

## OFFICIAL STATEMENT

August 2, 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.)*

\$18,530,000

CITY OF SCHERTZ, TEXAS

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

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

Dated Date: August 1, 2022

Due: February 1, as shown on inside cover

The \$18,530,000 City of Schertz, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022A (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, an ordinance (the "Ordinance") adopted by the City Council of the City of Schertz, Texas (the "City" or the "Issuer") on August 2, 2022, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

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

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (2) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's utility system; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The City sold its \$18,535,000 General Obligation Bonds, Series 2022 (the "Bonds") on August 2, 2022. The Bonds are scheduled to close on August 24, 2022, the same date as the Certificates. This Official Statement relates only to the sale of the Certificates.

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

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*The Certificates are offered for delivery, when, as and if issued and received by the initial purchasers named below (the "Underwriters") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. Certain matters will be passed upon for the Underwriter by its counsel, Cantu Harden LLP, San Antonio, Texas. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" as "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about August 24, 2022.*

BAIRD

RAYMOND JAMES

FROST BANK

**\$18,530,000**  
**CITY OF SCHERTZ, TEXAS**  
**(A political subdivision of the State of Texas located in Guadalupe, Comal, and Bexar Counties, Texas)**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022A**

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

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

| <b>Stated</b>     |                      |                    |                       | <b>CUSIP</b>                       | <b>Stated</b>     |                      |                    |                       | <b>CUSIP</b>                       |
|-------------------|----------------------|--------------------|-----------------------|------------------------------------|-------------------|----------------------|--------------------|-----------------------|------------------------------------|
| <b>Maturity</b>   | <b>Principal</b>     | <b>Interest</b>    | <b>Initial</b>        | <b>No.</b>                         | <b>Maturity</b>   | <b>Principal</b>     | <b>Interest</b>    | <b>Initial</b>        | <b>No.</b>                         |
| <b><u>2/1</u></b> | <b><u>Amount</u></b> | <b><u>Rate</u></b> | <b><u>Yield</u></b>   | <b><u>Suffix</u><sup>(1)</sup></b> | <b><u>2/1</u></b> | <b><u>Amount</u></b> | <b><u>Rate</u></b> | <b><u>Yield</u></b>   | <b><u>Suffix</u><sup>(1)</sup></b> |
| 2023              | \$ 615,000           | 5.000%             | 1.500%                | E45                                | 2033              | \$ 930,000           | 5.000%             | 2.680% <sup>(2)</sup> | F69                                |
| 2024              | 595,000              | 5.000%             | 1.670%                | E52                                | 2034              | 975,000              | 5.000%             | 2.800% <sup>(2)</sup> | F77                                |
| 2025              | 625,000              | 5.000%             | 1.780%                | E60                                | 2035              | 1,020,000            | 4.000%             | 3.200% <sup>(2)</sup> | F85                                |
| 2026              | 655,000              | 5.000%             | 1.910%                | E78                                | 2036              | 1,065,000            | 4.000%             | 3.350% <sup>(2)</sup> | F93                                |
| 2027              | 685,000              | 5.000%             | 1.960%                | E86                                | 2037              | 1,110,000            | 4.000%             | 3.460% <sup>(2)</sup> | G27                                |
| 2028              | 720,000              | 5.000%             | 2.100%                | E94                                | 2038              | 1,155,000            | 4.000%             | 3.550% <sup>(2)</sup> | G35                                |
| 2029              | 760,000              | 5.000%             | 2.240%                | F28                                | 2039              | 1,200,000            | 4.000%             | 3.640% <sup>(2)</sup> | G43                                |
| 2030              | 800,000              | 5.000%             | 2.320%                | F36                                | 2040              | 1,245,000            | 4.000%             | 3.680% <sup>(2)</sup> | G50                                |
| 2031              | 840,000              | 5.000%             | 2.410%                | F44                                | 2041              | 1,300,000            | 4.000%             | 3.750% <sup>(2)</sup> | G68                                |
| 2032              | 885,000              | 5.000%             | 2.530% <sup>(2)</sup> | F51                                | 2042              | 1,350,000            | 4.000%             | 3.780% <sup>(2)</sup> | G76                                |

**(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. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

<sup>(1)</sup> CUSIP numbers are include 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 ("CGS"), managed by FactSet Research Systems 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 Underwriter is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

<sup>(2)</sup> Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2031 the first optional call date for the Certificates, at a redemption of par plus accrued interest to the date of redemption.

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

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

**ELECTED OFFICIALS**

| Name                                         | Years Served | Term Expires (November) | Occupation            |
|----------------------------------------------|--------------|-------------------------|-----------------------|
| Ralph Gutierrez<br>Mayor                     | 3            | 2022                    | Retired               |
| Michael Dahle<br>Mayor Pro-Tem, Place 4      | 2            | 2023                    | Facility Manager      |
| Mark Davis<br>Councilmember, Place 1         | 5            | 2022                    | Operations Analyst    |
| Vacant<br>Councilmember, Place 2             |              |                         |                       |
| Jill Whittaker<br>Councilmember, Place 3     | 1            | 2023                    | Realtor               |
| David L. Scagliola<br>Councilmember, Place 5 | 11           | 2023                    | Adjunct Professor     |
| Allison Heyward<br>Councilmember, Place 6    | 3            | 2024                    | PT Substitute Teacher |
| Tim Brown<br>Councilmember, Place 7          | 3            | 2024                    | Real Estate Broker    |

**ADMINISTRATION**

| Name          | Position            | Length of Service (Years) |
|---------------|---------------------|---------------------------|
| Mark Browne   | City Manager        | 2                         |
| Brian James   | Assistant Manager   | 9                         |
| Charles Kelm  | Assistant Manager   | 2                         |
| James Walters | Director of Finance | 11                        |
| Brenda Dennis | City Secretary      | 13                        |
| Charlie Zech  | City Attorney       | 7                         |

**CONSULTANTS AND ADVISORS**

**Bond Counsel** .....Norton Rose Fulbright US LLP  
Austin, Texas

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

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

***For Additional Information Please Contact:***

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## USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

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

The Underwriter has provided the following statement for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and a part of, its responsibility to investors under the federal securities laws applied to the facts and circumstances of this transaction, but the Underwriter 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.

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

None of the City, the Financial Advisors or the Underwriter 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 or any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

## SELECTED DATA FROM THE OFFICIAL STATEMENT

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

### **The Issuer**

The City of Schertz, Texas (the "Issuer" or the "City"), is located between the cities of San Antonio, Texas and New Braunfels, Texas, on Interstate 35 and FM 78 and on Interstate 10 between the cities of San Antonio, Texas and Seguin, Texas and in the area between IH-35 and IH-10. The corporate limits extend into the counties of Bexar, Guadalupe and Comal, with the largest portion of the City being located within Guadalupe County. The City was incorporated in December 1958 and is a home rule municipality operating under its own Home Rule Charter since 1974. The Home-Rule Charter was most recently amended November 3, 2015. The City operates under the Council/Manager form of government pursuant to the Constitution and the general laws of the State of Texas. The City Manager, appointed by the Mayor and the seven-member elected City Council (the "City Council"), is the chief administrative officer of the City. (See "APPENDIX B –General Information Regarding the City of Schertz, Texas and Guadalupe, Comal, and Bexar Counties, Texas" herein.)

### **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, an ordinance (the "Ordinance") adopted by the City Council of the City, on August 2, 2022 and the City's Home Rule Charter. (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 Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

### **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. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

### **Tax Matters**

In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS". (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 contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (2) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's utility system; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

**Rating**

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Certificates. (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**

Other than the issuance of the Bonds (defined below), the City does not anticipate the issuance of any additional debt in the next twelve months, except potentially refunding bonds for debt service savings.

**Concurrent Issues**

The City sold its \$18,535,000 General Obligation Bonds, Series 2022 (the "Bonds") on August 2, 2022. The Bonds are scheduled to close on August 24, 2022, the same date as the Certificates. This Official Statement relates only to the sale of the Certificates.

**Delivery**

When issued, anticipated on or about August 24, 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 Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel.

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

## OFFICIAL STATEMENT

relating to

\$18,530,000

CITY OF SCHERTZ, TEXAS

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

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

### INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Schertz, Texas (the "City" or the "Issuer") of its \$18,530,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022A (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 and its Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement 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 because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) started to lift business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment in Texas. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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

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

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

## **THE CERTIFICATES**

### **General Description of the Certificates**

The Certificates are dated August 1, 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, an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on August 2, 2022, and the City's Home Rule Charter.

### **Security for Payment**

*Limited Pledge of Ad Valorem Taxes.* The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See "AD VALOREM TAX PROCEDURES" and "TAX RATE LIMITATIONS" herein.)

*Limited Revenue Pledge Benefiting the Certificates.* Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereinafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

## **Redemption Provisions of the Certificates**

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 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.

### **Notice of Redemption**

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

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

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

### **Selection of Certificates to be Redeemed**

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

### **Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (2) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's utility system; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects.

## Sources and Uses

|                                      |                         |
|--------------------------------------|-------------------------|
| Sources                              |                         |
| Par Amount                           | \$ 18,530,000.00        |
| Accrued Interest on the Certificates | 53,158.75               |
| Reoffering Premium                   | <u>1,565,607.35</u>     |
| Total Sources of Funds               | <u>\$ 20,148,766.10</u> |
| Uses                                 |                         |
| Project Fund Deposit                 | \$ 19,855,000.00        |
| Underwriters' Discount               | 106,831.75              |
| Certificate Fund Deposit             | 53,158.75               |
| Costs of Issuance                    | <u>133,775.60</u>       |
| Total Uses                           | <u>\$ 20,148,766.10</u> |

## Payment Record

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

## Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the redemption price or amounts, change the place or places at or the coin or currency in which any Certificate or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, (3) extend any waiver of default to subsequent defaults, or (4) reduce the aggregate principal amount of Certificates required for consent to any amendment, change, modification, or waiver.

## Defeasance

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

consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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

#### **Default and Remedies**

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

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

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

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

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

sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

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

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

### **Record Date**

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

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

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

### **Future Registration**

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

aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See “BOOK-ENTRY-ONLY SYSTEM” herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

#### **Limitation on Transfer of Certificates**

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

#### **Replacement Certificates**

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

### **BOOK-ENTRY-ONLY SYSTEM**

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

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

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

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Underwriter believe to be reliable, but none of the City, the Financial Advisor, or the Underwriter 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 Issuer invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the Issuer. Both State law and the Issuer's investment policies are subject to change.

### **Legal Investment**

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

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

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

### **Investment Policies**

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

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

As of April 30, 2022 the City held investments as follows:

| <u>Type of Security</u> | <u>Market Value</u>   | <u>Percentage of Total</u> |
|-------------------------|-----------------------|----------------------------|
| Operations              | \$ 7,842,781          | 7.17%                      |
| Logic                   | 25,468,090            | 23.30%                     |
| Lonestar                | 27,123,079            | 24.81%                     |
| Texas Class             | 41,215,832            | 37.71%                     |
| Hancock Whitney         | 3,243,191             | 2.97%                      |
| CD's                    | 4,414,281             | 4.04%                      |
|                         | <u>\$ 109,307,254</u> | <u>100.00%</u>             |

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

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

### AD VALOREM PROPERTY TAXATION

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

#### Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The Guadalupe Appraisal District (the "Appraisal District") is primarily responsible for appraising property within the City generally as of January 1 of each year. Small portions of the City are also located in Bexar and Comal Counties, Texas. Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

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

#### State Mandated Homestead Exemptions

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

### **Local Option Homestead Exemptions**

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

### **Local Option Freeze for the Elderly and Disabled**

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

### **Personal Property**

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

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

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

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

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

### **Other Exempt Property**

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

### **Tax Increment Reinvestment Zones**

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

## **Tax Abatement Agreements**

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

For a discussion of how the various exemptions described above are applied by the City, see “CITY’S APPLICATION OF PROPERTY TAX CODE” herein.

## **City and Taxpayer Remedies**

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

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 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.

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

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

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

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

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

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

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

The City does tax Goods-in-Transit.

The City does not tax Freeport Property.

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

Pursuant to the City's Chapter 380 Agreement Policy, the City has entered into a Chapter 380 Agreement (the "Agreement") with Caterpillar Inc. ("Caterpillar"). Under the terms of the Agreement, the City will provide Caterpillar a rebate of not more than 75% of the ad valorem taxes levied on Caterpillar's personal property for a period of eight years beginning in the year following (and conditioned upon) the timely completion and operation of four distinct phases of construction. Under the Agreement, Caterpillar is obligated: (i) for Phase 1, by no later than December 31, 2011, to construct and maintain a manufacturing facility of at least 200,000 square feet; create, staff, and maintain at least 60 full-time employees with a combined minimum monthly payroll of \$225,000 for the full term of the Agreement; (ii) for Phase 2, by not later than December 31, 2014, construct an additional 200,000 square-feet of manufacturing facility; and create, staff, and maintain an additional 20 full-time employees (80 total) with a combined minimum monthly payroll of \$300,000 for the full term of the Agreement; (iii) for Phase 3, by no later than December 31, 2018, construct an additional 200,000 square-feet of manufacturing facility; and create, staff, and maintain an additional 20 full-time employees (100 total) with a combined minimum monthly payroll of \$375,000 for the full term of the Agreement; and (iv) for Phase 4, by no later than December 31, 2020, construct an additional 200,000 square-feet of manufacturing facility; and create, staff, and maintain an additional 20 full-time employees (120 total) with a combined minimum monthly payroll of \$450,000 for the full term of the Agreement. The tax credit on personal property granted by the City to Caterpillar will be reduced by 25% for each 10% reduction in personal property held by Caterpillar within the City less than (i) \$25,000,000 for Phase 1, (ii) \$20,000,000 for Phase 2, (iii) \$20,000,000 for Phase 3, and (iv) \$20,000,000 for Phase 4. Caterpillar's personal property in year one of the Agreement in Phase 1 was \$19,447,711, and so in December 2013 the parties entered into an amendment to the Agreement allowing Caterpillar to add the value of any personal property in year two above \$25,000,000 to the calculated value for year one for the purposes of calculating the tax credit for that year. If Caterpillar should discontinue operations at the construction site or otherwise fails to meet the conditions required for each respective phase of construction, the City may, after providing notice and reasonable time to cure such default,

terminate the Agreement and recapture the ad valorem tax benefit given to Caterpillar for such phase for the prior five tax years as liquidated damages. The total tax impact on the City through the term of the Agreement is expected to be approximately \$2,600,000.

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

The City currently has one TIRZ/TIF Zone. The City is a principal in the City of Schertz Tax Increment Reinvestment Zone #2 (the "Zone"), pursuant to Chapter 311 of the Texas Tax Code, as amended. Under the terms of the agreement, the City, Bexar County, and the San Antonio River Authority ("the "Parties") are funding infrastructure improvements through tax increment financing to the Sedona Development Project, an 825 acre development designed to include up to 2,200 residential units. Project costs of the developer will be funded by a portion of the tax increment generated by the Parties, including 100% of the City's tax rate, 58% of Bexar County's maintenance and operations tax rate, and 55% of the San Antonio River Authority's tax rate, above the property's base year value of \$3,127,500. The costs of the infrastructure financed by the Zone are estimated at \$41,801,420, and the Parties' combined exposure is capped at \$45,000,000, of which Bexar County's portion is capped at \$12,123,000. The City has reserved the right to issue tax increment financed bonds to finance infrastructure in the Zone, but has not done so to date. The Zone has a statutory termination date of December 31, 2041. The total tax impact on the City through the term of the Agreement is expected to be \$32,186,700.

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

## **TAX MATTERS**

### **Tax Exemption**

The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be 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.

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

### **Tax Changes**

Existing law may change to reduce or eliminate the benefit to Bond 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, 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 Bond (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 Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

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

Owners of Discount 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.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under these agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal market Access ("EMMA") system through an internet website accessible at [www.emma.msrb.org](http://www.emma.msrb.org) as described below under "Availability of Information".

### Annual Reports

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

The City will file certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general obligation type included in Table 1 of the Official Statement and in Tables 1 through 20 of APPENDIX A to this Official Statement, and in APPENDIX D. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2022. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March 31 in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of such change with the MSRB through EMMA.

### Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the 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) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the City, 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 adopts 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**

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.

#### **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 Underwriters 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 Underwriter with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas has reviewed (except for numerical, statistical and 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. Certain legal matters will be passed upon for the Underwriter by its counsel, Cantu Harden LLP, San Antonio, Texas. The legal fees of Underwriter's counsel are contingent on the delivery of the Certificates.

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

#### **Litigation**

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

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

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates 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 Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; or have the Certificates been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriter 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 Underwriter'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**

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Certificates. An explanation of the significance of such rating may be obtained from S&P. The rating of the Certificates by S&P reflect only the views of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revisions or withdrawals of the rating may have an adverse effect on the market price of the 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 that are believed to be reliable. All of the summaries of the statutes, documents, and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

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

### **Financial Advisor**

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

## **Underwriting**

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at a price of \$19,988,775.60 (representing the par amount of the Certificates of \$18,530,000.00, plus a reoffering premium of \$1,565,607.35, and less an Underwriter's discount of \$106,831.75), and accrued interest on the Certificates in the amount of \$53,158.75.

The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Certificates, if any of the Certificates are purchased. The Certificates may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

## **Certification of the Official Statement**

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

## **Authorization of the Official Statement**

The Official Statement has been approved as to form and content and the use thereof in the offering of the Certificates has been authorized, ratified and approved by the City Council, and the Underwriter 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 Issuer.

The Ordinance has approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorized its further use in the reoffering of the Certificates by the Underwriter.

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

ATTEST:

CITY OF SCHERTZ, TEXAS

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

/s/ Ralph Gutierrez  
Mayor  
City of Schertz, Texas

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**APPENDIX A**

**FINANCIAL INFORMATION RELATING TO  
THE CITY OF SCHERTZ, 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)..... | \$ 5,742,471,221        |
| Less Exemptions:                                                            |                         |
| Optional Over-65 or Disabled.....                                           | \$ 29,403,475           |
| Veterans' Exemptions.....                                                   | 572,282,305             |
| Freeport Exemptions.....                                                    | 145,190,099             |
| Open-Space Land and Timberland.....                                         | 200,361,450             |
| Prorations/Partial Required Exemptions.....                                 | 417,790                 |
| Pollution Control.....                                                      | 736,078                 |
| Tax Abatement Act.....                                                      | 920,654                 |
| Solar/Wind Exemption.....                                                   | 833,165                 |
| Loss to 10% HO Cap.....                                                     | 34,620,275              |
| <b>TOTAL EXEMPTIONS</b> .....                                               | <u>984,765,291</u>      |
| 2021 Assessed Value of Taxable Property <sup>(1)</sup> .....                | <u>\$ 4,757,705,930</u> |
| 2022 Preliminary Taxable Value \$5,664,492,396                              |                         |

<sup>(1)</sup> Includes a Freeze Taxable Value of \$585,266,544.

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

## GENERAL OBLIGATION BONDED DEBT

(as of August 1, 2022)

### General Obligation Debt (Principal Outstanding)

|                                                                                             |                       |
|---------------------------------------------------------------------------------------------|-----------------------|
| General Obligation Bonds, Series 2007                                                       | \$ 1,925,000          |
| General Obligation Refunding Bonds, Series 2013                                             | 635,000               |
| General Obligation Refunding Bonds, Series 2014                                             | 7,050,000             |
| Tax Notes, Series 2015A                                                                     | 155,000               |
| General Obligation Refunding Bonds, Series 2015                                             | 1,140,000             |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016A         | 1,300,000             |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Taxable Series 2016B | 1,130,000             |
| General Obligation Bonds, Series 2016                                                       | 4,350,000             |
| General Obligation Bonds, Series 2017                                                       | 3,170,000             |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017          | 3,520,000             |
| General Obligation Refunding Bonds, Series 2018                                             | 3,770,000             |
| General Obligation and Refunding Bonds, Series 2018                                         | 6,125,000             |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018          | 8,770,000             |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019          | 6,340,000             |
| General Obligation Refunding Bonds, Series 2020                                             | 6,620,000             |
| General Obligation Refunding Bonds, Series 2021                                             | 6,015,000             |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022          | 9,390,000             |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022A         | 18,530,000            |
| General Obligation Bonds, Series 2022                                                       | 18,535,000            |
| <b>Total Gross General Obligation Debt</b>                                                  | <u>\$ 108,470,000</u> |

### Less: Self Supporting Debt

|                                                                                                  |                      |
|--------------------------------------------------------------------------------------------------|----------------------|
| General Obligation Refunding Bonds, Series 2013 (100.00% W&S)                                    | 635,000              |
| General Obligation and Refunding Bonds, Series 2018 (27.51% W&S)                                 | 1,685,000            |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (55.13% W&S)  | 4,835,000            |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (48.82% W&S)  | 3,095,000            |
| General Obligation Refunding Bonds, Series 2021 (32.34% W&S)                                     | 1,945,000            |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022A (55.40% W&S) | 10,265,000           |
| <b>Total Self-Supporting Debt</b>                                                                | <u>\$ 22,460,000</u> |
| <b>Total Net General Obligation Debt Outstanding</b>                                             | <u>\$ 86,010,000</u> |

2021 Certified Net Assessed Valuation \$ 4,757,705,930

Ratio of Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation 2.28%

Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation 1.81%

Population: 1990 - 10,555; 2000 - 18,695; 2010 - 31,465; 2020 - 42,440; est. 2022 - 43,400

Per Capita Preliminary Net Taxable Assessed Valuation - \$109,624.56

Per Capita Gross General Obligation Debt Principal - \$2,499.31

Per Capita Net General Obligation Debt Principal - \$1,981.80

**CITY OBLIGATIONS - CAPITAL LEASES AND NOTES PAYABLE****TABLE 2***(As of September 30, 2021)***Operating Leases**

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

| <u>FYE</u> | <u>Total</u>       |
|------------|--------------------|
| 2022       | \$ 250,687         |
| 2023       | 263,221            |
| 2024       | 276,382            |
| 2025       | 290,201            |
| 2026       | 304,711            |
| 2027-2028  | 655,891            |
|            | <u>\$2,041,093</u> |

**Capital Lease**

The City enters into various lease agreements to finance machinery and equipment; they are classified as capital leases due to bargain-purchase options. Therefore, capital assets and related capital lease obligation have been recorded at the present value of the future minimum lease payments at the inception date. The lease obligations are secured by the purchased equipment. The assets acquired through capital lease are reported in capital assets with the following accumulated depreciation at September 30, 2021:

| <u>Assets:</u>                 | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--------------------------------|--------------------------------|---------------------------------|
| Equipment                      | \$ 136,535                     | \$ 742,573                      |
| Less: Accumulated Depreciation | (22,756)                       | (331,696)                       |
| Total                          | <u>\$ 113,779</u>              | <u>\$ 410,877</u>               |

Future minimum lease payments are as follows:

| <u>Year Ending September 30,</u>        | <u>Governmental Activities</u> | <u>Business Activities</u> |
|-----------------------------------------|--------------------------------|----------------------------|
| 2022                                    | \$ 27,307                      | \$ 147,796                 |
| 2023                                    | 27,307                         | 81,921                     |
| 2024                                    | 27,307                         | 81,921                     |
| 2025                                    | 27,307                         | 81,921                     |
| 2026                                    | 27,307                         | 81,922                     |
| Total Payments                          | <u>\$ 136,535</u>              | <u>\$ 475,481</u>          |
| Less: Amount Representing Interest      | <u>-</u>                       | <u>(360)</u>               |
| Present Value of Minimum Lease Payments | <u>\$ 136,535</u>              | <u>\$ 475,121</u>          |

Source: *The Issuer's Annual Financial Report for the fiscal year ended September 30, 2021.*

# GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| Fiscal Year Ending Sept. 30 | Current Total Outstanding Debt <sup>(1)</sup> | The Certificates     |                     |                      | The Bonds            |                     |                      | Combined Debt Service <sup>(1)</sup> | Less: Self-Supporting Debt | Total Net Debt Service |
|-----------------------------|-----------------------------------------------|----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|--------------------------------------|----------------------------|------------------------|
|                             |                                               | Principal            | Interest            | Total                | Principal            | Interest            | Total                |                                      |                            |                        |
| 2022                        | \$ 8,318,421                                  |                      |                     |                      |                      |                     |                      | \$ 8,318,421                         | \$ 1,617,426               | \$ 6,700,995           |
| 2023                        | 8,500,423                                     | \$ 615,000           | \$ 816,675          | \$ 1,431,675         | \$ 615,000           | \$ 816,975          | \$ 1,431,975         | 11,364,073                           | 2,619,526                  | 8,744,547              |
| 2024                        | 8,351,978                                     | 595,000              | 786,425             | 1,381,425            | 595,000              | 786,725             | 1,381,725            | 11,115,128                           | 2,597,183                  | 8,517,945              |
| 2025                        | 7,509,476                                     | 625,000              | 755,925             | 1,380,925            | 625,000              | 756,225             | 1,381,225            | 10,271,626                           | 2,591,411                  | 7,680,215              |
| 2026                        | 7,176,797                                     | 655,000              | 723,925             | 1,378,925            | 655,000              | 724,225             | 1,379,225            | 9,934,947                            | 2,375,638                  | 7,559,310              |
| 2027                        | 6,537,181                                     | 685,000              | 690,425             | 1,375,425            | 690,000              | 690,600             | 1,380,600            | 9,293,206                            | 1,910,913                  | 7,382,294              |
| 2028                        | 6,393,028                                     | 720,000              | 655,300             | 1,375,300            | 725,000              | 655,225             | 1,380,225            | 9,148,553                            | 1,910,838                  | 7,237,716              |
| 2029                        | 5,630,066                                     | 760,000              | 618,300             | 1,378,300            | 760,000              | 618,100             | 1,378,100            | 8,386,466                            | 1,915,238                  | 6,471,229              |
| 2030                        | 5,624,632                                     | 800,000              | 579,300             | 1,379,300            | 800,000              | 579,100             | 1,379,100            | 8,383,032                            | 1,914,338                  | 6,468,695              |
| 2031                        | 5,735,463                                     | 840,000              | 538,300             | 1,378,300            | 840,000              | 538,100             | 1,378,100            | 8,491,863                            | 1,914,638                  | 6,577,226              |
| 2032                        | 4,575,769                                     | 885,000              | 495,175             | 1,380,175            | 885,000              | 494,975             | 1,379,975            | 7,335,919                            | 1,916,363                  | 5,419,557              |
| 2033                        | 4,073,556                                     | 930,000              | 449,800             | 1,379,800            | 930,000              | 449,600             | 1,379,600            | 6,832,956                            | 1,878,406                  | 4,954,550              |
| 2034                        | 3,304,856                                     | 975,000              | 402,175             | 1,377,175            | 975,000              | 401,975             | 1,376,975            | 6,059,006                            | 1,701,300                  | 4,357,706              |
| 2035                        | 3,318,800                                     | 1,020,000            | 357,400             | 1,377,400            | 1,020,000            | 357,200             | 1,377,200            | 6,073,400                            | 1,706,481                  | 4,366,919              |
| 2036                        | 3,314,531                                     | 1,065,000            | 315,700             | 1,380,700            | 1,065,000            | 315,500             | 1,380,500            | 6,075,731                            | 1,702,353                  | 4,373,378              |
| 2037                        | 2,297,632                                     | 1,110,000            | 272,200             | 1,382,200            | 1,105,000            | 272,100             | 1,377,100            | 5,056,932                            | 1,702,641                  | 3,354,291              |
| 2038                        | 1,668,213                                     | 1,155,000            | 226,900             | 1,381,900            | 1,150,000            | 227,000             | 1,377,000            | 4,427,113                            | 1,707,213                  | 2,719,901              |
| 2039                        | 973,547                                       | 1,200,000            | 179,800             | 1,379,800            | 1,200,000            | 180,000             | 1,380,000            | 3,733,347                            | 1,306,634                  | 2,426,713              |
| 2040                        | 546,088                                       | 1,245,000            | 130,900             | 1,375,900            | 1,250,000            | 131,000             | 1,381,000            | 3,302,988                            | 1,069,794                  | 2,233,194              |
| 2041                        | 544,059                                       | 1,300,000            | 80,000              | 1,380,000            | 1,300,000            | 80,000              | 1,380,000            | 3,304,059                            | 1,069,828                  | 2,234,231              |
| 2042                        | 546,413                                       | 1,350,000            | 27,000              | 1,377,000            | 1,350,000            | 27,000              | 1,377,000            | 3,300,413                            | 1,063,463                  | 2,236,951              |
| Total                       | <u>\$ 94,940,929</u>                          | <u>\$ 18,530,000</u> | <u>\$ 9,101,625</u> | <u>\$ 27,631,625</u> | <u>\$ 18,535,000</u> | <u>\$ 9,101,625</u> | <u>\$ 27,636,625</u> | <u>\$ 150,209,179</u>                | <u>\$ 38,191,621</u>       | <u>\$ 112,017,558</u>  |

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

## TAX ADEQUACY (Includes Self-Supporting Debt)

|                                                                                                      |    |               |
|------------------------------------------------------------------------------------------------------|----|---------------|
| 2021 Freeze Adjusted Net Taxable Assessed Valuation                                                  | \$ | 4,172,439,386 |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2023)                              |    | 11,364,073 *  |
| Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements | \$ | 0.2779 *      |

\* Includes the Certificates and the Bonds.

