Measurement Date	427	-
	\$ 36,488	\$ 12,325

Deferred outflows of resources in the amount of \$427 is related to SDB OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to SDB OPEB will be recognized in OPEB expense as follows:

For the Year ended December 31,	
2020	\$ 2,998
2021	2,998
2022	2,998
2023	2,998
2024	2,998
Thereafter	8,746
	\$ 23,736

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

City of Selma Retiree Health Insurance 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, measurement dates, consisted of:

	2019	2018
Inactive Employees or Beneficiaries Currently Receiving Benefits	6	2
Inactive Employees Entitled to but Not Yet Receiving Benefits	-	-
Active Employees	85	91
Total	91	93

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 of Selma also provides full time employees with City-paid life insurance. Upon retirement, retirees may choose to continue paying for their life insurance policy of \$50,000. The retiree pays 100% of the premium. The City does not provide an explicit subsidy for retiree insurance. The liability for the city is due to the implicit rate.

*The City made no direct contributions for monthly premiums. The retirees pay 100% of the monthly premiums which range based on the type of plan from \$574 to \$616 health insurance and \$8 life insurance for retiree only.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2020

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

City of Selma Retiree Health Insurance Other Post Employment Benefit Plan (Continued)

The methods and assumptions used to determine contribution rates in the December 31, 2019 valuation are summarized below:

Actuarial Cost Method	Individual Entry-Age Normal
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 Rates	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	It was assumed that 30% of eligible retirees would choose to receive retiree health care benefits through the City. No employees retiring before the age of 50 were assumed to elect coverage. Additionally, it was assumed that 50% of eligible retirees would choose to receive retiree life insurance coverage through the City.
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 and the health care trend rates were updated to better reflect the plan's anticipated experience.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

City of Selma Retiree Health Insurance Other Post Employment Benefit Plan (Continued)

The City's Total RHI OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2019, the measurement date, was calculated as follows:

	Total RHI OPEB Liability
Balance at December 31, 2018	\$ 763,974
Changes for the year:	
Service Cost	45,286
Interest on Total RHI OPEB Liability	28,701
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	155,244
Changes of Assumptions or Other Inputs	175,277
Benefit Payments	(26,023)
Net Changes	378,485
Balance at December 31, 2019	\$ 1,142,459

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:

	Discount Rate 1.75%	Discount Rate 2.75%	Discount Rate 3.75%
Total RHI OPEB Liability	\$ 1,354,333	\$ 1,142,459	\$ 973,774

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 (6.0% decreasing to 3.15%) or 1-percentage point higher (8.0% decreasing to 5.15%) than the current healthcare cost trends (7.0% decreasing to 4.15% after 14 years):

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total RHI OPEB Liability	\$ 1,049,055	\$ 1,142,459	\$ 1,256,130

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

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

City of Selma Retiree Health Insurance Other Post Employment Benefit Plan (Continued)

For the year ended October 31, 2020, the City recognized OPEB expense of \$104,569 and reported deferred outflows of resources and deferred inflows of resources related to RHI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 141,174	\$ 563
Changes in Assumptions and Other Inputs	203,440	42,777
Contributions Subsequent to the Measurement Date	28,000	-
	\$ 372,614	\$ 43,340

Deferred outflows of resources in the amount of \$28,000 is related to SDB OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to RHI OPEB will be recognized in OPEB expense as follows:

For the Year ended October 31,		
2021	\$	30,582
2022		30,582
2023		30,582
2024		30,582
2025		30,582
Thereafter		148,364
	\$	301,274

Monthly premiums effective November 1, 2019 for health care and life insurance are \$625 and \$7, respectively.

NOTE J – TAX ABATEMENTS

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

The City entered into an agreement with Ben E. Keith Company pursuant to provisions of Chapter 312 of the Texas Tax Code. According to the agreement, Ben E. Keith will receive an abatement of ad valorem taxation for ninety percent (90%) of the certified appraised value of the New Improvements for a ten (10) year period beginning on January 1 of the year following Completion of Construction. There was no tax abated during the 2019 tax year.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2020

NOTE J -- TAX ABATEMENTS (CONT.)