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)

|                                                                                                      |    |               |
|------------------------------------------------------------------------------------------------------|----|---------------|
| 2021 Freeze Adjusted Net Taxable Assessed Valuation                                                  | \$ | 4,172,439,386 |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2023)                              |    | 8,744,547 *   |
| Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements | \$ | 0.21386 *     |

\* Includes the Certificates and the Bonds.

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

## INTEREST AND SINKING FUND MANAGEMENT INDEX

|                                                                                               |    |           |
|-----------------------------------------------------------------------------------------------|----|-----------|
| Audited Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2021               | \$ | 1,087,376 |
| 2021 Interest and Sinking Fund Tax Levy at 98% Collections Produce                            |    | 6,558,741 |
| Plus: Other City Funds                                                                        |    | 1,617,426 |
| Total Available for General Obligation Debt                                                   | \$ | 9,263,543 |
| Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/22 <sup>(1)</sup> |    | 8,318,421 |
| Estimated Surplus at Fiscal Year Ending 9/30/22 <sup>(2)</sup>                                | \$ | 945,122   |

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

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

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

(as of August 1, 2022)

| Fiscal Year<br>Ending 9-30 | Principal Repayment Schedule            |                                    |               |                | Principal<br>Unpaid at<br>End of Year | Percent of<br>Principal<br>Retired (%) |
|----------------------------|-----------------------------------------|------------------------------------|---------------|----------------|---------------------------------------|----------------------------------------|
|                            | Currently<br>Outstanding <sup>(a)</sup> | The<br>Certificates <sup>(a)</sup> | The<br>Bonds  | Total          |                                       |                                        |
| 2022                       | \$ 155,000                              | \$ -                               | \$ -          | \$ 155,000     | \$ 108,315,000                        | 0.14%                                  |
| 2023                       | 6,200,000                               | 615,000                            | 615,000       | 7,430,000      | 100,885,000                           | 6.99%                                  |
| 2024                       | 6,290,000                               | 595,000                            | 595,000       | 7,480,000      | 93,405,000                            | 13.89%                                 |
| 2025                       | 5,680,000                               | 625,000                            | 625,000       | 6,930,000      | 86,475,000                            | 20.28%                                 |
| 2026                       | 5,565,000                               | 655,000                            | 655,000       | 6,875,000      | 79,600,000                            | 26.62%                                 |
| 2027                       | 5,130,000                               | 685,000                            | 690,000       | 6,505,000      | 73,095,000                            | 32.61%                                 |
| 2028                       | 5,175,000                               | 720,000                            | 725,000       | 6,620,000      | 66,475,000                            | 38.72%                                 |
| 2029                       | 4,590,000                               | 760,000                            | 760,000       | 6,110,000      | 60,365,000                            | 44.35%                                 |
| 2030                       | 4,750,000                               | 800,000                            | 800,000       | 6,350,000      | 54,015,000                            | 50.20%                                 |
| 2031                       | 5,015,000                               | 840,000                            | 840,000       | 6,695,000      | 47,320,000                            | 56.38%                                 |
| 2032                       | 3,985,000                               | 885,000                            | 885,000       | 5,755,000      | 41,565,000                            | 61.68%                                 |
| 2033                       | 3,590,000                               | 930,000                            | 930,000       | 5,450,000      | 36,115,000                            | 66.71%                                 |
| 2034                       | 2,915,000                               | 975,000                            | 975,000       | 4,865,000      | 31,250,000                            | 71.19%                                 |
| 2035                       | 3,015,000                               | 1,020,000                          | 1,020,000     | 5,055,000      | 26,195,000                            | 75.85%                                 |
| 2036                       | 3,100,000                               | 1,065,000                          | 1,065,000     | 5,230,000      | 20,965,000                            | 80.67%                                 |
| 2037                       | 2,160,000                               | 1,110,000                          | 1,105,000     | 4,375,000      | 16,590,000                            | 84.71%                                 |
| 2038                       | 1,585,000                               | 1,155,000                          | 1,150,000     | 3,890,000      | 12,700,000                            | 88.29%                                 |
| 2039                       | 925,000                                 | 1,200,000                          | 1,200,000     | 3,325,000      | 9,375,000                             | 91.36%                                 |
| 2040                       | 515,000                                 | 1,245,000                          | 1,250,000     | 3,010,000      | 6,365,000                             | 94.13%                                 |
| 2041                       | 525,000                                 | 1,300,000                          | 1,300,000     | 3,125,000      | 3,240,000                             | 97.01%                                 |
| 2042                       | 540,000                                 | 1,350,000                          | 1,350,000     | 3,240,000      | -                                     | 100.00%                                |
| Total                      | \$ 71,405,000                           | \$ 18,530,000                      | \$ 18,535,000 | \$ 108,470,000 |                                       |                                        |

(a) Includes self-supporting debt.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2012-2021**
**TABLE 3**

| Year    | Net Taxable<br>Assessed Valuation | Change From Preceding Year |         |
|---------|-----------------------------------|----------------------------|---------|
|         |                                   | Amount (\$)                | Percent |
| 2012-13 | \$ 2,589,622,413                  | -                          |         |
| 2013-14 | 2,769,188,746                     | 179,566,333                | 6.93%   |
| 2014-15 | 3,068,012,356                     | 298,823,610                | 10.79%  |
| 2015-16 | 3,400,613,988                     | 332,601,632                | 10.84%  |
| 2016-17 | 3,683,394,908                     | 282,780,920                | 8.32%   |
| 2017-18 | 3,813,920,281                     | 130,525,373                | 3.54%   |
| 2018-19 | 4,055,582,301                     | 241,662,020                | 6.34%   |
| 2019-20 | 4,321,880,021                     | 266,297,720                | 6.57%   |
| 2020-21 | 4,551,996,286                     | 230,116,265                | 5.32%   |
| 2021-22 | 4,757,705,930                     | 205,709,644                | 4.52%   |

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

**PRINCIPAL TAXPAYERS 2021-2022**
**TABLE 4**

| Name                                | Type of Business/Property              | 2021 Net Taxable<br>Assessed Valuation | % of Total 2021<br>Assessed<br>Valuation |
|-------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|
| Amazon COM Services Inc.            | Fulfillment Center                     | \$ 83,888,434                          | 1.76%                                    |
| HGIT Schertz Parkway LP             | Wholesale Supplier/Distribution Center | 58,777,703                             | 1.24%                                    |
| SAWFR Partners LLC                  | Lodging                                | 23,400,000                             | 0.49%                                    |
| EM Limited Partnership              | Retail Strip Center                    | 19,923,909                             | 0.42%                                    |
| H E Butt Grocery CO                 | Grocery                                | 18,099,778                             | 0.38%                                    |
| 1290 Entertainment LLC              | Entertainment Complex                  | 17,800,000                             | 0.37%                                    |
| Cellco Partnership                  | Telecommunications                     | 15,700,218                             | 0.33%                                    |
| IPT San Antonio Logistics Centr LLC | Real Estate Investment Trusts          | 11,900,000                             | 0.25%                                    |
| Capital Group Companies Inc.        | Investment Management                  | 11,600,000                             | 0.24%                                    |
| Schertz Holdings LTD                | Investment Management                  | 11,400,000                             | 0.24%                                    |
|                                     |                                        | <u>\$ 272,490,042</u>                  | <u>5.73%</u>                             |

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

**CLASSIFICATION OF ASSESSED VALUATION**
**TABLE 5**

|                                            | 2021                    | % of Total     | 2020                    | % of Total     | 2019                    | % of Total     |
|--------------------------------------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
| Real, Residential, Single-Family           | \$ 3,509,977,184        | 61.12%         | \$ 3,146,211,129        | 58.08%         | \$ 2,938,385,573        | 58.24%         |
| Real, Residential, Multi-Family            | 87,162,116              | 1.52%          | 65,381,689              | 1.21%          | 78,298,986              | 1.55%          |
| Real, Vacant Lots/Tracts                   | 141,853,506             | 2.47%          | 51,076,164              | 0.94%          | 55,611,079              | 1.10%          |
| Real, Acreage (Land Only)                  | 106,340,765             | 1.85%          | 193,071,437             | 3.56%          | 162,024,347             | 3.21%          |
| Real, Farm and Ranch Improvements          | 43,610,963              | 0.76%          | 61,076,513              | 1.13%          | 53,359,154              | 1.06%          |
| Real, Commercial and Industrial            | 1,022,707,770           | 17.81%         | 980,042,380             | 18.09%         | 896,801,600             | 17.78%         |
| Real & Tangible, Personal Utilities        | 21,206,609              | 0.37%          | 20,045,421              | 0.37%          | 18,026,206              | 0.36%          |
| <br>                                       |                         |                |                         |                |                         |                |
| Tangible Personal, Commercial & Industrial | 752,097,552             | 13.10%         | 831,402,903             | 15.35%         | 784,062,992             | 15.54%         |
| Tangible Personal, Mobile Homes            | 13,595,040              | 0.24%          | 13,317,553              | 0.25%          | 12,846,611              | 0.25%          |
| Residential Inventory                      | 43,220,138              | 0.75%          | 50,849,826              | 0.94%          | 40,575,244              | 0.80%          |
| Real Property, Inventory                   | 699,578                 | 0.01%          | 4,801,084               | 0.09%          | 5,186,835               | 0.10%          |
| <b>Total Appraised Value</b>               | <b>\$ 5,742,471,221</b> | <b>100.00%</b> | <b>\$ 5,417,276,099</b> | <b>100.00%</b> | <b>\$ 5,045,178,627</b> | <b>100.00%</b> |
| <b>Less:</b>                               |                         |                |                         |                |                         |                |
| Optional Over-65 or Disabled               | \$ 29,403,475           |                | \$ 28,127,801           |                | \$ 26,913,139           |                |
| Veterans' Exemptions                       | 572,282,305             |                | 464,467,652             |                | 380,802,584             |                |
| Freeport Exemptions                        | 145,190,099             |                | 167,855,436             |                | 139,738,714             |                |
| Open-Space Land and Timberland             | 200,361,450             |                | 190,979,141             |                | 159,998,692             |                |
| Prorations/Partial Required Exemptions     | 417,790                 |                | -                       |                | -                       |                |
| Pollution Control                          | 736,078                 |                | 758,960                 |                | 789,819                 |                |
| Tax Abatement Act                          | 920,654                 |                | 698,658                 |                | 1,121,227               |                |
| Solar/Wind Exemption                       | 833,165                 |                | 712,588                 |                | 677,387                 |                |
| Loss to 10% HO Cap                         | 34,620,275              |                | 11,679,577              |                | 13,257,044              |                |
| <b>Net Taxable Assessed Valuation</b>      | <b>\$ 4,757,705,930</b> |                | <b>\$ 4,551,996,286</b> |                | <b>\$ 4,321,880,021</b> |                |
| <b>Freeze Taxable</b>                      | <b>585,266,544</b>      |                | <b>498,688,440</b>      |                | <b>475,924,142</b>      |                |
| <b>Freeze Adjusted Taxable</b>             | <b>\$ 4,172,439,386</b> |                | <b>\$ 4,053,307,846</b> |                | <b>\$ 3,845,955,879</b> |                |

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

\*Preliminary Assess Valuations

**TAX DATA**
**TABLE 6**

| Tax Year | Net Taxable Assessed Valuation | Tax Rate | Tax Levy      | % of Collections Current   | % of Collections Total | Year Ended |
|----------|--------------------------------|----------|---------------|----------------------------|------------------------|------------|
| 2011     | \$ 2,390,893,877               | 0.484300 | \$ 11,579,099 | 96.64                      | 97.39                  | 9/30/2012  |
| 2012     | 2,589,622,413                  | 0.499300 | 12,929,985    | 96.70                      | 97.08                  | 9/30/2013  |
| 2013     | 2,769,188,746                  | 0.497400 | 13,773,945    | 96.43                      | 99.35                  | 9/30/2014  |
| 2014     | 3,068,012,356                  | 0.499900 | 15,336,994    | 96.08                      | 99.61                  | 9/30/2015  |
| 2015     | 3,400,613,988                  | 0.491100 | 16,700,415    | 96.92                      | 99.92                  | 9/30/2016  |
| 2016     | 3,683,394,908                  | 0.491100 | 18,089,152    | 99.01                      | 101.00                 | 9/30/2017  |
| 2017     | 3,813,920,281                  | 0.491000 | 18,726,349    | 98.90                      | 99.95                  | 9/30/2018  |
| 2018     | 4,055,582,301                  | 0.514600 | 20,870,027    | 99.46                      | 99.89                  | 9/30/2019  |
| 2019     | 4,321,880,021                  | 0.514600 | 22,240,395    | 98.30                      | 98.60                  | 9/30/2020  |
| 2020     | 4,551,996,286                  | 0.512100 | 23,310,773    | 98.98                      | 99.45                  | 9/30/2021  |
| 2021     | 4,757,705,930                  | 0.512100 | 24,364,212    | (In process of collection) |                        | 9/30/2022  |

**TAX RATE DISTRIBUTION**
**TABLE 7**

|                       | 2021               | 2020               | 2019               | 2018               | 2017               |
|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Fund          | \$ 0.351700        | \$ 0.347000        | \$ 0.349600        | \$ 0.349700        | \$ 0.324800        |
| I & S Fund            | 0.160400           | 0.165100           | 0.165000           | 0.164900           | 0.166200           |
| <b>Total Tax Rate</b> | <b>\$ 0.512100</b> | <b>\$ 0.512100</b> | <b>\$ 0.514600</b> | <b>\$ 0.514600</b> | <b>\$ 0.491000</b> |

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

# **MUNICIPAL SALES TAX COLLECTIONS**

**TABLE 8**

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

| Calendar Year | Total Collected | % of Ad Valorem<br>Tax Levy <sup>(1)</sup> | Equivalent of Ad Valorem<br>Tax Rate <sup>(1)</sup> |
|---------------|-----------------|--------------------------------------------|-----------------------------------------------------|
| 2011          | \$ 7,002,410    | 40.32%                                     | 0.29                                                |
| 2012          | 8,130,275       | 41.92%                                     | 0.31                                                |
| 2013          | 9,716,196       | 47.03%                                     | 0.35                                                |
| 2014          | 10,445,078      | 45.40%                                     | 0.34                                                |
| 2015          | 10,303,430      | 41.13%                                     | 0.30                                                |
| 2016          | 10,992,746      | 40.51%                                     | 0.30                                                |
| 2017          | 10,849,278      | 38.62%                                     | 0.28                                                |
| 2018          | 12,631,750      | 40.35%                                     | 0.31                                                |
| 2019          | 12,584,391      | 37.72%                                     | 0.29                                                |
| 2020          | 10,837,195      | 30.99%                                     | 0.24                                                |
| 2021          | 16,864,282      | 46.14%                                     | 0.35                                                |
| 2022          | 7,149,108       | (as of May 2022)                           |                                                     |

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

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

## **OVERLAPPING DEBT INFORMATION**

(as of August 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 was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

| Taxing Body                             | Gross Debt<br>(As of 8/1/2022) | %<br>Overlapping | Amount<br>Overlapping |
|-----------------------------------------|--------------------------------|------------------|-----------------------|
| Alamo Community College District        | \$ 553,620,000                 | 0.35%            | \$ 1,937,670          |
| Bexar County                            | 2,061,555,000                  | 0.35%            | 7,215,443             |
| Bexar County Hospital District          | 874,490,000                    | 0.35%            | 3,060,715             |
| Comal County                            | 122,015,000                    | 3.67%            | 4,477,951             |
| Comal ISD                               | 1,069,552,848                  | 3.96%            | 42,354,293            |
| Guadalupe County                        | 13,145,000                     | 19.44%           | 2,555,388             |
| Schertz-Cibolo-Universal City ISD       | 381,393,715                    | 47.45%           | 180,971,318           |
| Total Gross Overlapping Debt            |                                |                  | <u>\$ 242,572,777</u> |
| Schertz, City of                        |                                |                  | \$ 108,470,000*       |
| Total Gross Direct and Overlapping Debt |                                |                  | <u>\$ 351,042,777</u> |

Ratio of Gross Direct Debt and Overlapping Debt 7.38%

Per Capita Gross Direct Debt and Overlapping Debt \$8,088.54

Note: The above figures show Gross General Obligation Debt for the City of Schertz, Texas. The Issuer's Net General Obligation Debt is \$86,010,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt \$ 328,582,777

Ratio of Net Direct and Overlapping Debt to 2021 Net Assessed Valuation 6.91%

Per Capita Net Direct and Overlapping Debt \$7,571.03

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

\* Includes the Bonds and the Certificates.

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

| Governmental Subdivision          | 2021 Assessed Valuation | % of Actual | 2021 Tax Rate |
|-----------------------------------|-------------------------|-------------|---------------|
| Alamo Community College District  | \$ 195,761,502,202      | 100%        | \$ 0.149200   |
| Bexar County                      | 191,621,280,326         | 100%        | 0.289400      |
| Bexar County Hospital District    | 186,047,152,513         | 100%        | 0.276000      |
| Comal County                      | 24,337,935,890          | 100%        | 0.314000      |
| Comal ISD                         | 22,017,680,215          | 100%        | 1.292000      |
| Guadalupe County                  | 16,549,367,318          | 100%        | 0.330000      |
| Schertz-Cibolo-Universal City ISD | 6,763,257,731           | 100%        | 1.370000      |

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

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

| Issuer                            | Date of Authorization | Purpose              | Amount Authorized     | Issued To-Date        | Unissued             |
|-----------------------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
| Alamo Community College District  | 5/6/2017              | College Facility     | \$ 450,000,000        | \$ 398,000,000        | \$ 52,000,000        |
| Bexar County                      | 11/4/2003             | Jail                 | \$ 47,990,000         | \$ 8,112,500          | \$ 39,877,500        |
|                                   |                       | Parks and Recreation | 5,925,000             | 975,000               | 4,950,000            |
|                                   |                       | Public Safety        | 4,750,000             | 312,500               | 4,437,500            |
|                                   |                       | Road and Bridge      | 40,581,000            | 40,581,000            | -                    |
|                                   |                       | Jail                 | 79,000,000            | 66,999,113            | 12,000,887           |
|                                   |                       |                      | <u>\$ 178,246,000</u> | <u>\$ 116,980,113</u> | <u>\$ 61,265,887</u> |
| Bexar County Hospital District    | None                  |                      | -                     | -                     | -                    |
| Comal County                      | None                  |                      | -                     | -                     | -                    |
| Comal ISD                         | None                  |                      | -                     | -                     | -                    |
| Guadalupe County                  | None                  |                      | -                     | -                     | -                    |
| San Antonio River Authority       | None                  |                      | -                     | -                     | -                    |
| Schertz-Cibolo-Universal City ISD | None                  |                      | -                     | -                     | -                    |
| Schertz, City of                  | 11/03/2015            | Streets and Bridges  | \$ 7,000,000          | \$ 7,000,000*         | \$ -                 |
|                                   | 11/02/2021            | Public Safety        | 15,450,000            | 15,450,000*           | -                    |
|                                   |                       |                      | <u>\$ 22,450,000</u>  | <u>\$ 22,450,000</u>  | <u>\$ -</u>          |

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

\*Represents the par amount of the Bonds plus certain premium allocated to the voted authorization. After the issuance of the Bonds, the City will have no authorized but unissued debt remaining.

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

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

|                                                   | Fiscal Year Ended |                |               |               |               |
|---------------------------------------------------|-------------------|----------------|---------------|---------------|---------------|
|                                                   | 9/30/2021         | 9/30/2020      | 9/30/2019     | 9/30/2018     | 9/30/2017     |
| Fund Balance - Beginning of Year                  | \$ 16,968,978     | \$ 17,465,668  | \$ 15,630,453 | \$ 12,969,618 | \$ 11,428,778 |
| <b>Revenues</b>                                   |                   |                |               |               |               |
| Taxes                                             | \$ 27,913,222     | \$ 25,000,163  | \$ 23,488,223 | \$ 21,741,184 | \$ 19,450,338 |
| Licenses and Permits                              | 1,593,382         | 1,750,837      | 1,605,299     | 2,317,534     | 2,367,929     |
| Charges for Services                              | 1,628,589         | 1,724,150      | 1,909,300     | 2,139,574     | 2,107,844     |
| Fines and Forfeitures                             | 637,638           | 833,148        | 926,657       | 868,875       | 1,021,965     |
| Intergovernmental                                 | 1,623,282         | 951,604        | 965,768       | 530,122       | 307,809       |
| Investment Earnings                               | 29,147            | 300,369        | 489,051       | 252,397       | 128,158       |
| Grants                                            | -                 | -              | -             | -             | 603,477       |
| Other Sources                                     | 781,333           | 559,393        | 684,882       | 690,810       | -             |
| Total Revenues                                    | \$ 34,206,593     | \$ 31,119,664  | \$ 30,069,180 | \$ 28,540,496 | \$ 25,987,520 |
| <b>Expenditures</b>                               |                   |                |               |               |               |
| General Government                                | \$ 6,008,482      | \$ 5,381,790   | \$ 5,389,701  | \$ 5,544,155  | \$ 5,171,635  |
| Public Safety                                     | 17,166,400        | 15,324,530     | 13,926,364    | 12,718,070    | 11,846,184    |
| Public Environment                                | 1,382,185         | 1,270,894      |               |               |               |
| Streets and Parks                                 | 2,494,684         | 2,067,649      | 1,112,041     | 1,136,052     | 1,128,979     |
| Health                                            | -                 | 589,616        | 498,871       | 628,054       | 1,682,955     |
| Recreation                                        | -                 |                | 2,350,370     | 1,672,789     | 901,992       |
| Cultural                                          | 1,040,276         | 1,034,435      | 998,445       | 939,095       | 672,934       |
| Capital Outlay                                    | 566,078           | 1,175,241      | 649,055       | 1,083,044     | 2,395,926     |
| Administration                                    | 3,858,317         | 2,799,004      | 3,231,294     | 2,478,964     | 644,773       |
| Bond Issue Costs                                  | -                 |                | -             | -             | 33,174        |
| Principal                                         | -                 | 44,544         | -             | 24,116        | 36,513        |
| Interest and Fiscal Charges                       | -                 | -              | -             | 3,056         | -             |
| Total Expenses                                    | \$ 32,516,422     | \$ 29,687,703  | \$ 28,156,141 | \$ 26,227,395 | \$ 24,515,065 |
| Excess (Deficit) of Revenues<br>Over Expenditures | \$ 1,690,171      | \$ 1,431,961   | \$ 1,913,039  | \$ 2,313,101  | \$ 1,472,455  |
| <b>Other Financing Sources (Uses):</b>            |                   |                |               |               |               |
| Issuance of Bonds                                 | \$ -              | \$ -           | \$ -          | \$ -          | \$ -          |
| Capital Lease                                     | 136,535           | -              | -             | 42,829        | -             |
| Operating Transfers In                            | -                 | -              | -             | 351,219       | 68,385        |
| Operating Transfers Out                           | (2,317,117)       | (4,000,169)    | (4,463)       | (46,314)      | -             |
| Total Other Financing Sources (Uses):             | \$ (2,180,582)    | \$ (4,000,169) | \$ (4,463)    | \$ 347,734    | \$ 68,385     |
| Prior Year End Adjustment                         | -                 | -              | -             | -             | -             |
| Fund Balance - End of Year                        | \$ 16,478,567     | \$ 14,897,460  | \$ 17,539,029 | \$ 15,630,453 | \$ 12,969,618 |

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

\* The City expects to end the fiscal year ending September 30, 2022 with a general fund balance of approximately \$12,600,00 (unaudited). The drawdown in fund balance was budgeted by the City in an effort to spend down excess reserves to fund one-time capital improvements while remaining within their adopted fund balance policy.

**EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS****TABLE 10**

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

**UTILITY SYSTEM OUTSTANDING DEBT SERVICE**
**TABLE 11**

*[as of May 1, 2022]*

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

|                                                                                    |                      |
|------------------------------------------------------------------------------------|----------------------|
| City's General Obligation Refunding Bonds, Series 2013                             | 635,000              |
| City's Combination Tax and Limited Pledge Certificates of Obligation, Series 2018  | 1,685,000            |
| City's General Obligation and Refunding Bonds, Series 2018                         | 4,835,000            |
| City's Combination Tax and Limited Pledge Certificates of Obligation, Series 2019  | 3,095,000            |
| City's General Obligation Refunding Bonds, Series 2021                             | 1,945,000            |
| City's Combination Tax and Limited Pledge Certificates of Obligation, Series 2022A | 10,265,000           |
| Total                                                                              | <u>\$ 22,460,000</u> |

| <b>FYE<br/>(9/30)</b> | <b>City's Self-Supporting<br/>General Obligation Debt</b> |
|-----------------------|-----------------------------------------------------------|
| 2022                  | \$ 1,617,426                                              |
| 2023                  | 2,619,526                                                 |
| 2024                  | 2,597,183                                                 |
| 2025                  | 2,591,411                                                 |
| 2026                  | 2,375,638                                                 |
| 2027                  | 1,910,913                                                 |
| 2028                  | 1,910,838                                                 |
| 2029                  | 1,915,238                                                 |
| 2030                  | 1,914,338                                                 |
| 2031                  | 1,914,638                                                 |
| 2032                  | 1,916,363                                                 |
| 2033                  | 1,878,406                                                 |
| 2034                  | 1,701,300                                                 |
| 2035                  | 1,706,481                                                 |
| 2036                  | 1,702,353                                                 |
| 2037                  | 1,702,641                                                 |
| 2038                  | 1,707,213                                                 |
| 2039                  | 1,306,634                                                 |
| 2040                  | 1,069,794                                                 |
| 2041                  | 1,069,828                                                 |
| 2042                  | 1,063,463                                                 |
| Total                 | <u>\$ 38,191,621</u>                                      |

**CITY WATERWORKS AND SEWER SYSTEM PLANT IN OPERATION****TABLE 12***(As of September 30, 2021)*

|                                            |                |
|--------------------------------------------|----------------|
| Land                                       | \$ 1,844,488   |
| Water Rights                               | 70,245         |
| Buildings and Improvements                 | 3,609,126      |
| Machinery, Equipment and Vehicles          | 6,214,967      |
| Infrastructure                             | 105,832,113    |
| Construction in Progress                   | 19,942,113     |
| Total                                      | \$ 137,513,052 |
| Less: Accumulated Depreciation             | (38,770,208)   |
| Net Waterworks and Sewer System in Service | \$ 98,742,844  |

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

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

|                            | 9/30/2021     | 9/30/2020     | 9/30/2019     | 9/30/2018     | 9/30/2017     |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenues                   | \$ 28,394,433 | \$ 30,284,539 | \$ 28,311,467 | \$ 28,016,064 | \$ 25,831,284 |
| Expenditures               | 18,323,015    | 21,190,967    | 22,620,644    | 20,802,263    | 18,697,162    |
| Schertz/Seguin LGC Payment | 3,908,231     | 3,892,799     | 2,906,068     | 2,906,068     | 2,242,314     |
| Net Revenues Available     |               |               |               |               |               |
| Available for Debt Service | \$ 6,163,187  | \$ 5,200,773  | \$ 2,784,755  | \$ 4,307,733  | \$ 4,891,808  |
| Connections:               |               |               |               |               |               |
| Water                      | 15,861        | 13,683        | 16,434        | 14,678        | 14,124        |
| Sewer                      | 14,128        | 13,112        | 12,853        | 12,866        | 12,398        |

Source: The City's Comprehensive Annual Financial Reports for Fiscal Year Ending September 30, 2021.

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

| Name of Customer             | Consumption<br>(gallons) | Amount (\$) |
|------------------------------|--------------------------|-------------|
| 1 SA WFR Partners, LLC       | 107,118                  | \$ 126,027  |
| 2 Pecan Grove TX LLC         | 104,333                  | 119,742     |
| 3 Sebastian Apartments       | 71,161                   | 73,453      |
| 4 Legacy Oaks Apartments     | 66,118                   | 75,109      |
| 5 Silver Tree Nursing Rehab  | 56,217                   | 64,029      |
| 6 Sycamore Creek Apartments  | 53,639                   | 64,591      |
| 7 Schertz, Pickrell Park     | 47,018                   | 55,714      |
| 8 Fairfield Inn & Suites     | 46,885                   | 55,609      |
| 9 DDC Ashton, LTD            | 40,046                   | 45,669      |
| 10 Republic Beverage Company | 39,217                   | 43,612      |
| Total                        | 631,752                  | \$ 723,555  |

**CITY WATER SUPPLY****TABLE 15**

The City's primary water source is from the Carrizo Aquifer which is pumped and treated by the Schertz/Seguin Local Government Corporation ("SSLGC" or the "Corporation"). SSLGC has water leases totaling 19,363 acre feet and leases 840 acre feet to Springs Hill and of the remainder 50% are dedicated to the City of Schertz. The City's water system has 9 water storage tanks which can hold 15,500,000 gallons. The city maintains 225 miles of water lines. Schertz's total water usage for fiscal year September 30, 2020 was 1,629,336,300 gallons.

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

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

**Schertz/Seguin Local Government Corporation.** Pursuant to the regional water supply contract dated November 15, 1999, the Corporation issued Contract Revenue Bonds to finance the development of a well field and collection system and transmission and treatment facilities, including the acquisition of related water rights and rights-of-way (the "SSLGC Project"). The SSLGC Project transports groundwater from the Carrizo Aquifer in southwestern Gonzales County to the Schertz Live Oak Tank and the Seguin Water Treatment Plant. The SSLGC Project provides the necessary water, coupled with water from the Edwards Aquifer, to address the City's needs. The payments by the cities of Schertz and Seguin constitute an operating expense of their respective utility systems. The City of Schertz is obligated to pay 50% of the debt service, operation and maintenance and overhead payments. SSLGC Bonds outstanding as of September 30, 2021 are \$130,515,000. Water began to flow from the SSLGC Project to the City of Schertz on February 20, 2003.

**HISTORICAL WATER CONSUMPTION****TABLE 16**

| FYE<br>(9/30) | Estimated<br>Population | Number of<br>Customers | Water Usage (in Gallons) |            |             |               | Water<br>Sales |
|---------------|-------------------------|------------------------|--------------------------|------------|-------------|---------------|----------------|
|               |                         |                        | Daily Average            | Peak Day   | Peak Month  | Total Usage   |                |
| 2010          | 32,523                  | 10,134                 | 3,560,416                | 7,040,000  | 180,345,000 | 1,182,179,600 | 6,361,401      |
| 2011          | 33,544                  | 12,234                 | 4,667,789                | 11,000,000 | 227,186,000 | 1,612,610,500 | 7,816,710      |
| 2012          | 34,499                  | 12,557                 | 5,224,301                | 9,290,000  | 224,192,000 | 1,613,141,500 | 7,657,695      |
| 2013          | 35,929                  | 12,757                 | 4,935,155                | 9,483,000  | 204,492,000 | 1,550,045,200 | 7,660,165      |
| 2014          | 36,477                  | 13,324                 | 4,245,772                | 10,089,000 | 213,349,000 | 1,549,707,100 | 7,960,763      |
| 2015          | 37,865                  | 13,570                 | 4,043,050                | 8,385,000  | 218,644,000 | 1,475,713,400 | 7,943,694      |
| 2016          | 37,938                  | 13,877                 | 4,113,553                | 8,587,000  | 214,546,000 | 1,501,446,900 | 8,543,050      |
| 2017          | 39,453                  | 14,124                 | 4,335,480                | 9,478,000  | 218,181,000 | 1,582,450,300 | 9,741,286      |
| 2018          | 41,182                  | 14,678                 | 4,532,352                | 9,083,000  | 230,144,000 | 1,519,008,100 | 10,271,113     |
| 2019          | 41,948                  | 16,434                 | 4,822,500                | 11,094,000 | 257,809,000 | 1,622,930,500 | 11,089,576     |
| 2020          | 42,612                  | 13,683                 | 6,169,463                | 14,011,000 | 253,588,000 | 2,251,854,000 | 12,343,795     |
| 2021          | 43,300                  | 15,874                 | 5,907,287                | 13,299,444 | 239,390,000 | 2,156,160,000 | 11,566,510     |

**PRINCIPAL WATER CUSTOMERS****TABLE 17**

| <u>Name<br/>of Customer</u>  | <u>Average<br/>Monthly<br/>Consumption<br/>(in Gallons)</u> | <u>% of<br/>Total<br/>Water<br/>Sales</u> |
|------------------------------|-------------------------------------------------------------|-------------------------------------------|
| 1 Caterpillar Inc.           | 172,401                                                     | 0.01%                                     |
| 2 Scenic Hills Lawn Care     | 167,238                                                     | 0.01%                                     |
| 3 Crossvine Master Community | 125,061                                                     | 0.01%                                     |
| 4 Pecan Grove                | 110,736                                                     | 0.01%                                     |
| 5 Sycamore Creek Apartments  | 87,606                                                      | 0.00%                                     |
| 6 Sebastian Apartments       | 66,390                                                      | 0.00%                                     |
| 7 Legacy Oaks Apartments     | 66,172                                                      | 0.00%                                     |
| 8 Republic Beverage Company  | 58,243                                                      | 0.00%                                     |
| 9 DDC Ashton, LTD            | 48,081                                                      | 0.00%                                     |
| 10 City of Schertz           | 46,163                                                      | 0.00%                                     |
| Total                        | 948,091                                                     | 0.04%                                     |

**WATER RATES**
**TABLE 18**
**New Rates for 2021-22 GALLONS SOLD BY METER SIZE (RESIDENTIAL AND SMALL COMMERCIAL)**

| Meter            | Block Gallons | Inside City |           | Outside City |           |
|------------------|---------------|-------------|-----------|--------------|-----------|
|                  |               | Block Rate  | Rate 1000 | Block Rate   | Rate 1000 |
| 5/8 IN<br>CODE 1 | 0             | 24.61       | 3.04      | 24.61        | 3.04      |
|                  | 6,000         | 42.85       | 3.40      | 42.85        | 0.40      |
|                  | 12,000        | 63.25       | 3.98      | 63.25        | 3.98      |
|                  | 18,000        | 87.13       | 4.86      | 87.13        | 4.86      |
|                  | 30,000        | 145.45      | 6.17      | 145.45       | 6.17      |
| 3/4 IN<br>CODE 2 | 0             | 36.89       | 3.04      | 36.89        | 3.04      |
|                  | 6,000         | 55.13       | 3.40      | 55.13        | 3.40      |
|                  | 12,000        | 75.53       | 3.98      | 75.53        | 3.98      |
|                  | 18,000        | 99.41       | 4.86      | 99.41        | 4.86      |
|                  | 30,000        | 157.73      | 6.17      | 157.73       | 6.17      |
| 1.0 IN<br>CODE 3 | 0             | 61.49       | 3.04      | 61.49        | 3.04      |
|                  | 6,000         | 79.73       | 3.40      | 79.73        | 3.40      |
|                  | 12,000        | 100.13      | 3.98      | 100.13       | 3.98      |
|                  | 18,000        | 124.01      | 4.86      | 124.01       | 4.86      |
|                  | 30,000        | 182.33      | 6.17      | 182.33       | 6.17      |

**WATER RATES****(Cont.)**

| Meter                                | Block Gallons | Inside City |           | Outside City |           |
|--------------------------------------|---------------|-------------|-----------|--------------|-----------|
|                                      |               | Block Rate  | Rate 1000 | Block Rate   | Rate 1000 |
| 1 1/2 IN<br>CODE 4                   | 0             | 122.99      | 3.04      | 122.99       | 3.04      |
|                                      | 6,000         | 141.23      | 3.40      | 141.23       | 3.40      |
|                                      | 12,000        | 161.63      | 3.98      | 161.63       | 3.98      |
|                                      | 18,000        | 185.51      | 4.86      | 185.51       | 4.86      |
|                                      | 30,000        | 243.83      | 6.17      | 243.83       | 6.17      |
| 2 IN<br>SIMPLE<br>COMPOUND<br>CODE 5 | 0             | 196.78      | 3.04      | 196.78       | 3.04      |
|                                      | 6,000         | 215.02      | 3.40      | 215.02       | 3.40      |
|                                      | 12,000        | 235.42      | 3.98      | 235.42       | 3.98      |
|                                      | 18,000        | 259.3       | 4.86      | 259.3        | 4.86      |
|                                      | 30,000        | 317.62      | 6.17      | 317.62       | 6.17      |
| 2 IN<br>CODE 6                       | 0             | 245.96      | 3.04      | 245.96       | 3.04      |
|                                      | 6,000         | 264.2       | 3.40      | 264.2        | 3.40      |
|                                      | 12,000        | 284.6       | 3.98      | 284.6        | 3.98      |
|                                      | 18,000        | 308.48      | 4.86      | 308.48       | 4.86      |
|                                      | 30,000        | 366.8       | 6.17      | 366.8        | 6.17      |

**WATER RATES****(Cont.)**

| Meter    | Block Gallons | Inside City |           | Outside City |           |
|----------|---------------|-------------|-----------|--------------|-----------|
|          |               | Block Rate  | Rate 1000 | Block Rate   | Rate 1000 |
| 3 IN     | 0             | 393.55      | 3.04      | 393.55       | 3.04      |
| COMPOUND | 6,000         | 411.79      | 3.40      | 411.79       | 3.40      |
| CODE 7   | 12,000        | 432.19      | 3.98      | 432.19       | 3.98      |
|          | 18,000        | 456.07      | 4.86      | 456.07       | 4.86      |
|          | 30,000        | 514.39      | 6.17      | 514.39       | 6.17      |
| 3 IN     | 0             | 590.33      | 3.04      | 590.33       | 3.04      |
| TURBINE  | 6,000         | 608.57      | 3.40      | 608.57       | 3.40      |
| CODE 8   | 12,000        | 628.97      | 3.98      | 628.97       | 3.98      |
|          | 18,000        | 652.85      | 4.86      | 652.85       | 4.86      |
|          | 30,000        | 711.17      | 6.17      | 711.17       | 6.17      |
| 4 IN     | 0             | 614.93      | 3.04      | 614.93       | 3.04      |
| COMPOUND | 6,000         | 633.17      | 3.40      | 633.17       | 3.40      |
| CODE 9   | 12,000        | 653.57      | 3.98      | 653.57       | 3.98      |
|          | 18,000        | 677.45      | 4.86      | 677.45       | 4.86      |
|          | 30,000        | 735.77      | 6.17      | 735.77       | 6.17      |

**WATER RATES****(Cont.)**

| Meter    | Block Gallons | Inside City |           | Outside City |           |
|----------|---------------|-------------|-----------|--------------|-----------|
|          |               | Block Rate  | Rate 1000 | Block Rate   | Rate 1000 |
| 4 IN     | 0             | 1,033.08    | 3.04      | 1,033.08     | 3.04      |
| TURBINE  | 6,000         | 1,051.32    | 3.40      | 1,051.32     | 3.40      |
| CODE 10  | 12,000        | 1,071.72    | 3.98      | 1,071.72     | 3.98      |
|          | 18,000        | 1,095.60    | 4.86      | 1,095.60     | 4.86      |
|          | 30,000        | 1,153.92    | 6.17      | 1,153.92     | 6.17      |
| 6 IN     | 0             | 1,229.86    | 3.04      | 1,229.86     | 3.04      |
| COMPOUND | 6,000         | 1,248.10    | 3.40      | 1,248.10     | 3.40      |
| CODE 11  | 12,000        | 1,268.50    | 3.98      | 1,268.50     | 3.98      |
|          | 18,000        | 1,292.38    | 4.86      | 1,292.38     | 4.86      |
|          | 30,000        | 1,350.70    | 6.17      | 1,350.70     | 6.17      |
| 6 IN     | 0             | 2,262.93    | 3.04      | 2,262.93     | 3.04      |
| TURBINE  | 6,000         | 2,281.17    | 3.40      | 2,281.17     | 3.40      |
| CODE 12  | 12,000        | 2,301.57    | 3.98      | 2,301.57     | 3.98      |
|          | 18,000        | 2,325.45    | 4.86      | 2,325.45     | 4.86      |
|          | 30,000        | 2,383.77    | 6.17      | 2,383.77     | 6.17      |

**WATER RATES****(Cont.)**

| Meter    | Block Gallons | Inside City |           | Outside City |           |
|----------|---------------|-------------|-----------|--------------|-----------|
|          |               | Block Rate  | Rate 1000 | Block Rate   | Rate 1000 |
| 8 IN     | 0             | 1,987.74    | 3.04      | 1,987.74     | 3.04      |
| COMPOUND | 6,000         | 2,005.98    | 3.40      | 2,005.98     | 3.40      |
| CODE 13  | 12,000        | 2,026.38    | 3.98      | 2,026.38     | 3.98      |
|          | 18,000        | 2,050.26    | 4.86      | 2,050.26     | 4.86      |
|          | 30,000        | 2,108.58    | 6.17      | 2,108.58     | 6.17      |
| 8 IN     | 0             | 3,975.48    | 3.04      | 3,975.48     | 3.04      |
| TURBINE  | 6,000         | 3,993.72    | 3.40      | 3,993.72     | 3.40      |
| CODE 14  | 12,000        | 4,014.12    | 3.98      | 4,014.12     | 3.98      |
|          | 18,000        | 4,038.00    | 4.86      | 4,038.00     | 4.86      |
|          | 30,000        | 4,096.32    | 6.17      | 4,096.32     | 6.17      |
| 10 IN    | 0             | 2,857.37    | 3.04      | 2,857.37     | 3.04      |
| COMPOUND | 6,000         | 2,875.61    | 3.40      | 2,875.61     | 3.40      |
| CODE 15  | 12,000        | 2,896.01    | 3.98      | 2,896.01     | 3.98      |
|          | 18,000        | 2,919.89    | 4.86      | 2,919.89     | 4.86      |
|          | 30,000        | 2,978.21    | 6.17      | 2,978.21     | 6.17      |
| 10 IN    | 0             | 6,211.67    | 3.04      | 6,211.67     | 3.04      |
| TURBINE  | 6,000         | 6,229.91    | 3.40      | 6,229.91     | 3.40      |
| CODE 16  | 12,000        | 6,250.31    | 3.98      | 6,250.31     | 3.98      |
|          | 18,000        | 6,274.19    | 4.86      | 6,274.19     | 4.86      |
|          | 30,000        | 6,332.51    | 6.17      | 6,332.51     | 6.17      |
| 12 IN    | 0             | 8,199.42    | 3.04      | 8,199.42     | 3.04      |
| TURBINE  | 6,000         | 8,217.66    | 3.40      | 8,217.66     | 3.40      |
| CODE 17  | 12,000        | 8,238.06    | 3.98      | 8,238.06     | 3.98      |
|          | 18,000        | 8,261.94    | 4.86      | 8,261.94     | 4.86      |
|          | 30,000        | 8,320.26    | 6.17      | 8,320.26     | 6.17      |

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

**WASTEWATER SYSTEM****TABLE 19**

Schertz's Wastewater System consists of 119 mile wastewater collection system. The collection system is owned and operated by the City. Schertz contracts with the Cibolo Municipal Authority, created in 1971 as a conservation and reclamation district, for the purpose of providing a regional sewer system for an area which includes Schertz, the City of Selma, the City of Cibolo, and parts of the cities of Live Oak, Universal City and San Antonio, and the Randolph Air Force Base (the "Member Cities") for the treatment of wastewater. In 2016, Schertz began developing in areas that are serviced by San Antonio River Authority who are currently serving 74 resident accounts.

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

**SEWER RATES****TABLE 20**

(New rates effective November 1, 2021)

**Residential Rates (Single Family)**

|                                                    | 2020-21  | 2021-22  |
|----------------------------------------------------|----------|----------|
| <b>Base Rate-per month</b>                         | \$ 13.54 | \$ 14.43 |
| <b>Per 1,000 gal Charge, Per Month</b>             |          |          |
| Per 1,000 gal charge Toal - 12,000 gallons or less | \$ 4.46  | \$ 4.75  |
| greater than 12, 000 gallons                       | \$ 10.12 | \$ 10.79 |

**Business and Multi-family Dwelling Units:**

|                            |          |          |
|----------------------------|----------|----------|
| <b>Base Rate per month</b> | \$ 17.03 | \$ 18.15 |
|----------------------------|----------|----------|

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

**Per 1,000 gal Charge, Per Month**

|                                                  |          |          |
|--------------------------------------------------|----------|----------|
| Per 1,000 gal charge Toal-12,000 gallons or less | \$4.57   | \$4.87   |
| greater than 12,000 gallons                      | \$ 10.22 | \$ 10.89 |

**YMCA**

|                                        |        |        |
|----------------------------------------|--------|--------|
| <b>Per 1,000 gal Charge, Per Month</b> | \$3.20 | \$3.20 |
|----------------------------------------|--------|--------|

Source: The City

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**APPENDIX B**

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

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

**The City of Schertz**

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

The City was incorporated in December 1958 and is a home rule municipality operating under its own Charter since April, 1974, as amended April 1979, May 1989, May 1997, 2006, 2008, and 2015. The Charter provides that the City will operate under the council/manager form of government pursuant to the laws of the State of Texas. The City Manager, appointed by the six-member elected Council, is the chief administrative officer of the City.

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

**Economy**

In the last few years, three Fortune 100 companies have made major investments in Schertz. These three companies include Caterpillar, Amazon.com and SYSCO. Amazon.com completed construction of their \$166 million fulfillment center on 96 acres. The Fulfillment center has 1.26 million square feet and is the largest facility in Schertz and in Guadalupe County. This is a regional distribution center for SYSCO.

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

**PRINCIPAL 2021 EMPLOYERS**

| 2020<br>Employer                       | Employees | % of<br>Total<br>City |
|----------------------------------------|-----------|-----------------------|
| Schertz-Cibolo-Universal City ISD      | 2,000     | 10.40%                |
| Amazon                                 | 1,302     | 6.80%                 |
| Sysco Central Texas, Inc.              | 827       | 4.30%                 |
| Republic National Distributing Company | 639       | 3.30%                 |
| Fed Ex Ground- Doerr Lane, Schertz     | 580       | 3.00%                 |
| Brandt Companies                       | 527       | 2.70%                 |
| City of Schertz                        | 400       | 2.10%                 |
| Fedex                                  | 340       | 1.80%                 |
| Visionworks                            | 300       | 1.60%                 |
| Hollingsworth Logistics Group          | 286       | 1.50%                 |

**Medical**

The Methodist Healthcare has the largest medical facilities in San Antonio and its surrounding areas. With a total of 9 acute facilities; Methodist Hospital, Methodist Children's Hospital, Methodist Hospital Metropolitan, Methodist Hospital Northeast, Methodist Hospital Atascosa, Methodist Hospital Specialty and Transplant, Methodist Hospital Stone Oak and Methodist Hospital Texsan

## Education

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

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

|                      | <u>2022 <sup>(2)</sup></u> | <u>2021 <sup>(3)</sup></u> | <u>2020 <sup>(3)</sup></u> | <u>2019 <sup>(3)</sup></u> |
|----------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Civilian Labor Force | 20,080                     | 19,665                     | 19,141                     | 19,556                     |
| Total Employed       | 19,356                     | 18,738                     | 17,947                     | 18,950                     |
| Total Unemployed     | 724                        | 927                        | 1,194                      | 606                        |
| % Unemployment       | 3.6%                       | 4.7%                       | 6.2%                       | 3.1%                       |
| Texas Unemployment   | 4.4%                       | 5.7%                       | 7.7%                       | 3.5%                       |

(1) Source: Texas Workforce Commission.