The City entered into an agreement with PJP Partners, Ltd. (Beyer Boys) pursuant to provisions of Chapter 380 of the Texas Tax Code. According to the agreement, Beyer Boys will receive an abatement of ad valorem taxation for ninety percent (90%) of the amount of property taxes on the property paid by the company for City property taxes and actually received by the City from the Guadalupe County Tax Assessor-Collector's Office over and above the amount of City property taxes paid on the property for the 2020 calendar year for a six (6) year period beginning on January 1 of the year following Completion of Construction. There was no tax abated during the 2019 tax year.

The City entered into an agreement with O'Reilly Auto Enterprises, LLC (O'Reilly's) pursuant to provisions of Chapter 312 of the Texas Tax Code. According to the agreement, O'Reilly's will receive an abatement of ad valorem taxation for ninety percent (90%) of the certified appraised value of the New Improvements beginning January 1, 2016 and shall terminate on December 31, 2021. The total amount of tax abated during the 2019 tax year per the agreement was \$80,084.

The City entered into an agreement with Curtis C. Gunn, Ltd. (Gunn) pursuant to provisions of Chapter 312 of the Texas Tax Code. According to the agreement, Gunn will receive a ninety percent (90%) abatement of ad valorem tax of the certified appraised value of the New Improvements from January 1, 2013 and shall terminate December 31, 2018. The total amount of tax abated during the 2019 tax year per the agreement was \$27,351.

The City has entered into a Sales Tax Refund Agreement with Ben E. Keith Company pursuant to the provisions of Chapter 380.001 to provide economic development grants to promote local economic development and to stimulate business and commercial activity in the City. The agreement calls for a refund of 75% of the City's 1% sales tax proceeds from retail sales at the Ben E. Keith Company over a ten year period: calendar years 2018 through 2027. As of October 31, 2020, management has accrued \$162,000 and \$178,200 in estimated sales tax refunds due to Ben E. Keith Company for tax years 2018 and 2019, respectively.

Tax Increment Financing (the "Zone")

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

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to the property tax base are being used to finance Zone improvement costs. Project costs to date are \$14,087,470. The total projected cost is \$33,695,326. Project costs of the developer will be funded up to 51% of the tax increment generated by the City of Selma. The Zone has a statutory termination date of September 30, 2025. As of October 31, 2020, the City has paid the TIRZ \$3,106,112 and have committed to an additional amount not to exceed \$14,374,106.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2020

NOTE K -- SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Litigation

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

Commitments

The City has entered into various contracts for engineering and construction of improvements and repairs to City assets. As of October 31, 2020, the City had the following estimated commitments related to these contracts:

	Total Contract Amount	Expended to Date	Estimated Remaining
Evans Road Reconstruction	\$ 302,805	\$ 288,555	\$ 14,250
Ventura Boulevard Reconstruction	3,779,939	3,749,200	30,739
Utopia/Bluffsides/Margies Lane Reconstruction	2,090,267	1,656,401	433,866
Selma Town & Tourism Center Planning	343,807	324,232	19,575
City Hall & Public Facilities Design	3,332,673	1,494,910	1,837,763
Total	<u>\$ 9,849,491</u>	<u>\$ 7,513,298</u>	<u>\$ 2,336,193</u>

Risk Management

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

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

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. Annual contributions for the coverage period beginning October 1, 2020, were \$201,889.