(2) As of June 2022.

(3) Average Annual Statistics.

### Guadalupe County, Texas

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

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

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

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

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

|                      | <u>2022 <sup>(2)</sup></u> | <u>2021 <sup>(3)</sup></u> | <u>2020 <sup>(3)</sup></u> | <u>2019 <sup>(3)</sup></u> |
|----------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Civilian Labor Force | 84,215                     | 82,209                     | 80,164                     | 80,826                     |
| Total Employed       | 81,147                     | 78,557                     | 75,248                     | 78,431                     |
| Total Unemployed     | 3,068                      | 3,652                      | 4,916                      | 2,395                      |
| % Unemployment       | 3.6%                       | 4.4%                       | 6.1%                       | 3.0%                       |
| Texas Unemployment   | 4.4%                       | 5.7%                       | 7.7%                       | 3.5%                       |

(1) Source: Texas Workforce Commission.

(2) As of June 2022.

(3) Average Annual Statistics.

## Comal County, Texas

### General Information

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

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

### Commercial

The County's location between San Antonio and Austin provides opportunities for commuters to live in the county and work in one of the major cities.

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.

#### 2021 Major Employers

| <u>Employer</u>                            | <u>Number of<br/>Employees</u> |
|--------------------------------------------|--------------------------------|
| Comal ISD                                  | 2,800                          |
| Schlitterbahn Water Park                   | 1,689                          |
| Wal-Mart Distribution Center               | 1,269                          |
| New Braunfels ISD                          | 1,159                          |
| Sysco                                      | 808                            |
| Hunter Industries/Colorado Materials, Inc. | 730                            |
| Comal County                               | 659                            |
| City of New Braunfels                      | 624                            |
| HD Supply Call Center                      | 588                            |
| IBEX Corporation                           | 559                            |

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

|                      | <u>2022 <sup>(2)</sup></u> | <u>2021 <sup>(3)</sup></u> | <u>2020 <sup>(3)</sup></u> | <u>2019<sup>(3)</sup></u> |
|----------------------|----------------------------|----------------------------|----------------------------|---------------------------|
| Civilian Labor Force | 81,047                     | 79,105                     | 76,810                     | 75,124                    |
| Total Employed       | 77,984                     | 75,529                     | 72,136                     | 72,890                    |
| Total Unemployed     | 3,063                      | 3,576                      | 4,674                      | 2,234                     |
| % Unemployment       | 3.8%                       | 4.5%                       | 6.1%                       | 3.0%                      |
| Texas Unemployment   | 4.4%                       | 5.7%                       | 7.7%                       | 3.5%                      |

(1) Source: Texas Workforce Commission.

(2) As of June 2022.

(3) Average Annual Statistics.

## Bexar County

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

### Economic Factors

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

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

| <b>2021<br/>Employers</b>               | <b>Total<br/>Number of<br/>Employees</b> |
|-----------------------------------------|------------------------------------------|
| Joint Base San Antonio <sup>(1)</sup>   | 74,289                                   |
| H.E.B. Grocery Company                  | 27,487                                   |
| USAA                                    | 18,690                                   |
| Northside Independent School District   | 14,567                                   |
| City of San Antonio                     | 12,259                                   |
| Methodist Healthcare System             | 97,61                                    |
| University Health System                | 9,542                                    |
| Northeast Independent School District   | 8,386                                    |
| Skanska                                 | 7,600                                    |
| San Antonio Independent School District | 7,504                                    |

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

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

|                      | <u>2022 <sup>(2)</sup></u> | <u>2021 <sup>(3)</sup></u> | <u>2020 <sup>(3)</sup></u> | <u>2019<sup>(3)</sup></u> |
|----------------------|----------------------------|----------------------------|----------------------------|---------------------------|
| Civilian Labor Force | 963,958                    | 945,855                    | 927,557                    | 932,179                   |
| Total Employed       | 924,516                    | 895,189                    | 856,813                    | 902,782                   |
| Total Unemployed     | 39,442                     | 50,666                     | 70,744                     | 29,397                    |
| <br>                 |                            |                            |                            |                           |
| % Unemployment       | 4.1%                       | 5.4%                       | 7.6%                       | 3.2%                      |
| Texas Unemployment   | 4.4%                       | 5.7%                       | 7.7%                       | 3.5%                      |

(1) Source: Texas Workforce Commission.

(2) As of June 2022.

(3) Average Annual Statistics.

#### **Education**

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

**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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August 24, 2022

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## **FINAL**

IN REGARD to the authorization and issuance of the “City of Schertz, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022A” (the *Certificates*), dated August 1, 2022 in the aggregate principal amount of \$18,530,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Schertz, 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 2023 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

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**Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CITY OF SCHERTZ, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022A”**

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 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 Issuer has previously authorized the issuance of the Limited Pledge Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in accordance with the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

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

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

**Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CITY OF SCHERTZ, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022A”**

to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Norton Rose Fulbright US LLP

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## **APPENDIX D**

### **FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements – not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Schertz, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Schertz, Texas' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Schertz-Seguin Local Government Corporation or the Cibolo Valley Local Government Corporation, which collectively represent 11.2 percent and 12.9 percent, respectively, of the assets and net position of the Water and Sewer Fund, and 10.8 percent and 12.7 percent, respectively, of the assets and net position of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Schertz-Seguin Local Government Corporation and Cibolo Valley Local Government Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### OFFICE LOCATIONS

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## **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Schertz, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the City of Schertz, Texas' fiscal year 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2022, on our consideration of the City of Schertz, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Schertz, Texas' internal control over financial reporting and compliance.

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

Waco, Texas  
March 4, 2022

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

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

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

### **Financial Highlights**

The assets and deferred outflows of the City of Schertz exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$269,248,695 (net position). Of this amount, \$50,150,925 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by \$25,855,719. The primary reason for this increase was an increase in capital contributions of approximately \$12 million from the prior year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$57,119,032, an increase of \$6,125,378 in comparison with the prior year. The primary cause of this increase was a increases in property and sales tax revenues that exceeded expenditure growth.

At the end of the fiscal year, the combined total of the General Fund assigned and unassigned fund balances was \$13,257,017 which is 36.79% of the general fund expenditures not including capital outlay. The fund balance policy is to reserve at least a 26% balance.

### **Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Schertz, assets and deferred outflows exceeded liabilities and deferred inflows by \$269,248,695 at the close of the most recent fiscal year. The largest portion of the City's total net position (68%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding, plus bond proceeds that have not yet been spent. The City of Schertz uses these capital assets to provide services to citizens; consequently, these assets are not available for operational type of future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's total net position (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$50,150,925, may be used to meet the government's ongoing obligations to citizens and creditors.

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

| <b>City of Schertz's Net Position<br/>Government-Wide</b> |                            |                       |                             |                       |                       |                       |
|-----------------------------------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
|                                                           | Governmental<br>Activities |                       | Business-Type<br>Activities |                       | Total                 |                       |
|                                                           | 2021                       | 2020                  | 2021                        | 2020                  | 2021                  | 2020                  |
| Current and other assets                                  | \$ 67,416,673              | \$ 62,199,597         | \$ 56,132,860               | \$ 54,664,167         | \$ 123,549,533        | \$ 116,863,764        |
| Capital assets                                            | <u>149,570,599</u>         | <u>144,079,930</u>    | <u>98,743,525</u>           | <u>92,643,825</u>     | <u>248,314,124</u>    | <u>236,723,755</u>    |
| Total assets                                              | <u>216,987,272</u>         | <u>206,279,527</u>    | <u>154,876,385</u>          | <u>147,307,992</u>    | <u>371,863,657</u>    | <u>353,587,519</u>    |
| Deferred outflows of resources                            | <u>3,488,506</u>           | <u>3,267,540</u>      | <u>954,384</u>              | <u>806,262</u>        | <u>4,442,890</u>      | <u>4,073,802</u>      |
| Current liabilities                                       | 12,946,000                 | 12,527,345            | 5,316,572                   | 5,245,378             | 18,262,572            | 17,772,723            |
| Long-term liabilities                                     | <u>67,867,628</u>          | <u>73,002,458</u>     | <u>18,214,795</u>           | <u>20,706,167</u>     | <u>86,082,423</u>     | <u>93,708,625</u>     |
| Total liabilities                                         | <u>80,813,628</u>          | <u>85,529,803</u>     | <u>23,531,367</u>           | <u>25,951,545</u>     | <u>104,344,995</u>    | <u>111,481,348</u>    |
| Deferred inflows of resources                             | <u>2,130,871</u>           | <u>2,235,923</u>      | <u>581,986</u>              | <u>551,074</u>        | <u>2,712,857</u>      | <u>2,786,997</u>      |
| Net position:                                             |                            |                       |                             |                       |                       |                       |
| Net investment in capital assets                          | 98,444,714                 | 88,959,102            | 83,941,882                  | 75,969,319            | 182,386,596           | 164,928,421           |
| Restricted                                                | 28,342,438                 | 28,664,438            | 8,368,736                   | 15,071,599            | 36,711,174            | 43,736,037            |
| Unrestricted                                              | <u>10,744,127</u>          | <u>4,157,801</u>      | <u>39,406,798</u>           | <u>30,570,717</u>     | <u>50,150,925</u>     | <u>34,728,518</u>     |
| Total net position                                        | <u>\$ 137,531,279</u>      | <u>\$ 121,781,341</u> | <u>\$ 131,717,416</u>       | <u>\$ 121,611,635</u> | <u>\$ 269,248,695</u> | <u>\$ 243,392,976</u> |

The government's net position increased by \$25,855,719 during the current fiscal year. The primary cause for the increase was increased revenues; the City recognized approximately \$12 million of capital contribution revenue related to dedicated infrastructure assets and also experienced sharp increases in property and sales taxes. These increases stem from the City's continued rapid population growth; continued new housing and business developments resulted in increased assessed value for property taxes and resulted in the creation of infrastructure that was dedicated to the City. The related population increases resulted in increased economic activity that increased sales tax revenues.

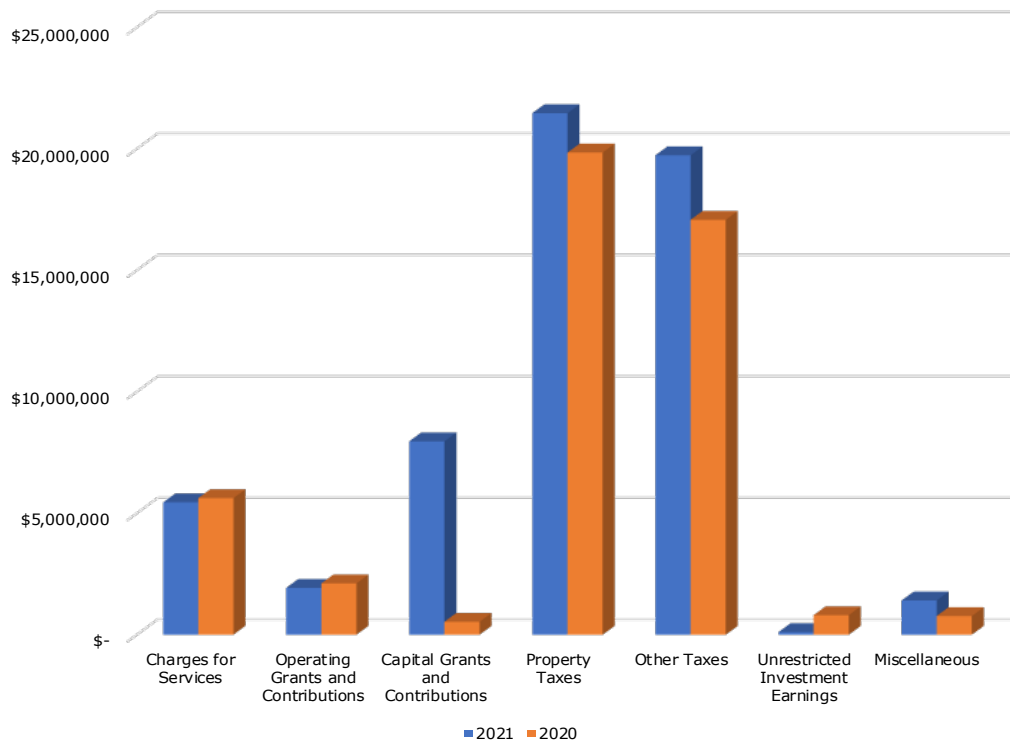
Additionally, expenses influenced the change in net position from the following notable factors:

- General government expenses decreased compared to the prior year; in fiscal year 2020, Schertz EDC made a planned \$3.7 million incentive payment for developers meeting performance obligations.
- Public Safety expenses increased over \$2 million due to increases to police and fire salaries. In 2020, the City completed a comprehensive compensation study that resulted in significant pay raises to maintain competitive against market wages.
- Public works expenses decreased over \$3.5 million, primarily due to one-time project expenditures in the prior year that did not qualify as capital construction.

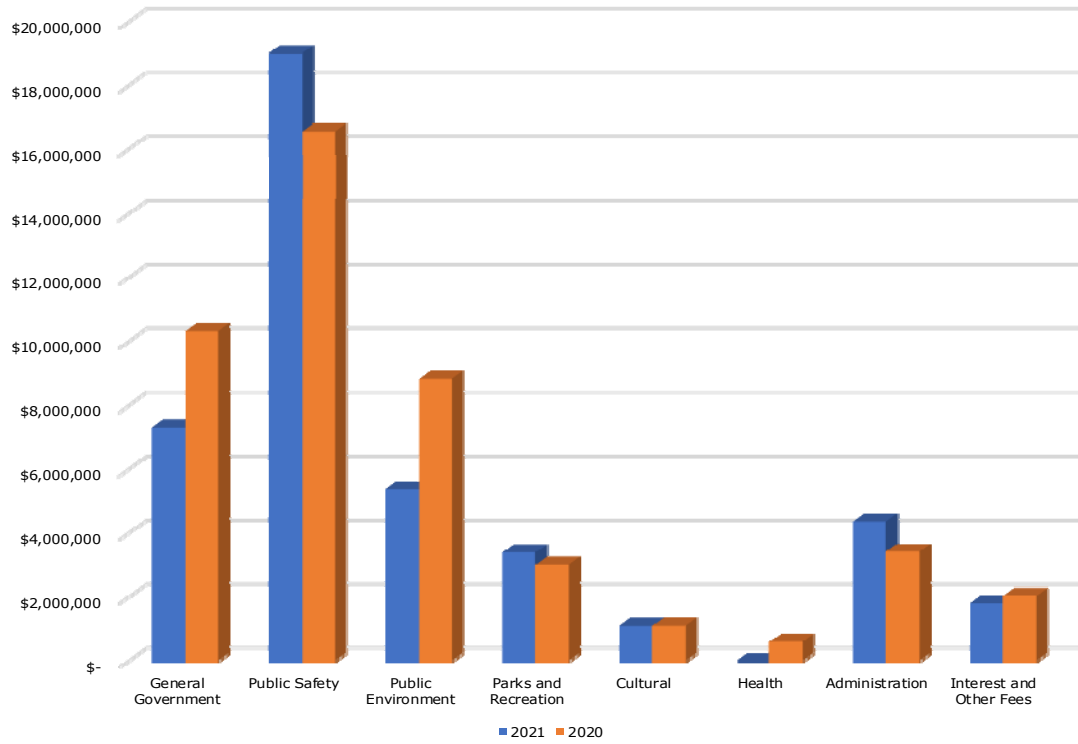
The following table indicates changes in net position for governmental and business-type activities followed by graphs displaying total revenues and expenses by type:

| <b>City of Schertz's Changes in Net Position<br/>Government-Wide</b> |                            |                       |                             |                       |                       |                       |
|----------------------------------------------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
|                                                                      | Governmental<br>Activities |                       | Business-Type<br>Activities |                       | Total                 |                       |
|                                                                      | 2021                       | 2020                  | 2021                        | 2020                  | 2021                  | 2020                  |
| <b>Revenues:</b>                                                     |                            |                       |                             |                       |                       |                       |
| Program revenues:                                                    |                            |                       |                             |                       |                       |                       |
| Charges for services                                                 | \$ 5,448,546               | \$ 5,619,998          | \$ 35,433,956               | \$ 35,824,170         | \$ 40,882,502         | \$ 41,444,168         |
| Operating grants & contributions                                     | 1,925,939                  | 2,113,673             | -                           | -                     | 1,925,939             | 2,113,673             |
| Capital contributions                                                | 7,959,576                  | 531,096               | 6,935,191                   | 292,408               | 14,894,767            | 823,504               |
| General revenues:                                                    |                            |                       |                             |                       |                       |                       |
| Property taxes                                                       | 21,463,804                 | 19,844,912            | -                           | -                     | 21,463,804            | 19,844,912            |
| Other taxes                                                          | 19,731,490                 | 17,076,462            | -                           | -                     | 19,731,490            | 17,076,462            |
| Investment earnings                                                  | 104,613                    | 804,674               | 68,354                      | 431,555               | 172,967               | 1,236,229             |
| Miscellaneous                                                        | 1,408,270                  | 767,799               | 754,268                     | 706,296               | 2,162,538             | 1,474,095             |
| Total revenues                                                       | <u>58,042,238</u>          | <u>46,758,614</u>     | <u>43,191,769</u>           | <u>37,254,429</u>     | <u>101,234,007</u>    | <u>84,013,043</u>     |
| <b>Expenses:</b>                                                     |                            |                       |                             |                       |                       |                       |
| General government                                                   | 7,298,193                  | 10,310,363            | -                           | -                     | 7,298,193             | 10,310,363            |
| Public safety                                                        | 19,008,871                 | 16,575,191            | -                           | -                     | 19,008,871            | 16,575,191            |
| Public environment                                                   | 5,364,408                  | 8,825,099             | -                           | -                     | 5,364,408             | 8,825,099             |
| Parks and recreation                                                 | 3,395,458                  | 3,012,134             | -                           | -                     | 3,395,458             | 3,012,134             |
| Cultural                                                             | 1,087,975                  | 1,089,564             | -                           | -                     | 1,087,975             | 1,089,564             |
| Health                                                               | -                          | 596,288               | -                           | -                     | -                     | 596,288               |
| Administration                                                       | 4,360,229                  | 3,419,407             | -                           | -                     | 4,360,229             | 3,419,407             |
| Interest and other fees                                              | 1,797,520                  | 2,028,065             | -                           | -                     | 1,797,520             | 2,028,065             |
| Water and sewer                                                      | -                          | -                     | 25,280,964                  | 24,349,219            | 25,280,964            | 24,349,219            |
| EMS                                                                  | -                          | -                     | 7,784,670                   | 6,051,296             | 7,784,670             | 6,051,296             |
| Total expenses                                                       | <u>42,312,654</u>          | <u>45,856,111</u>     | <u>33,065,634</u>           | <u>30,400,515</u>     | <u>75,378,288</u>     | <u>76,256,626</u>     |
| Increase in net position<br>before transfers                         | <u>15,729,584</u>          | <u>902,503</u>        | <u>10,126,135</u>           | <u>6,853,914</u>      | <u>25,855,719</u>     | <u>7,756,417</u>      |
| Transfers                                                            | <u>20,354</u>              | <u>-</u>              | <u>(20,354)</u>             | <u>-</u>              | <u>-</u>              | <u>-</u>              |
| Change in net position                                               | 15,749,938                 | 902,503               | 10,105,781                  | 6,853,914             | 25,855,719            | 7,756,417             |
| Net position - beginning of year                                     | <u>121,781,341</u>         | <u>120,878,838</u>    | <u>121,611,635</u>          | <u>114,757,721</u>    | <u>243,392,976</u>    | <u>235,636,559</u>    |
| Net position - end of year                                           | <u>\$ 137,531,279</u>      | <u>\$ 121,781,341</u> | <u>\$ 131,717,416</u>       | <u>\$ 121,611,635</u> | <u>\$ 269,248,695</u> | <u>\$ 243,392,976</u> |

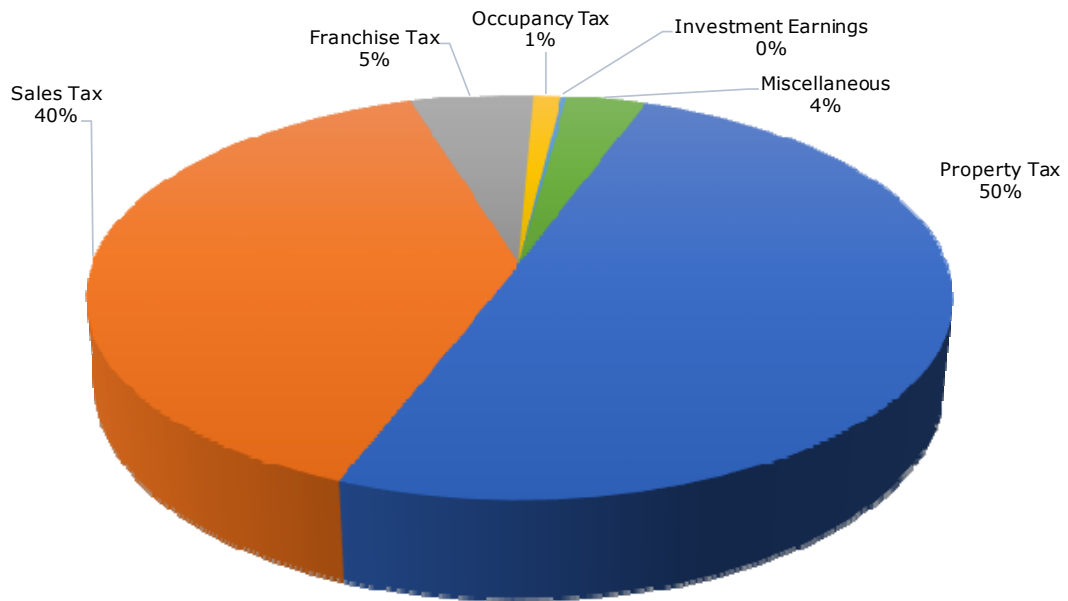
#### TOTAL REVENUES – GOVERNMENT-WIDE



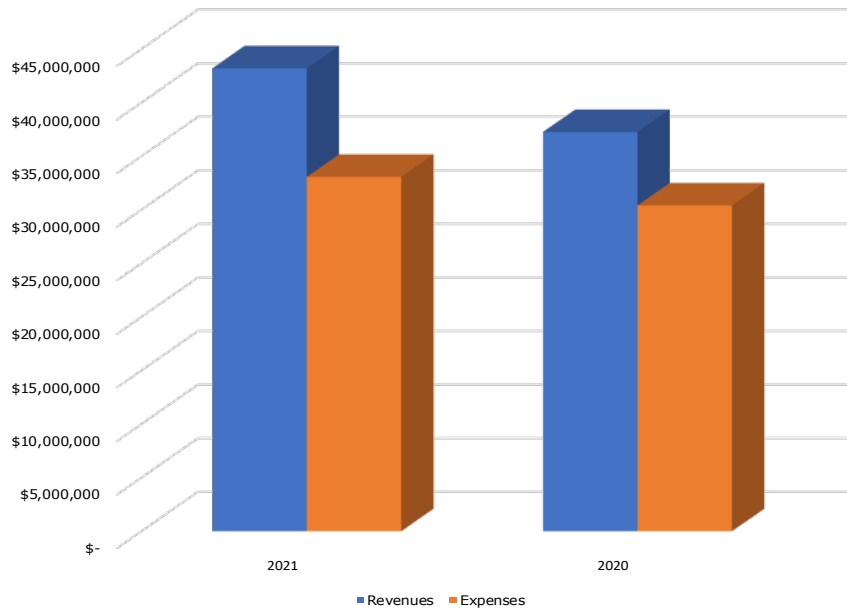
### TOTAL EXPENSES – GOVERNMENT-WIDE



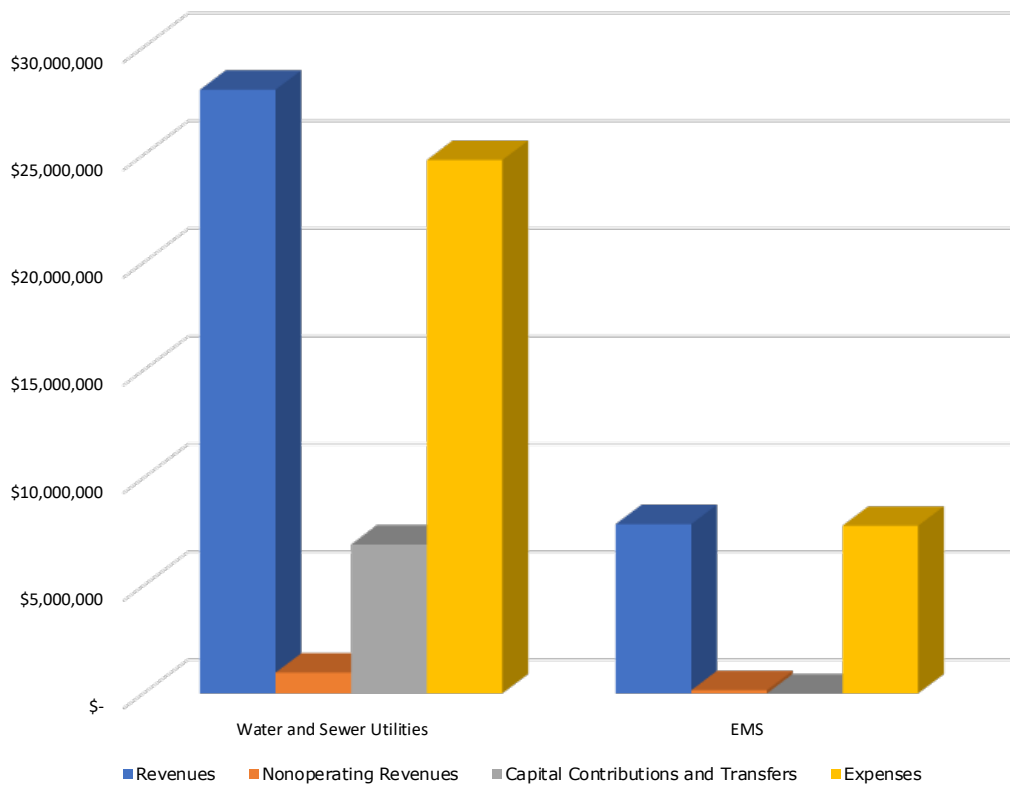
### GENERAL REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



## TOTAL REVENUES AND EXPENSES – BUSINESS-TYPE ACTIVITIES



## BUSINESS-TYPE REVENUES AND EXPENSES



## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$57,119,032. Of this total amount, \$11,080,576 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed to pay debt service, for capital improvement projects, and other assigned purposes.

The general fund is the chief operating fund of the City of Schertz. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,755,619, while total fund balance was \$16,478,567, a decrease of \$490,411 from the prior year. Overall, the decrease was caused by a large budgeted transfer out for capital projects, but the fund also experienced increases in property and sales tax revenues in spite of the COVID-19 pandemic. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 36.79% of total general fund expenditures, not including capital outlay.

The debt service fund has a total fund balance of \$1,087,376, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$301,457. This increase was due to regular principal and interest payments on long-term debt being exceeded by interest and sinking property tax revenue during the year. Over time, however, the debt service fund has sufficient cash and equivalents on hand to remain liquid if tax revenues decrease.

The capital projects fund has a total fund balance of \$13,170,964, an increase of \$3,033,406. This was caused by the supplementation of revenue by amounts transferred from the general and Economic Development Corporation funds.

The Economic Development Fund presents the activities of the Schertz Economic Development Corporation (the "EDC"), which promotes economic development activities using a portion of the City's sales tax revenue. At year end, the EDC fund reported an ending fund balance of \$21,806,231, which is an increase of \$787,605 compared to the prior year. The primary cause of this change was sales tax revenue growing faster than expenditures.

The American Rescue Plan Act Fund has a total fund balance of \$243, which consists of interest earned on the \$5,208,951 received from the first tranche of the Coronavirus Local Fiscal Recovery Fund grant program. The City had spent \$303,000 of this amount as of yearend, and the remaining \$4,905,708 is presented as unearned revenue until it is spent in accordance with the terms of the grant agreement in future years.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the water and sewer fund at the end of the year amounted to \$38,332,979 and those for the Schertz EMS fund amounted to \$1,073,819, which are 155% and 14% of fund operating costs, respectively.

The water and sewer fund reported an increase in net position of \$10 million. Approximately half of this increase related to revenue recognized for contributed infrastructure assets; the remaining portion of the increase was from operating income, which was consistent with the prior year. Management's intent is to accumulate operating surplus to fund construction of new water and sewer infrastructure in future years with less reliance on bonded debt.

The Schertz EMS fund increased net position by \$77,921. Revenues and expenses both increased by approximately \$1.6 million compared to the prior year. Revenues increased due to increased number of ambulance runs caused by the growth in the population of the EMS service area. Expenses increased primarily from increased salaries that resulted from the compensation study discussed previously.

## General Fund Budgetary Highlights

The general fund expenditures were \$1,738,423 less than the \$34,254,845 budget. This was the result of cost savings across most of the General Fund due to decreased demand for services. Generally, activities citywide decreased because of the COVID-19 pandemic beginning in March 2020. Revenues were \$1,519,574 less than budgeted, primarily due to increased property and sales tax revenues that fell short of the budgeted amount. Overall, ending fund balance in the general fund was \$3,241,694 higher than budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$248,314,124 (net of accumulated depreciation), including several projects in progress from voter approved bonds.

|                                    | Governmental<br>Activities |                | Business-Type<br>Activities |               | Total          |                |
|------------------------------------|----------------------------|----------------|-----------------------------|---------------|----------------|----------------|
|                                    | 2021                       | 2020           | 2021                        | 2020          | 2021           | 2020           |
| Land                               | \$ 8,310,986               | \$ 8,074,199   | \$ 1,844,488                | \$ 1,844,488  | \$ 10,155,474  | \$ 9,918,687   |
| Water rights                       | -                          | -              | 70,245                      | 70,245        | 70,245         | 70,245         |
| Buildings and improvements         | 44,588,777                 | 44,447,749     | 3,609,126                   | 3,635,532     | 48,197,903     | 48,083,281     |
| Machinery, equipment, and vehicles | 14,833,547                 | 14,552,416     | 6,214,967                   | 5,976,040     | 21,048,514     | 20,528,456     |
| Infrastructure                     | 129,206,285                | 119,945,442    | 105,832,113                 | 100,588,293   | 235,038,398    | 220,533,735    |
| Construction in progress           | 26,695,151                 | 24,826,910     | 19,942,794                  | 17,266,273    | 46,637,945     | 42,093,183     |
| Accumulated depreciation           | ( 74,064,147)              | ( 67,766,786)  | ( 38,770,208)               | ( 36,737,046) | ( 112,834,355) | ( 104,503,832) |
| TOTALS                             | \$ 149,570,599             | \$ 144,079,930 | \$ 98,743,525               | \$ 92,643,825 | \$ 248,314,124 | \$ 236,723,755 |

Significant capital asset activity for the year included improvements to streets and infrastructure of \$9.2 million and various equipment and technology purchases of \$726,000, including \$344,000 of vehicles.

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

## LONG TERM DEBT

At the end of the current fiscal year, the City of Schertz had total long-term debt outstanding of \$73,724,518. The related principal and interest payment for the bonds are backed by an annual ad valorem tax levied against all taxable property within the City. The City of Schertz maintains a "AA+" rating from Standard and Poors.

|                            | Governmental<br>Activities |               | Business-Type<br>Activities |               | Total         |               |
|----------------------------|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
|                            | 2021                       | 2020          | 2021                        | 2020          | 2021          | 2020          |
| General obligation bonds   | \$ 40,390,000              | \$ 44,620,000 | \$ 2,895,000                | \$ 3,685,000  | \$ 43,285,000 | \$ 48,305,000 |
| Certificates of obligation | 14,200,000                 | 15,235,000    | 10,655,000                  | 11,505,000    | 24,855,000    | 26,740,000    |
| Tax notes and leases       | 291,535                    | 362,134       | 475,121                     | 282,468       | 766,656       | 644,602       |
| Premium on bonds           | 2,502,146                  | 2,170,381     | 772,802                     | 828,781       | 3,274,948     | 2,999,162     |
| Compensated absences       | 1,178,062                  | 967,540       | 364,852                     | 249,269       | 1,542,914     | 1,216,809     |
| TOTALS                     | \$ 58,561,743              | \$ 63,355,055 | \$ 15,162,775               | \$ 16,550,518 | \$ 73,724,518 | \$ 79,905,573 |

Total debt decreased compared to the prior year due to continued payment on existing debt without any additional new issuances. However, the City did issue refunding debt of \$7,555,000 in the current year to pay off existing bonds and reduce future debt service.

Additional information on the City's long-term debt can be found in note II.H. to the basic financial statements.

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

At the end of the last fiscal year, the assigned and unassigned fund balance in the general fund decreased to \$13.2 million in a planned decrease of fund balance. The decrease was \$490,411 but was budgeted to be \$1 million in the original adopted budget. The City of Schertz has appropriated \$598,549 of this amount for spending in the 2022 fiscal year budget in accordance to the City's fund balance policy. The approved tax rate remained the same at \$0.5121 per \$100 of valuation.

The City has not seen lasting effects of the ongoing COVID-19 pandemic. The City's property tax revenues were not negatively affected, with rising property values and continued construction of new homes and business showing growth in the tax base instead. Each year the City updates its five-year budgeting forecast and has implemented a long-term debt model to assist management in making informed financial decisions that will impact the community now and in the future.

### **Requests for Information**

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

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**BASIC  
FINANCIAL STATEMENTS**

**CITY OF SCHERTZ, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

|                                            | Primary Government         |                             |                    |
|--------------------------------------------|----------------------------|-----------------------------|--------------------|
|                                            | Governmental<br>Activities | Business-Type<br>Activities | Total              |
| <b>ASSETS</b>                              |                            |                             |                    |
| Cash and cash equivalents                  | \$ 54,740,108              | \$ 9,456,846                | \$ 64,196,954      |
| Investments                                | 4,720,194                  | 1,163,351                   | 5,883,545          |
| Receivables, net of allowances:            |                            |                             |                    |
| Taxes                                      | 4,112,464                  | -                           | 4,112,464          |
| Accounts and other                         | 1,967,768                  | 6,459,527                   | 8,427,295          |
| Accrued interest                           | -                          | 6,324                       | 6,324              |
| Inventories                                | 134,373                    | 184,455                     | 318,828            |
| Prepays                                    | 29,080                     | 2,311                       | 31,391             |
| Internal balances                          | ( 16,139)                  | 16,139                      | -                  |
| Restricted assets:                         |                            |                             |                    |
| Cash and cash equivalents                  | 946,454                    | 20,271,954                  | 21,218,408         |
| Investments                                | -                          | 1,830,287                   | 1,830,287          |
| Service concession arrangement receivable: |                            |                             |                    |
| Due within one year                        | 90,909                     | -                           | 90,909             |
| Due in more than one year                  | 691,462                    | -                           | 691,462            |
| Investment in joint venture                | -                          | 16,741,666                  | 16,741,666         |
| Capital assets:                            |                            |                             |                    |
| Land                                       | 8,310,986                  | 1,844,488                   | 10,155,474         |
| Water rights                               | -                          | 70,245                      | 70,245             |
| Buildings and improvements                 | 44,588,777                 | 3,609,126                   | 48,197,903         |
| Equipment and vehicles                     | 14,833,547                 | 6,214,967                   | 21,048,514         |
| Infrastructure                             | 129,206,285                | 105,832,113                 | 235,038,398        |
| Construction in progress                   | 26,695,151                 | 19,942,794                  | 46,637,945         |
| Accumulated depreciation                   | ( 74,064,147)              | ( 38,770,208)               | ( 112,834,355)     |
| Total Assets                               | <u>216,987,272</u>         | <u>154,876,385</u>          | <u>371,863,657</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>      |                            |                             |                    |
| Deferred loss on debt refunding            | 564,011                    | 25,027                      | 589,038            |
| Deferred OPEB related outflows             | 622,588                    | 194,848                     | 817,436            |
| Deferred pension related outflows          | <u>2,301,907</u>           | <u>734,509</u>              | <u>3,036,416</u>   |
| Total Deferred Outflows of Resources       | <u>3,488,506</u>           | <u>954,384</u>              | <u>4,442,890</u>   |
| <b>LIABILITIES</b>                         |                            |                             |                    |
| Accounts payable                           | 1,141,700                  | 2,356,880                   | 3,498,580          |
| Accrued liabilities                        | 1,180,560                  | 370,077                     | 1,550,637          |
| Retainage payable                          | 154,437                    | 28,747                      | 183,184            |
| Due to other governments                   | 60,492                     | -                           | 60,492             |
| Unearned revenue                           | 4,946,298                  | 456,575                     | 5,402,873          |
| Accrued interest payable                   | 286,255                    | 60,113                      | 346,368            |
| Customer deposits                          | 1,007                      | 627,152                     | 628,159            |

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

**CITY OF SCHERTZ, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

|                                         | Primary Government |                |                |
|-----------------------------------------|--------------------|----------------|----------------|
|                                         | Governmental       | Business-Type  |                |
|                                         | Activities         | Activities     | Total          |
| <b>LIABILITIES</b> (continued)          |                    |                |                |
| Noncurrent liabilities:                 |                    |                |                |
| Due within one year:                    |                    |                |                |
| Compensated absences                    | \$ 235,612         | \$ 72,971      | \$ 308,583     |
| Total OPEB liability                    | 52,091             | 16,621         | 68,712         |
| Service concession arrangement          | 55,241             | -              | 55,241         |
| Long-term debt                          | 4,832,307          | 1,327,436      | 6,159,743      |
| Due in more than one year:              |                    |                |                |
| Compensated absences                    | 942,450            | 291,881        | 1,234,331      |
| Total OPEB liability                    | 2,600,981          | 829,941        | 3,430,922      |
| Net pension liability                   | 11,352,654         | 3,622,486      | 14,975,140     |
| Service concession arrangement          | 420,169            | -              | 420,169        |
| Long-term debt                          | 52,551,374         | 13,470,487     | 66,021,861     |
| Total Liabilities                       | 80,813,628         | 23,531,367     | 104,344,995    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>    |                    |                |                |
| Deferred service concession arrangement | 306,961            | -              | 306,961        |
| Deferred OPEB related inflows           | 333,199            | 106,320        | 439,519        |
| Deferred pension related inflows        | 1,490,711          | 475,666        | 1,966,377      |
| Total Deferred Inflows of Resources     | 2,130,871          | 581,986        | 2,712,857      |
| <b>NET POSITION</b>                     |                    |                |                |
| Net investment in capital assets        | 98,444,714         | 83,941,882     | 182,386,596    |
| Restricted for:                         |                    |                |                |
| Police and municipal court              | 421,362            | -              | 421,362        |
| PEG capital fees                        | 889,139            | -              | 889,139        |
| Tourism development                     | 2,301,716          | -              | 2,301,716      |
| Economic development                    | 21,806,474         | -              | 21,806,474     |
| Parks and tree mitigation               | 934,913            | -              | 934,913        |
| Debt service                            | 934,899            | -              | 934,899        |
| Scholarships and other purposes         | 1,053,935          | -              | 1,053,935      |
| Construction                            | -                  | 8,368,736      | 8,368,736      |
| Unrestricted                            | 10,744,127         | 39,406,798     | 50,150,925     |
| Total Net Position                      | \$ 137,531,279     | \$ 131,717,416 | \$ 269,248,695 |

# CITY OF SCHERTZ, TEXAS

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

| Functions/Programs             | Expenses             | Program Revenues     |                                    |                                  |
|--------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government:            |                      |                      |                                    |                                  |
| Governmental activities:       |                      |                      |                                    |                                  |
| General government             | \$ 7,298,193         | \$ 651,211           | \$ 1,367,592                       | \$ -                             |
| Public safety                  | 19,008,871           | 3,079,945            | 538,523                            | -                                |
| Public environment             | 5,364,408            | 902,712              | -                                  | 7,959,576                        |
| Parks and recreation           | 3,395,458            | 528,886              | -                                  | -                                |
| Cultural                       | 1,087,975            | 285,792              | 19,824                             | -                                |
| Administration                 | 4,360,229            | -                    | -                                  | -                                |
| Interest                       | 1,797,520            | -                    | -                                  | -                                |
| Total Governmental Activities  | <u>42,312,654</u>    | <u>5,448,546</u>     | <u>1,925,939</u>                   | <u>7,959,576</u>                 |
| Business-type activities:      |                      |                      |                                    |                                  |
| Water and sewer                | 25,280,964           | 27,724,929           | -                                  | 6,935,191                        |
| EMS                            | <u>7,784,670</u>     | <u>7,709,027</u>     | <u>-</u>                           | <u>-</u>                         |
| Total Business-Type Activities | <u>33,065,634</u>    | <u>35,433,956</u>    | <u>-</u>                           | <u>6,935,191</u>                 |
| Total Primary Government       | <u>\$ 75,378,288</u> | <u>\$ 40,882,502</u> | <u>\$ 1,925,939</u>                | <u>\$ 14,894,767</u>             |

### General revenues:

#### Taxes:

Ad valorem

Sales

Franchise fees

Hotel/motel

Mixed drink

Investment earnings

Miscellaneous

#### Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

| Net (Expense) Revenue and Changes in Net Position |                             |                |
|---------------------------------------------------|-----------------------------|----------------|
| Primary Government                                |                             |                |
| Governmental<br>Activities                        | Business-Type<br>Activities | Total          |
| \$( 5,279,390)                                    | \$ -                        | \$( 5,279,390) |
| ( 15,390,403)                                     | -                           | ( 15,390,403)  |
| 3,497,880                                         | -                           | 3,497,880      |
| ( 2,866,572)                                      | -                           | ( 2,866,572)   |
| ( 782,359)                                        | -                           | ( 782,359)     |
| ( 4,360,229)                                      | -                           | ( 4,360,229)   |
| ( 1,797,520)                                      | -                           | ( 1,797,520)   |
| ( 26,978,593)                                     | -                           | ( 26,978,593)  |
| -                                                 | 9,379,156                   | 9,379,156      |
| -                                                 | ( 75,643)                   | ( 75,643)      |
| -                                                 | 9,303,513                   | 9,303,513      |
| ( 26,978,593)                                     | 9,303,513                   | ( 17,675,080)  |
| 21,463,804                                        | -                           | 21,463,804     |
| 16,838,731                                        | -                           | 16,838,731     |
| 2,305,108                                         | -                           | 2,305,108      |
| 518,921                                           | -                           | 518,921        |
| 68,730                                            | -                           | 68,730         |
| 104,613                                           | 68,354                      | 172,967        |
| 1,408,270                                         | 754,268                     | 2,162,538      |
| 20,354                                            | ( 20,354)                   | -              |
| 42,728,531                                        | 802,268                     | 43,530,799     |
| 15,749,938                                        | 10,105,781                  | 25,855,719     |
| 121,781,341                                       | 121,611,635                 | 243,392,976    |
| \$ 137,531,279                                    | \$ 131,717,416              | \$ 269,248,695 |

**CITY OF SCHERTZ, TEXAS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

|                                                                        | General<br>Fund      | Capital Projects<br>Fund | Debt Service<br>Fund |
|------------------------------------------------------------------------|----------------------|--------------------------|----------------------|
| <b>ASSETS</b>                                                          |                      |                          |                      |
| Cash and cash equivalents                                              | \$ 11,733,703        | \$ 13,229,954            | \$ 1,087,376         |
| Investments                                                            | 2,514,059            | -                        | -                    |
| Receivables (net of allowances)                                        |                      |                          |                      |
| Taxes                                                                  | 2,924,472            | -                        | 133,778              |
| Accounts and other                                                     | 1,636,735            | 258,142                  | -                    |
| Due from other funds                                                   | 678,444              | -                        | -                    |
| Inventory                                                              | 134,373              | -                        | -                    |
| Prepaid items                                                          | 28,090               | -                        | -                    |
| Restricted assets:                                                     |                      |                          |                      |
| Cash and cash equivalents                                              | 946,454              | -                        | -                    |
| Total Assets                                                           | <u>20,596,330</u>    | <u>13,488,096</u>        | <u>1,221,154</u>     |
| <b>LIABILITIES</b>                                                     |                      |                          |                      |
| Accounts payable                                                       | 921,978              | 162,695                  | -                    |
| Accrued salaries and benefits                                          | 1,180,560            | -                        | -                    |
| Retainage payable                                                      | -                    | 154,437                  | -                    |
| Customer deposits                                                      | 1,007                | -                        | -                    |
| Due to other governments                                               | 60,492               | -                        | -                    |
| Due to other funds                                                     | 16,139               | -                        | -                    |
| Unearned revenues                                                      | 40,589               | -                        | -                    |
| Total Liabilities                                                      | <u>2,220,765</u>     | <u>317,132</u>           | <u>-</u>             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                      |                          |                      |
| Unavailable revenues                                                   | 1,896,998            | -                        | 133,778              |
| Total Deferred Inflows of Resources                                    | <u>1,896,998</u>     | <u>-</u>                 | <u>133,778</u>       |
| <b>FUND BALANCES</b>                                                   |                      |                          |                      |
| Nonspendable for:                                                      |                      |                          |                      |
| Inventory                                                              | 134,373              | -                        | -                    |
| Prepaid items                                                          | 28,090               | -                        | -                    |
| Restricted for:                                                        |                      |                          |                      |
| Police and public safety/municipal court                               | 287,199              | -                        | -                    |
| Municipal court                                                        | 816,152              | -                        | -                    |
| PEG capital fees                                                       | 889,139              | -                        | -                    |
| Capital improvement                                                    | -                    | 5,185,166                | -                    |
| Debt service                                                           | -                    | -                        | 1,087,376            |
| Tourism development                                                    | -                    | -                        | -                    |
| Parks and tree mitigation                                              | -                    | -                        | -                    |
| Historical Committee and library                                       | -                    | -                        | -                    |
| Economic development                                                   | -                    | -                        | -                    |
| Animal control                                                         | 42,416               | -                        | -                    |
| Scholarships                                                           | 116,505              | -                        | -                    |
| Committed for:                                                         |                      |                          |                      |
| Capital Projects                                                       | -                    | 7,985,798                | -                    |
| Civic Center/CIED                                                      | 907,676              | -                        | -                    |
| Assigned for:                                                          |                      |                          |                      |
| Property replacement                                                   | 902,849              | -                        | -                    |
| Subsequent year's budget                                               | 598,549              | -                        | -                    |
| Unassigned                                                             | 11,755,619           | -                        | -                    |
| Total Fund Balances                                                    | <u>16,478,567</u>    | <u>13,170,964</u>        | <u>1,087,376</u>     |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances | \$ <u>20,596,330</u> | \$ <u>13,488,096</u>     | \$ <u>1,221,154</u>  |

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

| Economic<br>Development<br>Corporation | American<br>Rescue Plan Act<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------------|-------------------------------------|-----------------------------------|--------------------------------|
| \$ 18,542,752                          | \$ 4,905,952                        | \$ 5,240,371                      | \$ 54,740,108                  |
| 2,206,135                              | -                                   | -                                 | 4,720,194                      |
| 1,054,214                              | -                                   | -                                 | 4,112,464                      |
| 7,949                                  | -                                   | 64,942                            | 1,967,768                      |
| -                                      | -                                   | -                                 | 678,444                        |
| -                                      | -                                   | -                                 | 134,373                        |
| 990                                    | -                                   | -                                 | 29,080                         |
| -                                      | -                                   | -                                 | 946,454                        |
| <u>21,812,040</u>                      | <u>4,905,952</u>                    | <u>5,305,313</u>                  | <u>67,328,885</u>              |
| 5,809                                  | -                                   | 51,218                            | 1,141,700                      |
| -                                      | -                                   | -                                 | 1,180,560                      |
| -                                      | -                                   | -                                 | 154,437                        |
| -                                      | -                                   | -                                 | 1,007                          |
| -                                      | -                                   | -                                 | 60,492                         |
| -                                      | -                                   | 678,444                           | 694,583                        |
| -                                      | 4,905,709                           | -                                 | 4,946,298                      |
| <u>5,809</u>                           | <u>4,905,709</u>                    | <u>729,662</u>                    | <u>8,179,077</u>               |
| -                                      | -                                   | -                                 | 2,030,776                      |
| <u>-</u>                               | <u>-</u>                            | <u>-</u>                          | <u>2,030,776</u>               |
| -                                      | -                                   | -                                 | 134,373                        |
| -                                      | -                                   | -                                 | 28,090                         |
| -                                      | -                                   | 134,163                           | 421,362                        |
| -                                      | -                                   | -                                 | 816,152                        |
| -                                      | -                                   | -                                 | 889,139                        |
| -                                      | -                                   | 1,801,040                         | 6,986,206                      |
| -                                      | -                                   | -                                 | 1,087,376                      |
| -                                      | -                                   | 2,301,716                         | 2,301,716                      |
| -                                      | -                                   | 934,913                           | 934,913                        |
| -                                      | -                                   | 78,862                            | 78,862                         |
| 21,806,231                             | 243                                 | -                                 | 21,806,474                     |
| -                                      | -                                   | -                                 | 42,416                         |
| -                                      | -                                   | -                                 | 116,505                        |
| -                                      | -                                   | -                                 | 7,985,798                      |
| -                                      | -                                   | -                                 | 907,676                        |
| -                                      | -                                   | -                                 | 902,849                        |
| -                                      | -                                   | -                                 | 598,549                        |
| -                                      | -                                   | ( 675,043)                        | 11,080,576                     |
| <u>21,806,231</u>                      | <u>243</u>                          | <u>4,575,651</u>                  | <u>57,119,032</u>              |
| \$ <u>21,812,040</u>                   | \$ <u>4,905,952</u>                 | \$ <u>5,305,313</u>               | \$ <u>67,328,885</u>           |

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**CITY OF SCHERTZ, TEXAS**

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

SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds \$ 57,119,032

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 149,570,599

Bonds payable and accrued compensated absences will not be liquidated with current financial resources and, therefore, have not been included in the fund financial statements. ( 56,059,597)

Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. ( 286,255)

Premiums on bond issuances and deferred losses on bond refunding are recorded as other financing sources and uses when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements over the life of the bonds.

Premiums ( 2,502,146)  
Deferred loss 564,011

Receivables from grants, property taxes and fines and fees are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the fund financial statements. 2,030,776

Included in the items related to debt is the recognition of the City's net pension liability, total OPEB liability, and related deferred outflows and inflows of resources.