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
- Budgetary Comparison Schedule – Municipal Development District
- Schedule of Changes - Net Pension Liability and Related Ratios
- Schedule of Contributions – Defined Benefit Pension Plan
- Schedule of Changes – Total Supplemental Death Benefits (SDB) Other Post Employment Benefit Liability and Related Ratios
- Schedule of Changes – Total Retiree Health Insurance (RHI) Other Post Employment Benefit Liability and Related Ratios

CITY OF SELMA, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED OCTOBER 31, 2020
 WITH COMPARATIVE ACTUAL TOTALS FOR 2019

	Budgeted		2020 Actual	Variance With Final Budget-	2019 Actual
	Original	Final		Positive (Negative)	
REVENUES					
<i>Taxes:</i>					
Ad Valorem	\$ 1,135,950	\$ 1,135,950	\$ 1,152,076	\$ 16,126	\$ 953,198
City Sales Tax	5,750,000	5,756,630	5,583,006	(173,624)	5,672,469
City Sales Tax - Streets	1,200,000	1,200,000	1,152,241	(47,759)	1,166,894
Mixed Beverage	90,000	90,000	68,026	(21,974)	98,500
Retama Gate Fees	12,000	12,000	8,490	(3,510)	11,854
Franchise Fees	735,000	735,000	710,960	(24,040)	765,711
Occupancy Tax	230,000	230,000	170,529	(59,471)	187,712
<i>Total Taxes</i>	<u>9,152,950</u>	<u>9,159,580</u>	<u>8,845,328</u>	<u>(314,252)</u>	<u>8,856,338</u>
 <i>Charges For Services:</i>					
Licenses and Permits	481,825	481,825	580,562	98,737	445,604
Lot Maintenance	1,250	1,250	627	(623)	3,920
Garbage Fees	215,000	215,000	204,371	(10,629)	210,248
<i>Total Charges for Services</i>	<u>698,075</u>	<u>698,075</u>	<u>785,560</u>	<u>87,485</u>	<u>659,772</u>
 Fines and Forfeitures	 748,780	 748,780	 369,364	 (379,416)	 606,278
 <i>Other Sources:</i>					
Interest	138,000	138,000	47,611	(90,389)	163,327
Police Special & Seizure	1,600	1,600	1,909	309	2,169
Miscellaneous	94,650	94,650	575,083	480,433	111,350
<i>Total Other Sources</i>	<u>234,250</u>	<u>234,250</u>	<u>624,603</u>	<u>390,353</u>	<u>276,846</u>
TOTAL REVENUES	<u>10,834,055</u>	<u>10,840,685</u>	<u>10,624,855</u>	<u>(215,830)</u>	<u>10,399,234</u>
 EXPENDITURES					
<i>General Administration:</i>					
Salaries	1,165,100	1,165,100	1,115,677	49,423	1,218,968
Contractual Services	666,700	709,130	837,344	(128,214)	701,043
Supplies & Services	106,432	633,732	204,095	429,637	249,679
Capital Outlay	1,204,500	1,204,500	1,034,125	170,375	2,362,457
Miscellaneous	70,000	66,900	71,449	(4,549)	81,175
<i>Total General Administration</i>	<u>\$ 3,212,732</u>	<u>\$ 3,779,362</u>	<u>\$ 3,262,690</u>	<u>\$ 516,672</u>	<u>\$ 4,613,322</u>

CITY OF SELMA, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED OCTOBER 31, 2020
 WITH COMPARATIVE ACTUAL TOTALS FOR 2019