Net pension liability ( 11,352,654)  
Deferred outflows related to pensions 2,301,907  
Deferred inflows related to pensions ( 1,490,711)  
Total OPEB liability ( 2,653,072)  
Deferred outflows related to OPEB 622,588  
Deferred inflows related to OPEB ( 333,199)

Net Position of Governmental Activities \$ 137,531,279

**CITY OF SCHERTZ, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

|                                                      | General<br>Fund      | Capital Projects<br>Fund | Debt Service<br>Fund |
|------------------------------------------------------|----------------------|--------------------------|----------------------|
| <b>REVENUES</b>                                      |                      |                          |                      |
| Taxes                                                | \$ 27,913,222        | \$ -                     | \$ 7,102,016         |
| Permits and fees                                     | 1,593,382            | -                        | -                    |
| Service fees                                         | 1,628,589            | -                        | -                    |
| Fines and fees                                       | 637,638              | -                        | -                    |
| Intergovernmental                                    | 1,623,282            | 724,993                  | -                    |
| Investment earnings                                  | 29,147               | 12,333                   | 1,593                |
| Miscellaneous                                        | 781,333              | 501,922                  | 125,000              |
| Total Revenues                                       | <u>34,206,593</u>    | <u>1,239,248</u>         | <u>7,228,609</u>     |
| <b>EXPENDITURES</b>                                  |                      |                          |                      |
| Current:                                             |                      |                          |                      |
| General government                                   | 6,008,482            | -                        | -                    |
| Public safety                                        | 17,166,400           | -                        | -                    |
| Public environment                                   | 1,382,185            | -                        | -                    |
| Parks and recreation                                 | 2,494,684            | -                        | -                    |
| Cultural                                             | 1,040,276            | -                        | -                    |
| Administration                                       | 3,858,317            | -                        | -                    |
| Capital outlay                                       | 566,078              | 4,582,289                | -                    |
| Debt service:                                        |                      |                          |                      |
| Principal                                            | -                    | -                        | 4,955,000            |
| Interest and fiscal charges                          | -                    | -                        | 1,801,467            |
| Bond issue costs                                     | -                    | -                        | 140,140              |
| Total Expenditures                                   | <u>32,516,422</u>    | <u>4,582,289</u>         | <u>6,896,607</u>     |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>1,690,171</u>     | <u>( 3,343,041)</u>      | <u>332,002</u>       |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                      |                          |                      |
| Issuance of refunding debt                           | -                    | -                        | 7,555,000            |
| Premium on refunding debt                            | -                    | -                        | 629,992              |
| Payment to refunding escrow agent                    | -                    | -                        | ( 8,223,452)         |
| Issuance of capital lease                            | 136,535              | -                        | -                    |
| Transfers in                                         | -                    | 6,384,362                | 7,915                |
| Transfers out                                        | ( 2,317,117)         | ( 7,915)                 | -                    |
| Total Other Financing Sources (Uses)                 | <u>( 2,180,582)</u>  | <u>6,376,447</u>         | <u>( 30,545)</u>     |
| <b>NET CHANGE IN FUND BALANCE</b>                    | <u>( 490,411)</u>    | <u>3,033,406</u>         | <u>301,457</u>       |
| <b>FUND BALANCES - BEGINNING</b>                     | <u>16,968,978</u>    | <u>10,137,558</u>        | <u>785,919</u>       |
| <b>FUND BALANCES - ENDING</b>                        | <u>\$ 16,478,567</u> | <u>\$ 13,170,964</u>     | <u>\$ 1,087,376</u>  |

| Economic<br>Development<br>Corporation | American<br>Rescue Plan Act<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------------|-------------------------------------|-----------------------------------|--------------------------------|
| \$ 5,615,928                           | \$ -                                | \$ 518,921                        | \$ 41,150,087                  |
| -                                      | -                                   | 219,513                           | 1,812,895                      |
| -                                      | -                                   | 912,406                           | 2,540,995                      |
| -                                      | -                                   | 5,844                             | 643,482                        |
| -                                      | 303,000                             | 1,931,599                         | 4,582,874                      |
| 56,144                                 | 243                                 | 5,153                             | 104,613                        |
| -                                      | -                                   | 15                                | 1,408,270                      |
| <u>5,672,072</u>                       | <u>303,243</u>                      | <u>3,593,451</u>                  | <u>52,243,216</u>              |
| 306,025                                | -                                   | 266,408                           | 6,580,915                      |
| -                                      | 303,000                             | 638,018                           | 18,107,418                     |
| -                                      | -                                   | -                                 | 1,382,185                      |
| -                                      | -                                   | 39,995                            | 2,534,679                      |
| -                                      | -                                   | 19,708                            | 1,059,984                      |
| 528,442                                | -                                   | 72,464                            | 4,459,223                      |
| -                                      | -                                   | 66,889                            | 5,215,256                      |
| -                                      | -                                   | -                                 | 4,955,000                      |
| -                                      | -                                   | -                                 | 1,801,467                      |
| -                                      | -                                   | -                                 | 140,140                        |
| <u>834,467</u>                         | <u>303,000</u>                      | <u>1,103,482</u>                  | <u>46,236,267</u>              |
| <u>4,837,605</u>                       | <u>243</u>                          | <u>2,489,969</u>                  | <u>6,006,949</u>               |
| -                                      | -                                   | -                                 | 7,555,000                      |
| -                                      | -                                   | -                                 | 629,992                        |
| -                                      | -                                   | -                                 | ( 8,223,452)                   |
| -                                      | -                                   | -                                 | 136,535                        |
| -                                      | -                                   | 3,109                             | 6,395,386                      |
| ( 4,050,000)                           | -                                   | -                                 | ( 6,375,032)                   |
| <u>( 4,050,000)</u>                    | <u>-</u>                            | <u>3,109</u>                      | <u>118,429</u>                 |
| 787,605                                | 243                                 | 2,493,078                         | 6,125,378                      |
| <u>21,018,626</u>                      | <u>-</u>                            | <u>2,082,573</u>                  | <u>50,993,654</u>              |
| \$ <u>21,806,231</u>                   | \$ <u>243</u>                       | \$ <u>4,575,651</u>               | \$ <u>57,119,032</u>           |

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**CITY OF SCHERTZ, TEXAS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net Changes in Fund Balances - Governmental Funds \$ 6,125,378

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

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

|                      |              |
|----------------------|--------------|
| Capital outlay       | 12,233,480   |
| Depreciation expense | ( 6,716,836) |

|                                                                                                                                           |           |
|-------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, or donations) is to decrease net position. | ( 25,975) |
|-------------------------------------------------------------------------------------------------------------------------------------------|-----------|

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

|                |              |
|----------------|--------------|
| Grants         | ( 1,526,256) |
| Property taxes | 45,488       |
| Court fines    | 45,207       |

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

|                                          |              |
|------------------------------------------|--------------|
| Issuance of long-term debt               | ( 8,321,527) |
| Payment to escrow agent                  | 8,223,452    |
| Repayment of principal of long-term debt | 5,173,199    |
| Amortization of loss on refunding        | ( 99,045)    |

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

|                       |            |
|-----------------------|------------|
| Compensated Absences  | ( 210,522) |
| Net pension liability | 887,699    |
| Total OPEB liability  | ( 125,871) |

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

42,067

Change in Net Position of Governmental Activities \$ 15,749,938

**CITY OF SCHERTZ, TEXAS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

SEPTEMBER 30, 2021

|                                        | Business-Type<br>Activities<br>Enterprise Funds |                     |                             | Governmental<br>Activities |
|----------------------------------------|-------------------------------------------------|---------------------|-----------------------------|----------------------------|
|                                        | Water and<br>Sewer System                       | Schertz<br>EMS      | Total<br>Enterprise<br>Fund | Internal<br>Service Fund   |
| <b>ASSETS</b>                          |                                                 |                     |                             |                            |
| Current assets:                        |                                                 |                     |                             |                            |
| Cash and cash equivalents              | \$ 8,197,023                                    | \$ 1,259,823        | \$ 9,456,846                | \$ -                       |
| Investments                            | 1,163,351                                       | -                   | 1,163,351                   | -                          |
| Accounts receivable, net of allowance: |                                                 |                     |                             |                            |
| Customer accounts                      | 3,273,755                                       | 3,185,772           | 6,459,527                   | -                          |
| Due from other funds                   | -                                               | 16,139              | 16,139                      | -                          |
| Accrued interest                       | 6,324                                           | -                   | 6,324                       | -                          |
| Inventory                              | 82,883                                          | 101,572             | 184,455                     | -                          |
| Prepays                                | -                                               | 2,311               | 2,311                       | -                          |
| Total Current Assets                   | <u>12,723,336</u>                               | <u>4,565,617</u>    | <u>17,288,953</u>           | <u>-</u>                   |
| Noncurrent assets:                     |                                                 |                     |                             |                            |
| Restricted assets:                     |                                                 |                     |                             |                            |
| Cash and cash equivalents              | 20,271,954                                      | -                   | 20,271,954                  | -                          |
| Investments                            | 1,830,287                                       | -                   | 1,830,287                   | -                          |
| Investment in joint ventures           | 16,741,666                                      | -                   | 16,741,666                  | -                          |
| Capital assets:                        |                                                 |                     |                             |                            |
| Land                                   | 1,844,488                                       | -                   | 1,844,488                   | -                          |
| Water rights                           | 70,245                                          | -                   | 70,245                      | -                          |
| Buildings and improvements             | 3,609,126                                       | -                   | 3,609,126                   | -                          |
| Machinery, equipment, and vehicles     | 3,282,108                                       | 2,932,859           | 6,214,967                   | -                          |
| Infrastructure                         | 105,832,113                                     | -                   | 105,832,113                 | -                          |
| Construction in progress               | 19,942,794                                      | -                   | 19,942,794                  | -                          |
| Less: accumulated depreciation         | <u>( 36,963,688)</u>                            | <u>( 1,806,520)</u> | <u>( 38,770,208)</u>        | <u>-</u>                   |
| Total Noncurrent Assets                | <u>136,461,093</u>                              | <u>1,126,339</u>    | <u>137,587,432</u>          | <u>-</u>                   |
| Total Assets                           | <u>149,184,429</u>                              | <u>5,691,956</u>    | <u>154,876,385</u>          | <u>-</u>                   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                                                 |                     |                             |                            |
| Deferred loss on refunding             | 25,027                                          | -                   | 25,027                      | -                          |
| Deferred OPEB related outflows         | 62,568                                          | 132,280             | 194,848                     | -                          |
| Deferred pension related outflows      | <u>227,731</u>                                  | <u>506,778</u>      | <u>734,509</u>              | <u>-</u>                   |
| Total Deferred Outflows of Resources   | <u>315,326</u>                                  | <u>639,058</u>      | <u>954,384</u>              | <u>-</u>                   |

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

**CITY OF SCHERTZ, TEXAS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

SEPTEMBER 30, 2021

|                                           | Business-Type<br>Activities<br>Enterprise Funds |                     |                             | Governmental<br>Activities |
|-------------------------------------------|-------------------------------------------------|---------------------|-----------------------------|----------------------------|
|                                           | Water and<br>Sewer System                       | Schertz<br>EMS      | Total<br>Enterprise<br>Fund | Internal<br>Service Fund   |
| <b>LIABILITIES</b>                        |                                                 |                     |                             |                            |
| Current liabilities:                      |                                                 |                     |                             |                            |
| Accounts payable                          | \$ 2,223,567                                    | \$ 133,313          | \$ 2,356,880                | \$ -                       |
| Accrued liabilities                       | 100,403                                         | 269,674             | 370,077                     | -                          |
| Retainage payable                         | 28,747                                          | -                   | 28,747                      | -                          |
| Customer deposits                         | 627,152                                         | -                   | 627,152                     | -                          |
| Accrued interest                          | 57,968                                          | 2,145               | 60,113                      | -                          |
| Unearned revenue                          | 455,463                                         | 1,112               | 456,575                     | -                          |
| Current portion of long-term liabilities: |                                                 |                     |                             |                            |
| Compensated absences                      | 25,045                                          | 47,926              | 72,971                      | -                          |
| Total OPEB liability                      | 5,153                                           | 11,468              | 16,621                      | -                          |
| Long-term debt                            | <u>1,065,000</u>                                | <u>262,436</u>      | <u>1,327,436</u>            | <u>-</u>                   |
| Total Current Liabilities                 | <u>4,588,498</u>                                | <u>728,074</u>      | <u>5,316,572</u>            | <u>-</u>                   |
| Noncurrent liabilities:                   |                                                 |                     |                             |                            |
| Compensated absences                      | 100,178                                         | 191,703             | 291,881                     | -                          |
| Total OPEB liability                      | 257,320                                         | 572,621             | 829,941                     | -                          |
| Net pension liability                     | 1,123,136                                       | 2,499,350           | 3,622,486                   | -                          |
| Long-term debt                            | <u>13,138,922</u>                               | <u>331,565</u>      | <u>13,470,487</u>           | <u>-</u>                   |
| Total Noncurrent Liabilities              | <u>14,619,556</u>                               | <u>3,595,239</u>    | <u>18,214,795</u>           | <u>-</u>                   |
| Total Liabilities                         | <u>19,208,054</u>                               | <u>4,323,313</u>    | <u>23,531,367</u>           | <u>-</u>                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                                                 |                     |                             |                            |
| Deferred OPEB related inflows             | 32,964                                          | 73,356              | 106,320                     | -                          |
| Deferred pension related inflows          | <u>147,478</u>                                  | <u>328,188</u>      | <u>475,666</u>              | <u>-</u>                   |
| Total Deferred Inflows of Resources       | <u>180,442</u>                                  | <u>401,544</u>      | <u>581,986</u>              | <u>-</u>                   |
| <b>NET POSITION</b>                       |                                                 |                     |                             |                            |
| Net investment in capital assets          | 83,409,544                                      | 532,338             | 83,941,882                  | -                          |
| Restricted for construction               | 8,368,736                                       | -                   | 8,368,736                   | -                          |
| Unrestricted                              | <u>38,332,979</u>                               | <u>1,073,819</u>    | <u>39,406,798</u>           | <u>-</u>                   |
| Total Net Position                        | <u>\$ 130,111,259</u>                           | <u>\$ 1,606,157</u> | <u>\$ 131,717,416</u>       | <u>\$ -</u>                |

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# CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

|                                           | Business-Type<br>Activities<br>Enterprise Funds |                     |                              | Governmental<br>Activities  |
|-------------------------------------------|-------------------------------------------------|---------------------|------------------------------|-----------------------------|
|                                           | Water and<br>Sewer System                       | Schertz<br>EMS      | Total<br>Enterprise<br>Funds | Internal<br>Service<br>Fund |
| <b>OPERATING REVENUES</b>                 |                                                 |                     |                              |                             |
| Fees charged to users                     | \$ 27,245,602                                   | \$ 7,709,027        | \$ 34,954,629                | \$ -                        |
| Charges for premiums                      | -                                               | -                   | -                            | 3,916,301                   |
| Other charges                             | 182,414                                         | -                   | 182,414                      | -                           |
| Miscellaneous                             | 602,598                                         | 151,670             | 754,268                      | -                           |
| Total Operating Revenues                  | <u>28,030,614</u>                               | <u>7,860,697</u>    | <u>35,891,311</u>            | <u>3,916,301</u>            |
| <b>OPERATING EXPENSES</b>                 |                                                 |                     |                              |                             |
| Personnel services                        | 2,432,081                                       | 5,552,786           | 7,984,867                    | 3,916,301                   |
| General and administrative                | 3,280,186                                       | 737,866             | 4,018,052                    | -                           |
| Contractual services                      | 15,987,246                                      | 721,572             | 16,708,818                   | -                           |
| Supplies and maintenance                  | 531,733                                         | 486,102             | 1,017,835                    | -                           |
| Depreciation                              | 2,534,305                                       | 286,344             | 2,820,649                    | -                           |
| Total Operating Costs                     | <u>24,765,551</u>                               | <u>7,784,670</u>    | <u>32,550,221</u>            | <u>3,916,301</u>            |
| Operating Income (Loss)                   | <u>3,265,063</u>                                | <u>76,027</u>       | <u>3,341,090</u>             | <u>-</u>                    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>  |                                                 |                     |                              |                             |
| Investment revenue                        | 66,906                                          | 1,448               | 68,354                       | -                           |
| Lease revenue                             | 296,913                                         | -                   | 296,913                      | -                           |
| Interest expense                          | ( 515,413)                                      | -                   | ( 515,413)                   | -                           |
| Total Non-Operating Revenues (Expenses)   | <u>( 151,594)</u>                               | <u>1,448</u>        | <u>( 150,146)</u>            | <u>-</u>                    |
| Income before contributions and transfers | 3,113,469                                       | 77,475              | 3,190,944                    | -                           |
| Transfers out                             | ( 20,354)                                       | -                   | ( 20,354)                    | -                           |
| Capital contributions - impact fees       | 1,691,371                                       | -                   | 1,691,371                    | -                           |
| Capital contributions - dedicated assets  | 5,243,820                                       | -                   | 5,243,820                    | -                           |
| <b>CHANGE IN NET POSITION</b>             | <u>10,028,306</u>                               | <u>77,475</u>       | <u>10,105,781</u>            | <u>-</u>                    |
| <b>NET POSITION - BEGINNING</b>           | <u>120,082,953</u>                              | <u>1,528,682</u>    | <u>121,611,635</u>           | <u>-</u>                    |
| <b>NET POSITION - END OF YEAR</b>         | <u>\$ 130,111,259</u>                           | <u>\$ 1,606,157</u> | <u>\$ 131,717,416</u>        | <u>\$ -</u>                 |

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

**CITY OF SCHERTZ, TEXAS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

|                                                                       | Business-Type<br>Activities<br>Enterprise Funds |                     |                      | Governmental<br>Activities<br>Internal<br>Service Fund |
|-----------------------------------------------------------------------|-------------------------------------------------|---------------------|----------------------|--------------------------------------------------------|
|                                                                       | Water and<br>Sewer System                       | Schertz<br>EMS      | Total<br>Enterprise  |                                                        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |                                                 |                     |                      |                                                        |
| Cash received from customers and users                                | \$ 28,887,299                                   | \$ 7,161,623        | \$ 36,048,922        | \$ -                                                   |
| Cash received from interfund services                                 | -                                               | -                   | -                    | 3,916,301                                              |
| Cash paid to employees for services                                   | ( 2,731,693)                                    | ( 5,213,104)        | ( 7,944,797)         | ( 3,916,301)                                           |
| Cash paid to suppliers for goods and services                         | ( 23,703,472)                                   | ( 1,587,773)        | ( 25,291,245)        | -                                                      |
| Net Cash Provided By Operating Activities                             | <u>2,452,134</u>                                | <u>360,746</u>      | <u>2,812,880</u>     | <u>-</u>                                               |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING<br/>ACTIVITIES</b>           |                                                 |                     |                      |                                                        |
| Transfers to other funds                                              | ( 20,354)                                       | -                   | ( 20,354)            | -                                                      |
| Net Cash Used in Non-Capital Financing Activities                     | <u>( 20,354)</u>                                | <u>-</u>            | <u>( 20,354)</u>     | <u>-</u>                                               |
| <b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING<br/>ACTIVITIES</b> |                                                 |                     |                      |                                                        |
| Acquisition and construction of capital assets                        | ( 2,956,008)                                    | ( 319,398)          | ( 3,275,406)         | -                                                      |
| Capital contributions - impact fees                                   | 1,691,371                                       | -                   | 1,691,371            | -                                                      |
| Interest paid on long-term debt                                       | ( 701,796)                                      | ( 3,880)            | ( 705,676)           | -                                                      |
| Principal paid on long-term debt                                      | ( 1,530,000)                                    | ( 176,953)          | ( 1,706,953)         | -                                                      |
| Net Cash Used in Capital and Related<br>Financing Activities          | <u>( 3,496,433)</u>                             | <u>( 500,231)</u>   | <u>( 3,996,664)</u>  | <u>-</u>                                               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |                                                 |                     |                      |                                                        |
| Sale (purchase) of investments                                        | ( 22,071)                                       | -                   | ( 22,071)            | -                                                      |
| Payments from leases                                                  | 296,913                                         | -                   | 296,913              | -                                                      |
| Interest and investment earnings                                      | <u>66,906</u>                                   | <u>1,448</u>        | <u>68,354</u>        | <u>-</u>                                               |
| Net Cash Provided By (Used in) Investing Activities                   | <u>341,748</u>                                  | <u>1,448</u>        | <u>343,196</u>       | <u>-</u>                                               |
| Net (Decrease) Increase in Cash and Cash Equivalents                  | ( 722,905)                                      | ( 138,037)          | ( 860,942)           | -                                                      |
| Cash and cash equivalents at beginning of year:                       |                                                 |                     |                      |                                                        |
| Cash and cash equivalents                                             | 11,686,996                                      | 1,397,860           | 13,084,856           | -                                                      |
| Restricted cash and cash equivalents                                  | <u>17,504,886</u>                               | <u>-</u>            | <u>17,504,886</u>    | <u>-</u>                                               |
|                                                                       | 29,191,882                                      | 1,397,860           | 30,589,742           | -                                                      |
| Cash and cash equivalents at end of year                              |                                                 |                     |                      |                                                        |
| Cash and cash equivalents                                             | 8,197,023                                       | 1,259,823           | 9,456,846            | -                                                      |
| Restricted cash and cash equivalents                                  | <u>20,271,954</u>                               | <u>-</u>            | <u>20,271,954</u>    | <u>-</u>                                               |
|                                                                       | <u>\$ 28,468,977</u>                            | <u>\$ 1,259,823</u> | <u>\$ 29,728,800</u> | <u>\$ -</u>                                            |

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

**CITY OF SCHERTZ, TEXAS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

|                                                                                                   | Business-Type<br>Activities<br>Enterprise Funds |                |                     | Governmental<br>Activities |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------|----------------|---------------------|----------------------------|
|                                                                                                   | Water and<br>Sewer System                       | Schertz<br>EMS | Total<br>Enterprise | Internal<br>Service Fund   |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>                                           |                                                 |                |                     |                            |
| <b>CASH PROVIDED BY OPERATING ACTIVITIES</b>                                                      |                                                 |                |                     |                            |
| Operating income (loss)                                                                           | \$ 3,265,063                                    | \$ 76,027      | \$ 3,341,090        | \$ -                       |
| Adjustments to reconcile operating income (loss)<br>to net cash provided by operating activities: |                                                 |                |                     |                            |
| Depreciation                                                                                      | 2,534,305                                       | 286,344        | 2,820,649           | -                          |
| Change in investment in joint venture                                                             | ( 2,438,628)                                    | -              | ( 2,438,628)        | -                          |
| Decrease (increase) in accounts receivable                                                        | 778,999                                         | ( 700,162)     | 78,837              | -                          |
| Decrease (increase) in inventory                                                                  | 29,834                                          | 22,393         | 52,227              | -                          |
| Increase (decrease) in deferred pension outflows                                                  | 7,891                                           | ( 110,010)     | ( 102,119)          | -                          |
| Increase (decrease) in deferred OPEB outflows                                                     | 14,419                                          | ( 76,138)      | ( 61,719)           | -                          |
| Increase (decrease) in accounts payable                                                           | ( 1,495,513)                                    | 335,374        | ( 1,160,139)        | -                          |
| Increase (decrease) in accrued liabilities                                                        | ( 44,993)                                       | ( 210,993)     | ( 255,986)          | -                          |
| Increase (decrease) in customer deposits                                                          | 66,961                                          | -              | 66,961              | -                          |
| Increase (decrease) in unearned revenue                                                           | 10,725                                          | 1,088          | 11,813              | -                          |
| Increase (decrease) in compensated absences                                                       | ( 806)                                          | 85,420         | 84,614              | -                          |
| Increase (decrease) in net pension liability                                                      | ( 177,144)                                      | 336,370        | 159,226             | -                          |
| Increase (decrease) in deferred OPEB inflows                                                      | ( 22,979)                                       | 17,549         | ( 5,430)            | -                          |
| Increase (decrease) in deferred pension inflows                                                   | 14,358                                          | 21,984         | 36,342              | -                          |
| Increase (decrease) in total OPEB liability                                                       | ( 90,358)                                       | 275,500        | 185,142             | -                          |
| Net cash provided by operating activities                                                         | \$ 2,452,134                                    | \$ 360,746     | \$ 2,812,880        | \$ -                       |
| <b>SCHEDULE OF NON-CASH CAPITAL ACTIVITIES</b>                                                    |                                                 |                |                     |                            |
| Issuance of capital lease                                                                         | \$ -                                            | \$ 409,606     | \$ 409,606          | \$ -                       |
| Developer contributions of capital assets                                                         | 5,243,820                                       | -              | 5,243,820           | -                          |
| Total non-cash capital activities                                                                 | \$ 5,243,820                                    | \$ 409,606     | \$ 5,653,426        | \$ -                       |

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## CITY OF SCHERTZ, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### A. Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

**The American Rescue Plan Act Fund** records revenue and expenditures related to the City's COVID-19 funding from the American Rescue Plan Act.

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

#### **E. Investments**

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

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

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

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

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

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

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

#### **G. Inventories and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements and in the fund financial statements are offset by a nonspendable fund balance which indicates they do not represent "available spendable resources". The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### **H. Restricted Assets**

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

#### **I. Capital Assets**

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in expected and actual pension and OPEB experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in this category.

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

## **K. Compensated Absences**

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

## **L. Pensions**

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

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

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

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

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

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

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

## **O. Fund Balance**

Fund balances in governmental funds are classified as follows:

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

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

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

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

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

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

**P. Net Position**

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

**Q. Estimates**

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

**R. Deficit Equity**

At September 30, 2021, the City has a deficit unassigned fund balance of \$681,330 in the Grant Fund. This deficit is due to timing differences between expenditures and reimbursements of grant funds.

**S. Budgetary Information**

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

**T. Reclassifications**

Certain reclassifications have been made in the presentation of the September 30, 2021 financial statements. All comparative information for prior periods has been reclassified to match the new presentation. The changes in presentation had no impact on the changes in net position or fund balance.