	Budget Amounts		2020 Actual	Variance With Final Budget- Positive (Negative)	2019 Actual
	Original	Final			
EXPENDITURES (CONTINUED)					
<i>Fire Protection:</i>					
Salaries	\$ 2,286,008	\$ 2,269,308	\$ 2,177,783	\$ 91,525	\$ 2,224,254
Contractual Services	32,900	33,400	33,867	(467)	33,993
Supplies & Services	116,200	150,900	147,584	3,316	120,099
Capital Outlay	47,800	29,800	188,767	(158,967)	54,352
Miscellaneous	63,975	63,475	45,779	17,696	58,339
<i>Total Fire Protection</i>	2,546,883	2,546,883	2,593,780	(46,897)	2,491,037
<i>Police Protection:</i>					
Salaries	3,385,035	3,385,035	3,097,694	287,341	3,157,771
Contractual Services	143,000	155,200	153,057	2,143	152,170
Supplies & Services	266,900	266,900	168,956	97,944	182,364
Capital Outlay	222,720	222,720	110,988	111,732	215,253
Miscellaneous	65,000	52,800	46,572	6,228	58,427
<i>Total Police Protection</i>	4,082,655	4,082,655	3,577,267	505,388	3,765,985
<i>Building Inspections:</i>					
Salaries	424,269	424,269	363,888	60,381	493,552
Contractual Services	45,000	45,000	970	44,030	24,932
Supplies & Services	15,500	15,500	5,481	10,019	12,309
Capital Outlay	12,000	12,000	8,877	3,123	13,514
Miscellaneous	9,390	9,390	3,969	5,421	5,845
<i>Total Building Inspections</i>	506,159	506,159	383,185	122,974	550,152
<i>Infrastructure:</i>					
Salaries	334,048	334,048	275,668	58,380	276,812
Contractual Services	12,500	12,500	10,247	2,253	6,902
Supplies & Services	63,000	63,000	56,704	6,296	52,085
<i>Total Infrastructure</i>	\$ 409,548	\$ 409,548	\$ 342,619	\$ 66,929	\$ 335,799

CITY OF SELMA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED OCTOBER 31, 2020
WITH COMPARATIVE ACTUAL TOTALS FOR 2019

	Budget Amounts		2020 Actual	Variance With Final Budget- Positive (Negative)	2019 Actual
	Original	Final			
EXPENDITURES (CONTINUED)					
<i>Other:</i>					
Mayor & Council	\$ 68,700	\$ 68,700	\$ 68,969	\$ (269)	\$ 61,580
Historical Committee	31,992	31,992	6,033	25,959	22,256
Parks Capital Outlay	-	-	-	-	9,109
<i>Total Other</i>	<u>100,692</u>	<u>100,692</u>	<u>75,002</u>	<u>25,690</u>	<u>92,945</u>
<i>Debt Service:</i>					
Capital Lease Principal	78,072	78,072	78,072	-	107,838
Interest and Fiscal Charges	2,946	2,946	2,946	-	5,077
<i>Total Debt Service</i>	<u>81,018</u>	<u>81,018</u>	<u>81,018</u>	<u>-</u>	<u>112,915</u>
TOTAL EXPENDITURES	<u>10,939,687</u>	<u>11,506,317</u>	<u>10,315,561</u>	<u>1,190,756</u>	<u>11,962,155</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(105,632)</u>	<u>(665,632)</u>	<u>309,294</u>	<u>974,926</u>	<u>(1,562,921)</u>
OTHER SOURCES (USES) OF FUNDS:					
Proceeds From Debt	-	-	-	-	130,240
Transfer In (Out)	105,632	665,632	717,000	51,368	725,000
TOTAL OTHER SOURCES (USES) OF FUNDS	<u>105,632</u>	<u>665,632</u>	<u>717,000</u>	<u>51,368</u>	<u>855,240</u>
Net Change in Fund Balance	-	-	1,026,294	1,026,294	(707,681)
FUND BALANCE - NOVEMBER 1	<u>7,605,751</u>	<u>7,605,751</u>	<u>7,605,751</u>	-	<u>8,313,432</u>
FUND BALANCE - OCTOBER 31	<u>\$ 7,605,751</u>	<u>\$ 7,605,751</u>	<u>\$ 8,632,045</u>	<u>\$ 1,026,294</u>	<u>\$ 7,605,751</u>

CITY OF SELMA, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – MUNICIPAL DEVELOPMENT DISTRICT
 FOR THE YEAR ENDED OCTOBER 31, 2020
 WITH COMPARATIVE ACTUAL TOTALS FOR 2019

	Budget Amounts		2020 Actual	Variance With Final Budget -	2019 Actual
	Original	Final		Positive (Negative)	
REVENUES					
Sales Tax	\$ 1,700,000	\$ 1,700,000	\$ 1,733,847	\$ 33,847	\$ 1,713,636
TOTAL REVENUES	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,733,847</u>	<u>33,847</u>	<u>1,713,636</u>
EXPENDITURES					
Municipal Development:					
Contractual Services	30,000	30,000	3,999	26,001	35,001
Capital Outlay	2,470,000	2,470,000	2,294,171	175,829	1,865,090
TOTAL EXPENDITURES	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,298,170</u>	<u>201,830</u>	<u>1,900,091</u>
Net Change in Fund Balance	(800,000)	(800,000)	(564,323)	235,677	(186,455)
FUND BALANCE - NOVEMBER 1	4,089,161	4,089,161	4,089,161	-	4,275,616
FUND BALANCE - OCTOBER 31	<u>\$ 3,289,161</u>	<u>\$ 3,289,161</u>	<u>\$ 3,524,838</u>	<u>\$ 235,677</u>	<u>\$ 4,089,161</u>



CITY OF SELMA, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
OCTOBER 31, 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 provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund, Municipal Development District and Debt Service Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. As of October 31, 2020 the City expenditures did not exceed appropriations in total.

The City does not use encumbrances.

CITY OF SELMA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST SIX PLAN YEARS

Total Pension Liability						
	2014	2015	2016	2017	2018	2019
Service Cost	\$ 783,967	\$ 934,909	\$ 928,155	\$ 1,004,049	\$ 1,017,874	\$ 1,049,876
Interest (on the Total Pension Liability)	857,644	985,212	1,065,980	1,177,599	1,295,547	1,404,837
Changes of Benefit Terms	-	-	-	-	-	-
Difference between Expected and Actual Experience	398,622	146,636	60,054	17,814	(93,167)	(75,115)
Change of Assumptions	-	24,736	-	-	-	169,783
Benefit Payments, Including Refunds of Employee Contributions	(236,662)	(349,971)	(390,578)	(486,448)	(431,567)	(802,692)
Net Change in Total Pension Liability	1,803,571	1,741,522	1,663,611	1,713,014	1,788,687	1,746,689
Total Pension Liability - Beginning	11,978,410	13,781,981	15,523,503	17,187,114	18,900,128	20,688,815
Total Pension Liability - Ending	<u>\$ 13,781,981</u>	<u>\$ 15,523,503</u>	<u>\$ 17,187,114</u>	<u>\$ 18,900,128</u>	<u>\$ 20,688,815</u>	<u>\$ 22,435,504</u>
Plan Fiduciary Net Position						
	2014	2015	2016	2017	2018	2019
Contributions - Employer	\$ 653,214	\$ 746,216	\$ 770,388	\$ 809,202	\$ 830,206	\$ 847,064
Contributions - Employee	339,712	352,226	358,559	386,385	392,136	404,465
Net Investment Income	572,517	16,718	817,358	1,891,007	(486,595)	2,558,364
Benefit Payments, Including Refunds of Employee Contributions	(236,662)	(349,971)	(390,578)	(486,448)	(431,567)	(802,692)
Administrative Expense	(5,975)	(10,180)	(9,221)	(9,788)	(9,388)	(14,423)
Other	(491)	(503)	(497)	(496)	(491)	(433)
Net Change in Plan Fiduciary Net Position	1,322,315	754,506	1,546,009	2,589,862	294,301	2,992,345
Plan Fiduciary Net Position - Beginning	10,004,241	11,326,556	12,081,062	13,627,071	16,216,933	16,511,234
Plan Fiduciary Net Position - Ending	<u>\$ 11,326,556</u>	<u>\$ 12,081,062</u>	<u>\$ 13,627,071</u>	<u>\$ 16,216,933</u>	<u>\$ 16,511,234</u>	<u>\$ 19,503,579</u>
Net Pension Liability - Ending	\$ 2,455,425	\$ 3,442,441	\$ 3,560,043	\$ 2,683,195	\$ 4,177,581	\$ 2,931,925
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.18%	77.82%	79.29%	85.80%	79.81%	86.93%
Covered Payroll	\$ 4,853,031	\$ 5,031,801	\$ 5,122,266	\$ 5,519,788	\$ 5,601,947	\$ 5,778,075
Net Pension Liability as a Percentage of Covered Payroll	50.60%	68.41%	69.50%	48.61%	74.57%	50.74%

Note: Information for this schedule is being accumulated prospectively until a ten year period is available.