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

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

As of September 30, 2021, the City had the following cash, cash equivalents and investments:

|                                 | Reported<br>Value    | Weighted Average<br>Maturity (days) |
|---------------------------------|----------------------|-------------------------------------|
| Investment type:                |                      |                                     |
| LOGIC                           | \$ 19,151,617        | 55                                  |
| Lone Star Investment Pool       | 26,991,728           | 46                                  |
| Texas CLASS                     | 29,362,606           | 53                                  |
| Certificates of Deposit         | 4,416,598            | 118                                 |
| U.S. Agency Securities          | <u>3,269,952</u>     | 404                                 |
| Subtotal                        | 83,192,501           |                                     |
| Plus: depository and petty cash | <u>9,936,693</u>     |                                     |
| Total cash and investments      | <u>\$ 93,129,194</u> |                                     |

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

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

*Credit Risk.* State law limits investments in certificates of deposit to guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or the National Credit Union Share Insurance Fund, or its successor and investment pools continuously rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The City's investment policy does not further limit its investment choices. As of September 30, 2021, the City's investments in the pooled investment funds were rated AAAm by Standard & Poor's. The City has also invested in debt securities provided by the Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit Banks, and U.S Treasury Notes. As of September 30, 2021, the City's investments in debt securities were rated BBB+ by Standard & Poor's.

*Custodial Credit Risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2021, the City's cash and cash equivalents (including certificates of deposit, and component unit holdings) were fully collateralized by the City's depository by a combination of pledged collateral and FDIC insurance. All collateral is held in the City's name.

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

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

## **B. Property Taxes**

Taxes are levied on and payable as of October 1. The City has contracted with the Guadalupe County Tax Assessor-Collector to collect taxes on its behalf. Current taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action. The total taxable value as of October 1, 2020, upon which the fiscal year 2021 levy was based, was \$4,070,815,340 (i.e., market value less exemptions).

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt for the year ended September 30, 2021, was \$0.5121 per \$100 of assessed value, which means that the City has a tax margin of \$1.9879 for each \$100 value and could increase its annual tax levy by approximately \$80,923,738 based upon the present assessed valuation before the limit is reached.

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

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

### C. Receivables

Receivables as September 30, 2021 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|                                            | Governmental Activities |                  |                      |              |                | Business-type Activities |              |
|--------------------------------------------|-------------------------|------------------|----------------------|--------------|----------------|--------------------------|--------------|
|                                            | General Fund            | Capital Projects | Economic Development | Debt Service | Nonmajor Funds | Water and Sewer Fund     | Schertz EMS  |
| Receivables:                               |                         |                  |                      |              |                |                          |              |
| Property taxes                             | \$ 290,523              | \$ -             | \$ -                 | \$ 142,317   | \$ -           | \$ -                     | \$ -         |
| Sales tax                                  | 2,108,428               | -                | 1,054,213            | -            | -              | -                        | -            |
| Occupancy taxes                            | -                       | -                | -                    | -            | 64,942         | -                        | -            |
| Franchise taxes                            | 521,521                 | -                | -                    | -            | -              | -                        | -            |
| Customers                                  | -                       | -                | -                    | -            | -              | 3,306,756                | 7,081,986    |
| Court fines                                | 3,989,942               | -                | -                    | -            | -              | -                        | -            |
| Grants                                     | -                       | 258,142          | -                    | -            | -              | -                        | -            |
| Other                                      | 41,394                  | -                | 7,949                | -            | -              | -                        | -            |
| Gross receivables                          | 6,951,808               | 258,142          | 1,062,162            | 142,317      | 64,942         | 3,306,756                | 7,081,986    |
| Less: allowance for uncollectible accounts | ( 2,390,601)            | -                | -                    | ( 8,539)     | -              | ( 33,001)                | ( 3,896,214) |
| Net receivables                            | \$ 4,561,207            | \$ 258,142       | \$ 1,062,162         | \$ 133,778   | \$ 64,942      | \$ 3,273,755             | \$ 3,185,772 |

### D. Deferred Inflows and Outflows of Resources

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

|                                      | Unavailable  |
|--------------------------------------|--------------|
| General Fund                         |              |
| Delinquent property taxes receivable | \$ 273,092   |
| Court fines                          | 1,623,906    |
| Total General Fund                   | 1,896,998    |
| Debt Service Fund                    |              |
| Delinquent property taxes receivable | 133,778      |
| Total Debt Service Fund              | 133,778      |
| Total Governmental Funds             | \$ 2,030,776 |

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

|                                       | Governmental Activities | Business-type Activities |            | Totals       |
|---------------------------------------|-------------------------|--------------------------|------------|--------------|
|                                       |                         | Water/Sewer              | EMS        |              |
| Deferred outflows:                    |                         |                          |            |              |
| Charge on refunding                   | \$ 564,011              | \$ 25,027                | \$ -       | \$ 589,038   |
| Related to pensions                   | 2,301,907               | 227,731                  | 506,778    | 3,036,416    |
| Related to OPEB - SDBF                | 243,287                 | 24,069                   | 53,561     | 320,917      |
| Related to OPEB - Retiree Health Plan | 379,301                 | 38,499                   | 78,719     | 496,519      |
| Total deferred outflow                | \$ 3,488,506            | \$ 315,326               | \$ 639,058 | \$ 4,442,890 |
| Deferred inflows:                     |                         |                          |            |              |
| Service concession arrangement        | \$ 306,961              | \$ -                     | \$ -       | 306,961      |
| Related to pensions                   | 1,490,711               | 147,478                  | 328,188    | 1,966,377    |
| Related to OPEB - SDBF                | 83,693                  | 8,280                    | 18,426     | 110,399      |
| Related to OPEB - Retiree Health plan | 249,506                 | 24,684                   | 54,930     | 329,120      |
| Total deferred inflow                 | \$ 2,130,871            | \$ 180,442               | \$ 401,544 | \$ 2,712,857 |

## E. Interfund Balances and Transfers

The composition of interfund balances as of September 30, 2021 is as follows:

| <u>Due From</u> | <u>Due To</u>         | <u>Amount</u> | <u>Purpose</u>            |
|-----------------|-----------------------|---------------|---------------------------|
| EMS             | General               | \$ 16,139     | Short-term pool cash loan |
| General         | Nonmajor Governmental | 678,444       | Short-term pool cash loan |

The following schedule briefly summarizes the City's transfer activity for the year ending September 30, 2021:

| <u>Transfer From</u>   | <u>Transfer To</u>    | <u>Amount</u> | <u>Purpose</u>                       |
|------------------------|-----------------------|---------------|--------------------------------------|
| General                | Nonmajor governmental | \$ 3,109      | Supplement funds sources             |
| General                | Capital Projects      | 2,314,008     | Funding for various capital projects |
| Capital Projects       | Debt Service          | 7,915         | Supplement funds sources             |
| EDC                    | Capital Projects      | 4,050,000     | Funding for various capital projects |
| Water and Sewer System | Capital Projects      | 20,354        | Funding for various capital projects |

## F. Capital Assets

Capital asset activity for the year ended September 30, 2021 was as follows:

|                                                | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reclassifications/<br/>Retirements</u> | <u>Ending<br/>Balance</u> |
|------------------------------------------------|------------------------------|------------------|-------------------------------------------|---------------------------|
| Governmental activities:                       |                              |                  |                                           |                           |
| Capital assets not being depreciated:          |                              |                  |                                           |                           |
| Land                                           | \$ 8,074,199                 | \$ 236,787       | \$ -                                      | \$ 8,310,986              |
| Construction in progress                       | 24,826,910                   | 4,024,285        | ( 2,156,044)                              | 26,695,151                |
| Total capital assets not<br>being depreciated  | 32,901,109                   | 4,261,072        | ( 2,156,044)                              | 35,006,137                |
| Capital assets being depreciated:              |                              |                  |                                           |                           |
| Buildings and improvements                     | 44,447,749                   | 141,028          | -                                         | 44,588,777                |
| Machinery, equipment, and vehicles             | 14,552,416                   | 726,581          | ( 445,450)                                | 14,833,547                |
| Street and infrastructure                      | 119,945,442                  | 7,104,799        | 2,156,044                                 | 129,206,285               |
| Total assets being depreciated                 | 178,945,607                  | 7,972,408        | 1,710,594                                 | 188,628,609               |
| Less accumulated depreciation for:             |                              |                  |                                           |                           |
| Buildings and improvements                     | ( 16,823,636)                | ( 1,624,881)     | -                                         | ( 18,448,517)             |
| Machinery, equipment, and vehicles             | ( 7,430,818)                 | ( 1,180,477)     | 445,450                                   | ( 8,165,845)              |
| Street and infrastructure                      | ( 43,512,332)                | ( 3,937,453)     | -                                         | ( 47,449,785)             |
| Total accumulated depreciation                 | ( 67,766,786)                | ( 6,742,811)     | 445,450                                   | ( 74,064,147)             |
| Total capital assets being<br>depreciated, net | 111,178,821                  | 1,229,597        | 2,156,044                                 | 114,564,462               |
| Governmental activities capital<br>assets, net | \$ 144,079,930               | \$ 5,490,669     | \$ -                                      | \$ 149,570,599            |

|                                              | Beginning<br>Balance | Additions           | Reclassifications/<br>Retirements | Ending<br>Balance    |
|----------------------------------------------|----------------------|---------------------|-----------------------------------|----------------------|
| Business-type activities:                    |                      |                     |                                   |                      |
| Capital assets, not being depreciated:       |                      |                     |                                   |                      |
| Land                                         | \$ 1,844,488         | \$ -                | \$ -                              | \$ 1,844,488         |
| Water rights                                 | 70,245               | -                   | -                                 | 70,245               |
| Construction in progress                     | <u>17,266,273</u>    | <u>2,773,773</u>    | <u>( 97,252)</u>                  | <u>19,942,794</u>    |
| Total capital assets, not being depreciated  | <u>19,181,006</u>    | <u>2,773,773</u>    | <u>( 97,252)</u>                  | <u>21,857,527</u>    |
| Capital assets being depreciated:            |                      |                     |                                   |                      |
| Buildings and improvements                   | 3,635,532            | -                   | ( 26,406)                         | 3,609,126            |
| Machinery, equipment, and vehicles           | 5,976,040            | 1,062,704           | ( 823,778)                        | 6,214,966            |
| Infrastructure                               | <u>100,588,293</u>   | <u>5,243,820</u>    | <u>-</u>                          | <u>105,832,113</u>   |
| Total assets being depreciated               | <u>110,199,865</u>   | <u>6,306,524</u>    | <u>( 850,184)</u>                 | <u>115,656,205</u>   |
| Less accumulated depreciation for:           |                      |                     |                                   |                      |
| Buildings and improvements                   | ( 968,711)           | ( 152,395)          | -                                 | ( 1,121,106)         |
| Machinery, equipment, and vehicles           | ( 5,758,894)         | ( 572,191)          | 787,488                           | ( 5,543,597)         |
| Infrastructure                               | <u>( 30,009,441)</u> | <u>( 2,096,063)</u> | <u>-</u>                          | <u>( 32,105,504)</u> |
| Total accumulated depreciation               | <u>( 36,737,046)</u> | <u>( 2,820,649)</u> | <u>787,488</u>                    | <u>( 38,770,207)</u> |
| Total capital assets being depreciated, net  | <u>73,462,819</u>    | <u>3,485,875</u>    | <u>( 62,696)</u>                  | <u>76,885,998</u>    |
| Business-type activities capital assets, net | <u>\$ 92,643,825</u> | <u>\$ 6,259,648</u> | <u>\$ ( 159,948)</u>              | <u>\$ 98,743,525</u> |

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

|                           |                     |
|---------------------------|---------------------|
| Governmental activities:  |                     |
| General government        | \$ 702,442          |
| Public safety             | 1,108,487           |
| Public environment        | 3,995,466           |
| Parks and recreation      | 886,986             |
| Cultural                  | 42,377              |
| Administration            | <u>7,053</u>        |
| Total                     | <u>\$ 6,742,811</u> |
| Business-type activities: |                     |
| Water and sewer system    | \$ 2,534,305        |
| EMS                       | <u>286,344</u>      |
| Total                     | <u>\$ 2,820,649</u> |
| Total Depreciation        | <u>\$ 9,563,460</u> |

## G. Operating Leases

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

| Year Ending<br>September 30, | Total               |
|------------------------------|---------------------|
| 2022                         | \$ 250,687          |
| 2023                         | 263,221             |
| 2024                         | 276,382             |
| 2025                         | 290,201             |
| 2026                         | 304,711             |
| 2027-2028                    | <u>655,891</u>      |
|                              | <u>\$ 2,041,093</u> |

## H. Long-Term Debt

Changes in long-term debt for the year ending September 30, 2021 are as follows:

|                                                | Beginning<br>Balance | Issued              | Refunded/<br>Retired    | Ending<br>Balance    | Amount Due<br>Within One Year |
|------------------------------------------------|----------------------|---------------------|-------------------------|----------------------|-------------------------------|
| <b>Governmental activities:</b>                |                      |                     |                         |                      |                               |
| General Obligation Bonds                       | \$ 34,615,000        | \$ 7,555,000        | \$ ( 8,400,000)         | \$ 33,770,000        | \$ 2,655,000                  |
| Certificates of Obligation                     | 15,235,000           | -                   | ( 1,035,000)            | 14,200,000           | 1,070,000                     |
| General Obligation Bonds-<br>Private Placement | 10,005,000           | -                   | ( 3,385,000)            | 6,620,000            | 925,000                       |
| Tax Notes-<br>Private Placement                | 345,000              | -                   | ( 190,000)              | 155,000              | 155,000                       |
| Premium from Debt                              | 2,170,381            | 629,992             | ( 298,227)              | 2,502,146            | -                             |
| Capital Lease                                  | 17,134               | 136,535             | ( 17,134)               | 136,535              | 27,307                        |
| Compensated Absences                           | 967,540              | 597,538             | ( 387,016)              | 1,178,062            | 235,612                       |
| <b>Total governmental</b>                      | <u>\$ 63,355,055</u> | <u>\$ 8,919,065</u> | <u>\$ ( 13,712,377)</u> | <u>\$ 58,561,743</u> | <u>\$ 5,067,919</u>           |
| <b>Business-type activities:</b>               |                      |                     |                         |                      |                               |
| General Obligation Bonds                       | \$ 2,645,000         | \$ -                | \$ ( 590,000)           | \$ 2,055,000         | \$ 370,000                    |
| Certificates of Obligation                     | 11,505,000           | -                   | ( 850,000)              | 10,655,000           | 605,000                       |
| General Obligation Bonds-<br>Private Placement | 1,040,000            | -                   | ( 200,000)              | 840,000              | 205,000                       |
| Tax Notes-<br>Private Placement                | 150,000              | -                   | ( 150,000)              | -                    | -                             |
| Unamortized Premium                            | 828,781              | -                   | ( 55,979)               | 772,802              | -                             |
| Capital Lease                                  | 132,468              | 409,606             | ( 66,953)               | 475,121              | 147,436                       |
| Compensated Absences                           | 249,269              | 215,291             | ( 99,708)               | 364,852              | 72,971                        |
| <b>Total business-type</b>                     | <u>\$ 16,550,518</u> | <u>\$ 624,897</u>   | <u>\$ ( 2,012,640)</u>  | <u>\$ 15,162,775</u> | <u>\$ 1,400,407</u>           |

### ***Bonds Payable***

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental activities. These instruments include general obligation bonds, certificates of obligation, and tax notes. These debt obligations are secured by primarily future property tax revenues. In some cases, these bonds are also secured by a pledge of net revenues from the utility system, emergency medical services and economic development sales taxes. However, the amount of the formal pledge is generally limited to \$1,000. Proprietary operating revenues for the year exceeded \$37.5 million and sales tax revenue was \$16.8 million.

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

In November 2020, the City issued General Obligation Refunding Bonds, Series 2020 in the amount of \$7,555,000. These bonds have interest rates ranging from 1.50% to 4.00% and will mature in February 2036. These bonds refunded the General Obligation Refunding Bonds, Series 2011 to provide net present value savings of \$1,777,441, including the City's cash contribution of \$174,800. The bonds are secured by the City's ad valorem tax revenue.

### ***Prior Year Refunding of Debt***

The City defeased certain outstanding bonds by placing proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. Accordingly, the respective trust accounts and liability for the defeased bonds are not included in the City's financial statements. As of September 30, 2021, the City does not have bonds considered defeased and outstanding.

A summary of the terms of long-term debt outstanding at September 30, 2021, is as follows:

|                                                 | Issue<br>Amount | Maturity | Rate         | Balance              |
|-------------------------------------------------|-----------------|----------|--------------|----------------------|
| <b><u>Governmental Activities</u></b>           |                 |          |              |                      |
| <b>General Obligation Bonds</b>                 |                 |          |              |                      |
| 2012 Series                                     | \$ 7,625,000    | 2032     | 2.00%        | 4,720,000            |
| 2014 Series, Refunding                          | 8,450,000       | 2030     | 2.0% - 4.0%  | 7,800,000            |
| 2015 Series, Refunding                          | 4,185,000       | 2031     | 2.0% - 3.25% | 1,140,000            |
| 2016 Series                                     | 5,880,000       | 2036     | 2.0% - 4.0%  | 4,595,000            |
| 2017 Series                                     | 3,935,000       | 2037     | 2.0% - 4.0%  | 3,335,000            |
| 2018 Series, Refunding                          | 5,830,000       | 2033     | 3.125% - 5%  | 4,625,000            |
| 2020 Series, Refunding                          | 7,555,000       | 2036     | 1.5% - 4%    | 7,555,000            |
| <b>Private Placement obligations</b>            |                 |          |              |                      |
| 2007 Series GO                                  | 6,000,000       | 2027     | 4.07%        | 2,265,000            |
| 2018 Series GO Refunding                        | 6,035,000       | 2028     | 2.12%        | 4,355,000            |
| 2015A Tax Notes                                 | 1,020,000       | 2023     | 1.54%        | 155,000              |
| <b>Certificates of Obligation</b>               |                 |          |              |                      |
| 2016 Series A                                   | 2,375,000       | 2036     | 2.0% - 4.0%  | 1,495,000            |
| 2016 Series B                                   | 1,475,000       | 2036     | 3.0% - 3.75% | 1,190,000            |
| 2017 Series                                     | 4,935,000       | 2037     | 3.0% - 3.75% | 3,825,000            |
| 2018 Series                                     | 4,845,000       | 2038     | 3.0% - 5.0%  | 4,180,000            |
| 2019 Series                                     | 4,015,000       | 2039     | 2.5% - 5%    | 3,510,000            |
| <b>Total Governmental Long-Term Obligations</b> |                 |          |              | <b>\$ 54,745,000</b> |

|                                                  | Issue<br>Amount | Maturity | Rate         | Balance              |
|--------------------------------------------------|-----------------|----------|--------------|----------------------|
| <b><u>Business-type Activities</u></b>           |                 |          |              |                      |
| <b>General Obligation Bonds</b>                  |                 |          |              |                      |
| 2018 Series, Refunding                           | 2,740,000       | 2026     | 3.125% - 5%  | \$ 2,055,000         |
| <b>Certificates of Obligation</b>                |                 |          |              |                      |
| 2013 Series                                      | 4,965,000       | 2033     | 2.0% - 4.0%  | 2,275,000            |
| 2017 Series                                      | 540,000         | 2022     | 3.0% - 3.75% | 115,000              |
| 2018 Series                                      | 5,595,000       | 2028     | 3.0% - 5.0%  | 5,040,000            |
| 2019 Series                                      | 3,480,000       | 2039     | 2.5% - 5%    | 3,225,000            |
| <b>Private Placement obligations</b>             |                 |          |              |                      |
| 2013 Series GO Refunding                         | 2,130,000       | 2025     | 2.58%        | 840,000              |
| <b>Total Business-Type Long-Term Obligations</b> |                 |          |              | <b>\$ 13,550,000</b> |

Annual future debt service requirements of bonded debt as of September 30, 2021, are as follows:

*Governmental activities:*

| Year Ended<br>September 30, | General Obligation Bonds |              |               | Certificates of Obligation |              |               |
|-----------------------------|--------------------------|--------------|---------------|----------------------------|--------------|---------------|
|                             | Principal                | Interest     | Total         | Principal                  | Interest     | Total         |
| 2022                        | \$ 2,655,000             | \$ 1,341,539 | \$ 3,996,539  | \$ 1,070,000               | \$ 472,219   | \$ 1,542,219  |
| 2023                        | 2,750,000                | 1,046,890    | 3,796,890     | 1,120,000                  | 432,319      | 1,552,319     |
| 2024                        | 2,850,000                | 970,158      | 3,820,158     | 1,010,000                  | 391,244      | 1,401,244     |
| 2025                        | 2,250,000                | 889,602      | 3,139,602     | 905,000                    | 352,719      | 1,257,719     |
| 2026                        | 2,340,000                | 808,430      | 3,148,430     | 825,000                    | 319,094      | 1,144,094     |
| 2027-2031                   | 14,020,000               | 2,619,068    | 16,639,068    | 3,630,000                  | 1,201,041    | 4,831,041     |
| 2032-2036                   | 6,645,000                | 597,699      | 7,242,699     | 4,245,000                  | 575,234      | 4,820,234     |
| 2037-2040                   | 260,000                  | 4,225        | 264,225       | 1,395,000                  | 49,616       | 1,444,616     |
| Total                       | \$ 33,770,000            | \$ 8,277,612 | \$ 42,047,612 | \$ 14,200,000              | \$ 3,793,485 | \$ 17,993,485 |

| Private Placement Debt      |                          |            |              |            |          |            |
|-----------------------------|--------------------------|------------|--------------|------------|----------|------------|
| Year Ended<br>September 30, | General Obligation Bonds |            |              | Tax Notes  |          |            |
|                             | Principal                | Interest   | Total        | Principal  | Interest | Total      |
| 2022                        | \$ 925,000               | \$ 171,392 | \$ 1,096,392 | \$ 155,000 | \$ 2,387 | \$ 157,387 |
| 2023                        | 950,000                  | 144,740    | 1,094,740    | -          | -        | -          |
| 2024                        | 980,000                  | 117,214    | 1,097,214    | -          | -        | -          |
| 2025                        | 1,010,000                | 88,758     | 1,098,758    | -          | -        | -          |
| 2026                        | 1,035,000                | 59,428     | 1,094,428    | -          | -        | -          |
| 2027-2028                   | 1,720,000                | 36,270     | 1,756,270    | -          | -        | -          |
| Total                       | \$ 6,620,000             | \$ 617,801 | \$ 7,237,801 | \$ 155,000 | \$ 2,387 | \$ 157,387 |

*Business-type activities:*

| Year Ended<br>September 30, | General Obligation Bonds |            |              | Certificates of Obligation |              |               |
|-----------------------------|--------------------------|------------|--------------|----------------------------|--------------|---------------|
|                             | Principal                | Interest   | Total        | Principal                  | Interest     | Total         |
| 2022                        | \$ 370,000               | \$ 93,500  | \$ 463,500   | \$ 605,000                 | \$ 378,775   | \$ 983,775    |
| 2023                        | 390,000                  | 74,500     | 464,500      | 510,000                    | 356,300      | 866,300       |
| 2024                        | 410,000                  | 54,500     | 464,500      | 530,000                    | 333,613      | 863,613       |
| 2025                        | 435,000                  | 33,375     | 468,375      | 550,000                    | 310,250      | 860,250       |
| 2026                        | 450,000                  | 11,250     | 461,250      | 580,000                    | 285,788      | 865,788       |
| 2027-2031                   | -                        | -          | -            | 3,280,000                  | 1,035,775    | 4,315,775     |
| 2032-2036                   | -                        | -          | -            | 3,160,000                  | 440,841      | 3,600,841     |
| 2037-2040                   | -                        | -          | -            | 1,440,000                  | 40,528       | 1,480,528     |
| Total                       | \$ 2,055,000             | \$ 267,125 | \$ 2,322,125 | \$ 10,655,000              | \$ 3,181,869 | \$ 13,836,869 |

| Private Placement Debt      |                          |           |            |           |          |       |
|-----------------------------|--------------------------|-----------|------------|-----------|----------|-------|
| Year Ended<br>September 30, | General Obligation Bonds |           |            | Tax Notes |          |       |
|                             | Principal                | Interest  | Total      | Principal | Interest | Total |
| 2022                        | \$ 205,000               | \$ 19,028 | \$ 224,028 | \$ -      | \$ -     | \$ -  |
| 2023                        | 205,000                  | 13,739    | 218,739    | -         | -        | -     |
| 2024                        | 215,000                  | 8,321     | 223,321    | -         | -        | -     |
| 2025                        | 215,000                  | 2,774     | 217,774    | -         | -        | -     |
| Total                       | \$ 840,000               | \$ 43,860 | \$ 883,860 | \$ -      | \$ -     | \$ -  |

## Capital Leases

The City enters into various lease agreements to finance machinery and equipment; they are classified as capital leases due to bargain-purchase options. Therefore, capital assets and a related capital lease obligation have been recorded at the present value of the future minimum lease payments at the inception date. The lease obligations are secured by the purchased equipment. The assets acquired through capital lease are reported in capital assets with the following accumulated depreciation at September 30, 2021:

|                                | Governmental<br>Activities | Business-type<br>Activities |
|--------------------------------|----------------------------|-----------------------------|
| Assets:                        |                            |                             |
| Equipment                      | \$ 136,535                 | \$ 742,573                  |
| Less: accumulated depreciation | ( 22,756)                  | ( 331,696)                  |
| Total                          | \$ 113,779                 | \$ 410,877                  |

Future minimum lease payments are as follows:

| Year Ending September 30,               | Governmental<br>Activities | Business-type<br>Activities |
|-----------------------------------------|----------------------------|-----------------------------|
| 2022                                    | \$ 27,307                  | \$ 147,796                  |
| 2023                                    | 27,307                     | 81,921                      |
| 2024                                    | 27,307                     | 81,921                      |
| 2025                                    | 27,307                     | 81,921                      |
| 2026                                    | 27,307                     | 81,922                      |
| Total payments                          | 136,535                    | 475,481                     |
| Less: amount representing interest      | -                          | ( 360)                      |
| Present value of minimum lease payments | \$ 136,535                 | \$ 475,121                  |

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

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

|                                   | Governmental<br>Activities | Business-type Activities |              | Totals        |
|-----------------------------------|----------------------------|--------------------------|--------------|---------------|
|                                   |                            | Water/<br>Sewer          | EMS          |               |
| Net pension liability             | \$ 11,352,654              | \$ 1,123,136             | \$ 2,499,350 | \$ 14,975,140 |
| Total OPEB liability:             |                            |                          |              |               |
| Due within one year:              |                            |                          |              |               |
| TMRS SDBF                         | \$ 3,194                   | \$ 316                   | \$ 703       | \$ 4,213      |
| Retiree health plan               | 48,897                     | 4,837                    | 10,765       | 64,499        |
| Total due within one year         | 52,091                     | 5,153                    | 11,468       | 68,712        |
| Due in within more than one year: |                            |                          |              |               |
| TMRS SDBF                         | 779,982                    | 77,165                   | 171,718      | 1,028,865     |
| Retiree health plan               | 1,820,999                  | 180,155                  | 400,903      | 2,402,057     |
| Total due in more than one year   | 2,600,981                  | 257,320                  | 572,621      | 3,430,922     |
| Total OPEB liability              | \$ 2,653,072               | \$ 262,473               | \$ 584,089   | \$ 3,499,634  |

|                     | Governmental<br>Activities | Business-type Activities |            | Totals       |
|---------------------|----------------------------|--------------------------|------------|--------------|
|                     |                            | Water/<br>Sewer          | EMS        |              |
| Pension expense     | \$ 2,203,776               | \$ 218,023               | \$ 485,174 | \$ 2,906,973 |
| OPEB expense:       |                            |                          |            |              |
| TMRS SDBF           | 71,476                     | 1,990                    | 40,710     | 114,176      |
| Retiree Health Plan | 121,849                    | ( 1,772)                 | 94,777     | 214,854      |
| Total OPEB expense  | \$ 193,325                 | \$ 218                   | \$ 135,487 | \$ 329,030   |

III. OTHER INFORMATION

A. Retirement Plan

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

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

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

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

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

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

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

|                                                                  |            |
|------------------------------------------------------------------|------------|
| Inactive employees or beneficiaries currently receiving benefits | 126        |
| Inactive employees entitled to but not yet receiving benefits    | 223        |
| Active employees                                                 | 354        |
| Total                                                            | <u>703</u> |

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.32% and 15.92% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$3,700,948 and were equal to the required contributions.

**Net Pension Liability.** The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The net pension liability is typically liquidated through the General Fund and Enterprise Funds.

## Actuarial Assumptions

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

| Asset Class           | Target Allocation | Long-Term Expected<br>Real Rate of Return<br>(Arithmetic) |
|-----------------------|-------------------|-----------------------------------------------------------|
| Core Fixed Income     | 10.00%            | 5.30%                                                     |
| Non-Core Fixed Income | 20.00%            | 1.25%                                                     |
| Global Public Equity  | 30.00%            | 4.14%                                                     |
| Real Estate           | 10.00%            | 3.85%                                                     |
| Real Return           | 10.00%            | 4.00%                                                     |
| Absolute Return       | 10.00%            | 3.48%                                                     |
| Private Equity        | <u>10.00%</u>     | 7.75%                                                     |
| Total                 | 100.0%            |                                                           |

### Discount Rate

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

The below schedule presents the changes in the Net Pension Liability as of December 31, 2020:

|                                                               | Increase (Decrease)     |                             |                       |
|---------------------------------------------------------------|-------------------------|-----------------------------|-----------------------|
|                                                               | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|                                                               | (a)                     | (b)                         | (a)-(b)               |
| Balance at 12/31/2019                                         | \$ 78,211,777           | \$ 62,639,563               | \$ 15,572,214         |
| Changes for the year:                                         |                         |                             |                       |
| Service cost                                                  | 3,761,994               | -                           | 3,761,994             |
| Interest                                                      | 5,326,206               | -                           | 5,326,206             |
| Difference between expected and actual experience             | ( 154,592)              | -                           | ( 154,592)            |
| Change in assumptions                                         | -                       | -                           | -                     |
| Contributions - employer                                      | -                       | 3,327,434                   | ( 3,327,434)          |
| Contributions - employee                                      | -                       | 1,474,466                   | ( 1,474,466)          |
| Net investment income                                         | -                       | 4,760,749                   | ( 4,760,749)          |
| Benefit payments, including refunds of employee contributions | ( 2,372,023)            | ( 2,372,023)                | -                     |
| Administrative expense                                        | -                       | ( 30,767)                   | 30,767                |
| Other changes                                                 | -                       | ( 1,200)                    | 1,200                 |
| Net changes                                                   | <u>6,561,585</u>        | <u>7,158,659</u>            | <u>( 597,074)</u>     |
| Balance at 12/31/2020                                         | <u>\$ 84,773,362</u>    | <u>\$ 69,798,222</u>        | <u>\$ 14,975,140</u>  |

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

|                       | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|-----------------------|--------------------------------------|-----------------------|--------------------------------------|
| Net pension liability | \$ 29,246,356                        | \$ 14,975,140         | \$ 3,486,611                         |

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions.** For the year ended September 30, 2021, the City recognized pension expense of \$2,906,973. Also, as of September 30, 2021, 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 | \$ 173,183                     | \$ 191,035                    |
| Changes in actuarial assumptions                            | 162,538                        |                               |
| Difference between projected and actual investment earnings | -                              | 1,775,342                     |
| Contributions subsequent to the measurement date            | <u>2,700,695</u>               | <u>-</u>                      |
| Total                                                       | <u>\$ 3,036,416</u>            | <u>\$ 1,966,377</u>           |

\$2,700,695 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| For the Year<br>Ended September 30, |      |            |
|-------------------------------------|------|------------|
| 2022                                | \$ ( | 530,825)   |
| 2023                                |      | 50,171     |
| 2024                                | (    | 1,016,088) |
| 2025                                | (    | 130,884)   |
| 2026                                | (    | 3,030)     |

## B. Other Post-Employment Benefits

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

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

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

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

**Benefits Provided.** The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

Membership in the plan at December 31, 2020, the valuation and measurement date, consisted of:

|                                                                  |            |
|------------------------------------------------------------------|------------|
| Inactive employees or beneficiaries currently receiving benefits | 98         |
| Inactive employees entitled to but not yet receiving benefits    | 65         |
| Active employees                                                 | 354        |
| Total                                                            | <u>517</u> |

**Contributions.** The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.13% for 2021 and 0.12% for 2020, of which 0.05% and 0.02%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the year ended September 30, 2021 were \$4,575 representing contributions for both active and retiree coverage, which equaled the required contributions each year.

**Total OPEB Liability.** The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and inputs:

|                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Measurement year ended December 31, | 2020                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Inflation rate                      | 2.50% per annum                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Discount rate                       | 2.00%                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Actuarial cost method               | Entry Age Normal Method                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Projected salary increases          | 3.50% to 11.5% including inflation                                                                                                                                                                                                                                                                                                                                                                                                         |
| Administrative expenses             | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.                                                                                                                                                                                                                                                                                                 |
| Mortality Rates - Service Retirees  | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational bases with scale UMP.                                                                                                                                                                                                                                                                                                                   |
| Mortality Rates - Disabled Retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor. |

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**Discount Rate.** The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.00% was used to measure the total OPEB liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2020.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.75%) in measuring the total OPEB liability.

|                          | 1% Decrease in<br>Discount Rate<br>(1.00%) | Discount Rate<br>(2.00%) | 1% Increase in<br>Discount Rate<br>(3.00%) |
|--------------------------|--------------------------------------------|--------------------------|--------------------------------------------|
| Total SDB OPEB Liability | \$ 1,306,428                               | \$ 1,033,078             | \$ 829,320                                 |

**Changes in the Total OPEB Liability.** Total City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2020, the measurement and actuarial valuation date, was calculated as follows:

|                                                               | Total OPEB<br>Liability |
|---------------------------------------------------------------|-------------------------|
| Balance at 12/31/2019                                         | \$ 810,086              |
| Changes for the year:                                         |                         |
| Service cost                                                  | 50,554                  |
| Interest                                                      | 22,915                  |
| Difference between expected and actual experience             | ( 4,382)                |
| Changes of assumptions or other inputs                        | 158,118                 |
| Benefit payments, including refunds of employee contributions | ( 4,213)                |
| Net changes                                                   | <u>222,992</u>          |
| Balance at 12/31/2020                                         | <u>\$ 1,033,078</u>     |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.71% to 2.00%.

**OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB.** For the year ended September 30, 2021, the City recognized OPEB expense of \$114,175. Also, as of September 30, 2021, the City reported deferred outflows and inflows of resources related to the TMRS OPEB from the following sources:

|                                                             | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|-------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 50,917                         | \$ 78,515                        |
| Changes in actuarial assumptions                            | 266,690                           | 31,884                           |
| Contributions subsequent to the measurement date            | <u>3,310</u>                      | <u>-</u>                         |
| Total                                                       | <u>\$ 320,917</u>                 | <u>\$ 110,399</u>                |

\$3,310 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to the TMRS OPEB will be recognized in OPEB expense in future periods as follows:

| For the Year<br>Ended September 30, |           |
|-------------------------------------|-----------|
| 2022                                | \$ 40,707 |
| 2023                                | 40,707    |
| 2024                                | 40,707    |
| 2025                                | 35,388    |
| 2026                                | 29,262    |
| Thereafter                          | 20,437    |

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

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

The City provides post-employment benefits for eligible participants enrolled in City-sponsored plans. The benefits are provided in the form of an implicit rate subsidy where the City contributes towards the retiree health premiums before achieving Medicare eligibility. While the Plan offers retiree only rates, a very small implicit liability still exists. Membership in the plan as of December 31, 2020, the valuation date, consisted of:

|                                                                  |            |
|------------------------------------------------------------------|------------|
| Inactive employees or beneficiaries currently receiving benefits | 8          |
| Inactive employees entitled to but not yet receiving benefits    | -          |
| Active employees                                                 | <u>332</u> |
| Total                                                            | <u>340</u> |

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

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

The City's Retiree Health OPEB Liability (TOL) as of December 31, 2020, was calculated as follows:

|                                                               | Total OPEB<br>Liability |
|---------------------------------------------------------------|-------------------------|
| Balance at 12/31/2019                                         | \$ 2,163,923            |
| Changes for the year:                                         |                         |
| Service cost                                                  | 141,084                 |
| Interest                                                      | 60,561                  |
| Difference between expected and actual experience             | 4,341                   |
| Changes of assumptions or other inputs                        | 161,146                 |
| Benefit payments, including refunds of employee contributions | ( 64,499)               |
| Net changes                                                   | <u>302,633</u>          |
| Balance at 12/31/2020                                         | \$ <u>2,466,556</u>     |

The actuarial valuation was performed as of December 31, 2019, and update procedures were used to roll forward the TOL to December 31, 2020. Changes of assumptions reflect a change in the discount rate from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020, revised TMRS demographic assumptions, and updates to both the health care trend and participation assumptions.

The following presents the TOL of the City, calculated using the discount rate of 2.00% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (1.00%) and 1-percentage point higher (3.00%) than the current rate:

|                                       | 1% Decrease in<br>Discount Rate<br>(1.00%) | Discount Rate<br>(2.00%) | 1% Increase in<br>Discount Rate<br>(3.00%) |
|---------------------------------------|--------------------------------------------|--------------------------|--------------------------------------------|
| Total OPEB liability - retiree health | \$ 2,697,077                               | \$ 2,466,556             | \$ 2,253,746                               |

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 or 1-percentage point higher than the current healthcare cost trends:

|                                       | 1% Decrease  | Current Healthcare Cost<br>Trend Rate Assumption | 1% Increase  |
|---------------------------------------|--------------|--------------------------------------------------|--------------|
| Total OPEB liability - retiree health | \$ 2,150,561 | \$ 2,466,556                                     | \$ 2,844,413 |

For the year ended September 30, 2021, the City recognized OPEB expense of \$214,856. Also, as of September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                             | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|-------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 14,419                         | \$ 272,039                       |
| Changes in actuarial assumptions                            | 420,846                           | 57,081                           |
| Contributions subsequent to the measurement date            | 61,254                            | -                                |
| Total                                                       | \$ <u>496,519</u>                 | \$ <u>329,120</u>                |

\$61,254 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to the City's Retiree Health OPEB will be recognized in OPEB expense as follows:

| For the Year<br>Ended September 30, |    |        |
|-------------------------------------|----|--------|
| 2022                                | \$ | 13,209 |
| 2023                                |    | 13,209 |
| 2024                                |    | 13,209 |
| 2025                                |    | 13,209 |
| 2026                                |    | 13,209 |
| Thereafter                          |    | 40,100 |

## C. **Joint Ventures**

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

The Schertz/Seguin Local Government Corporation is a public, nonprofit corporation organized to aid, assist, and act on behalf of the cities of Schertz and Seguin in acquiring, constructing, maintaining, and operating a water utility system. The participating governments have an ongoing financial responsibility to fund the operation of the corporation through either purchase of services or by subsidizing the operations. Payments to the corporation are generally for the purchase of water treatment and for covering the Corporation's debt service requirements; they are reflected as "operating expenses" in the water and sewer fund and totaled \$3,908,231 for the year ended September 30, 2021. Separate financial statements for the Schertz/Seguin Local Government Corporation may be obtained from the City of Seguin, 210 East Gonzales Street, Seguin, Texas 78156.

The City of Schertz is jointly liable, together with the City of Seguin, for operating deficits and long-term debt of the Schertz/Seguin Local Government Corporation. The Corporation had net revenue bonds outstanding in the amount of \$158,006,349 (as of September 30, 2020, the most recent year for which information is available) to provide funds to build, improve, extend, enlarge and repair the Corporation's utility system, fund a reserve, and pay the costs of bond issuance. The bond resolution pledges intergovernmental contract revenues from the cities of Schertz and Seguin (the participating governments) to bond holders. Under the intergovernmental water supply contract, the participating governments are unconditionally obligated to pay their respective shares of annual contract revenue bond debt service from the operation of their respective utility systems.

The organizing documents for the Corporation provide that, in the event of dissolution, the net assets of the Corporation will be equally divided among the Cities of Schertz and Seguin. As such, the City's net investment in the joint venture has been recorded in the Water and Sewer Fund in the amount of \$15,780,946. This amount reflects the City's portion of the net position of SSLGC as of September 30, 2020, the most recent fiscal year for which information is available.

### ***Cibolo Valley Local Government Corporation***

The Cibolo Valley Local Government Corporation (CVLGC) is a public nonprofit corporation incorporated in March 2012 to assist and act on behalf of the cities of Schertz and Cibolo to obtain additional water sources. The participating governments have an ongoing financial responsibility to fund the operation of the corporation through either purchase of services or by subsidizing the operations. Payments to the corporation are generally for the purchase of wastewater treatment and for covering the Corporation's debt service requirements; they are reflected as "operating expenses" in the water and sewer fund and totaled \$100,000 for the year ended September 30, 2021. Separate financial statements for the CVLGC may be obtained from the City of Seguin, 210 East Gonzales Street, Seguin, Texas 78156.

The City of Schertz is jointly liable, together with the City of Cibolo, for operating deficits and long-term debt of CVLGC. In the event of dissolution, the net assets of the Corporation will be equally divided among the Cities of Schertz and Cibolo. As such, the City's net investment in the joint venture has been recorded in the Water and Sewer Fund in the amount of \$960,720 as of September 30, 2021.

## **D. Commitments and Contingencies**

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

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

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to property tax base are being used to finance Zone improvements. The total projected cost is a combined figure of \$45,000,000. Project costs of the developer will be funded up to 100% of the tax increment generated by the City of Schertz, Bexar County, and San Antonio River Authority (SARA). The City of Schertz (combined with SARA) have committed up to \$32,877,000 of the total \$45,000,000. The Zone has a statutory termination date of December 31, 2027. The TIRZ has collected \$3,514,642 from taxing entities (net of administrative reimbursements) and remitted \$2,625,000 to the developer as of September 30, 2021.

### ***380 Agreements***

The Chapter 380 Incentive program, authorized by Chapter 380 of the Texas Local Government Code, enables the City of Schertz to provide grants or reimbursements from the City's general fund. To become eligible for Chapter 380 Incentives, projects must: create at least of \$100 million in new real and personal property; or generate at least \$35 million in gross sales that is subject to the collection of local sales and use tax. Businesses that have a 380 Incentive agreement with the City are eligible to receive a reimbursement of taxes paid for the year if they have met the requirements outlined in the agreement by a certain date each year. For the fiscal year ended September 30, 2021, the City reimbursed \$621,736 in property taxes paid.

### ***Economic Development Incentive Agreements***

The City of Schertz Economic Development Corporation (the SEDC) negotiates economic development incentive agreement on behalf of the SEDC and the City of Schertz (the City) on an individual basis. As of September 30, 2021, the City had nine active incentive agreements.

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

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

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

|                               | <u>FY 2020-21 Amt.</u> | <u>Est. Remaining Grant</u> |
|-------------------------------|------------------------|-----------------------------|
| City of Schertz - LGC 380.001 | \$ 99,784              | \$ 99,000                   |
| SEDC - LGC 501.101            | 224,384                | 192,150                     |
| SEDC - LGC 501.103            | -                      | 3,158,000                   |

### ***Service Concession Arrangement***

The City entered into an agreement with Young Men's Christian Association of Greater San Antonio ("YMCA"), under which YMCA will operate and collect user fees from the Natatorium and Outdoor Pools for the next 20 years. YMCA will pay the city \$100,000 annually over the course of the arrangement to cover costs of debt service related to the facility; the present value of these installment payments is estimated to be \$782,371. The City will approve the rates and services that YMCA will provide, however, YMCA will retain all revenues earned from the operation of the Natatorium. The YMCA will remit all revenues received from operating the Outdoor Pools to the City with the exception of revenues earned from YMCA specific programs. As of September 30, 2021, the Natatorium is still under construction and is reported by the City as Construction in Progress. The City reports the Outdoor Pools and related equipment as capital assets recorded at historical cost. The City reports a receivable in the amount of \$782,371 on the government-wide statements at year-end pursuant to the service concession arrangement, and a liability of \$475,410 for the present value of maintenance costs estimated over the life of the Service Concession arrangement. The balance of these two amounts is recorded as a deferred inflow of resources.

### ***Litigation***

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

### ***Cibolo Creek Municipal Authority***

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

Future debt service on the CCMA bonds are as follows:

| Year Ended<br>September 30, | Principal    | Interest     | Total        |
|-----------------------------|--------------|--------------|--------------|
| 2022                        | \$ 165,000   | \$ 247,750   | \$ 412,750   |
| 2023                        | 170,000      | 242,800      | 412,800      |
| 2024                        | 175,000      | 237,700      | 412,700      |
| 2025                        | 180,000      | 232,450      | 412,450      |
| 2026                        | 185,000      | 225,250      | 410,250      |
| 2027-2031                   | 1,050,000    | 1,008,450    | 2,058,450    |
| 2032-2036                   | 1,280,000    | 778,600      | 2,058,600    |
| 2037-2041                   | 1,610,000    | 445,650      | 2,055,650    |
| 2042-2044                   | 1,140,000    | 92,400       | 1,232,400    |
| Total                       | \$ 5,955,000 | \$ 3,511,050 | \$ 9,466,050 |

## Construction Commitments

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

| <i>Primary Government:</i>         | Estimated Project<br>Cost to City | Expended to<br>Date | Estimated Future<br>Commitment |
|------------------------------------|-----------------------------------|---------------------|--------------------------------|
| Governmental Activities:           |                                   |                     |                                |
| FM 78 and Main Street              | \$ 1,000,000                      | \$ 457,027          | \$ 542,973                     |
| Fire Station 3                     | 8,601,639                         | 8,601,639           | -                              |
| Pedestrian Routes Project          | 1,214,002                         | 1,214,002           | -                              |
| YMCA-Bathroom Reovation            | 549,746                           | 549,746             | -                              |
| Elbel Road Rehabilitation          | 1,783,000                         | 125,133             | 1,657,867                      |
| Total Governmental Commitments     | 13,148,387                        | 10,947,547          | 2,200,840                      |
| Business-Type Activities:          |                                   |                     |                                |
| Woman Hollering WasteWater         | 5,940,424                         | 1,227,281           | 4,713,143                      |
| Corbett Elevated Water Tank        | 5,500,000                         | 5,156,942           | 343,058                        |
| FM1103 Utility Relocation          | 1,351,645                         | 1,351,645           | -                              |
| Crest Oak Sewer Line               | 1,000,000                         | 16,555              | 983,445                        |
| Corbett Ground Storage             | 4,965,545                         | 114,254             | 4,851,291                      |
| Aviation Heights WL Replacement    | 2,185,484                         | 88,123              | 2,097,362                      |
| Transmission Main 16"              | 2,500,000                         | 417,795             | 2,082,205                      |
| FM1518 Utility Relocation          | 600,000                           | 410,081             | 189,919                        |
| Total Business-Type Activities     | 24,043,098                        | 8,782,675           | 15,260,423                     |
| Total Estimated Future Commitments | \$ 37,191,485                     | \$ 19,730,222       | \$ 17,461,263                  |

## Risk Management

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

## E. Subsequent Events

In October 2021, the City issued General Obligation Refunding Bonds, Series 2021 in the amount of \$6,015,000. These bonds have interest rates ranging from 2.00% and 3.00% and will mature in February 2028. These bonds will be used to refund the General Obligation Bonds, Series 2012 and the Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013 to provide a present value savings and are secured by the City's ad valorem tax revenue.

In January 2022, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 in the amount of \$9,390,000. These certificates have interest rates ranging from 2.125% and 3.00% and will mature in February 2032. These certificates will be used to fund multiple public improvement projects and are secured by the City's ad valorem tax revenue and utility system revenue.

## **F. New Accounting Standards**

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

Statement No. 87, *Leases* – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement will become effective for the City in fiscal year 2023.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF SCHERTZ, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

|                            | Original<br>Budget | Final<br>Budget   | Actual<br>Amounts | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|----------------------------|--------------------|-------------------|-------------------|---------------------------------------------------------|
| <b>REVENUES</b>            |                    |                   |                   |                                                         |
| Taxes                      | \$ 26,282,550      | \$ 26,282,550     | \$ 27,913,222     | \$ 1,630,672                                            |
| Permits and fees           | 1,824,110          | 1,824,110         | 1,593,382         | ( 230,728)                                              |
| Service fees               | 1,834,581          | 1,834,581         | 1,628,589         | ( 205,992)                                              |
| Fines and fees             | 904,028            | 904,028           | 637,638           | ( 266,390)                                              |
| Intergovernmental          | 1,127,550          | 1,127,550         | 1,623,282         | 495,732                                                 |
| Investment earnings        | 135,000            | 135,000           | 29,147            | ( 105,853)                                              |
| Miscellaneous              | 579,200            | 579,200           | 781,333           | 202,133                                                 |
| Total Revenues             | <u>32,687,019</u>  | <u>32,687,019</u> | <u>34,206,593</u> | <u>1,519,574</u>                                        |
| <b>EXPENDITURES</b>        |                    |                   |                   |                                                         |
| General government:        |                    |                   |                   |                                                         |
| Council                    | 134,488            | 134,988           | 105,990           | 28,998                                                  |
| City manager               | 1,276,356          | 1,279,134         | 1,249,953         | 29,181                                                  |
| Municipal court            | 367,740            | 368,465           | 343,557           | 24,908                                                  |
| 311 customer relations     | 113,869            | 115,869           | 115,149           | 720                                                     |
| Planning & zoning          | 696,149            | 664,403           | 220,518           | 443,885                                                 |
| Legal                      | 150,000            | 170,000           | 158,366           | 11,634                                                  |
| City secretary             | 208,840            | 211,340           | 204,992           | 6,348                                                   |
| Nondepartmental            | 1,974,475          | 1,627,428         | 1,831,744         | ( 204,316)                                              |
| Public affairs             | 628,421            | 639,026           | 603,791           | 35,235                                                  |
| Engineering                | 878,126            | 921,126           | 870,161           | 50,965                                                  |
| Citizens assistance        | 330,000            | 330,000           | 290,617           | 39,383                                                  |
| Special events             | 32,100             | 32,100            | 20,915            | 11,185                                                  |
| Total General Government   | <u>6,790,564</u>   | <u>6,493,879</u>  | <u>6,015,753</u>  | <u>478,126</u>                                          |
| Public safety:             |                    |                   |                   |                                                         |
| Police department          | 10,172,679         | 10,298,956        | 9,955,404         | 343,552                                                 |
| Fire department            | 6,150,356          | 6,684,628         | 6,696,315         | ( 11,687)                                               |
| Inspection                 | 1,023,497          | 1,024,222         | 974,333           | 49,889                                                  |
| Total Public Safety        | <u>17,346,532