CITY OF SELMA, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN
 LAST SIX FISCAL YEARS

	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 726,484	\$ 764,458	\$ 804,816	\$ 844,822	\$ 863,098	\$ 810,471
Contributions in Relation to the Actuarially Determined Contribution	726,484	764,458	804,816	844,822	863,098	810,471
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,024,897	\$ 5,096,817	\$ 5,463,249	\$ 5,712,253	\$ 5,876,811	\$ 5,534,813
Contributions as a Percentage of Covered Payroll	14.46%	15.00%	14.73%	14.79%	14.69%	14.64%

Note: Information for this schedule is being accumulated prospectively until a ten year period is available.

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	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.
Other Information:	There were no benefit changes during the year.

CITY OF SELMA, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES –TOTAL SDB OTHER POST EMPLOYMENT BENEFIT LIABILITY AND
 RELATED RATIOS
 LAST THREE CALANDAR YEARS

Total SDB OPEB Liability			
	2017	2018	2019
Service Cost	\$ 8,280	\$ 9,523	\$ 8,667
Interest on Total SDB OPEB Liability	3,718	4,033	4,407
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	-	(5,422)	2,172
Change in Assumptions or Other Inputs	11,414	(10,203)	29,533
Benefit Payments	(552)	(560)	(578)
Net Change in Total OPEB Liability	22,860	(2,629)	44,201
Total SDB OPEB Liability - Beginning	94,501	117,361	114,732
Total SDB OPEB Liability - Ending	<u>\$ 117,361</u>	<u>\$ 114,732</u>	<u>\$ 158,933</u>
 Covered Payroll	 \$ 5,519,788	 \$ 5,601,947	 \$ 5,778,075
 Total SDB OPEB Liability as a Percentage of Covered Payroll	 2.13%	 2.05%	 2.75%

Note: Information for this schedule is being accumulated prospectively until a ten year period is available.

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 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 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.
Other Information:	No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.
Note:	The Actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 14, 2014 to December 31, 2018.

CITY OF SELMA, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES –TOTAL RHI OTHER POST EMPLOYMENT BENEFIT LIABILITY AND
 RELATED RATIOS
 LAST THREE CALANDAR YEARS

Total RHI OPEB Liability			
	2017	2018	2019
Service Cost	\$ 45,143	\$ 52,397	\$ 45,286
Interest on Total RHI OPEB Liability	24,608	25,483	28,701
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	-	(681)	155,244
Change in Assumptions or Other Inputs	59,670	(51,821)	175,277
Benefit Payments	(7,885)	(10,181)	(26,023)
Net Change in Total RHI OPEB Liability	121,536	15,197	378,485
Total RHI OPEB Liability - Beginning	627,241	748,777	763,974
Total RHI OPEB Liability - Ending	<u>\$ 748,777</u>	<u>\$ 763,974</u>	<u>\$ 1,142,459</u>
 Covered Payroll	 \$5,519,788	 \$5,712,253	 \$ 5,876,811
 Total RHI OPEB Liability as a Percentage of Covered Payroll	 13.57%	 13.37%	 19.44%

Note: Information for this schedule is being accumulated prospectively until a ten year period is available.

Valuation Date: December 31, 2019

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry-Age Normal
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 Rates	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	It was assumed that 30% of eligible retirees would choose to receive retiree health care benefits through the City. No employees retiring before the age of 50 were assumed to elect coverage. Additionally, it was assumed that 50% of eligible retirees would choose to receive retiree life insurance coverage through the City.
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 and the health care trend rates were updated to better reflect the plan's anticipated experience.

Financial Advisory Services
Provided By:

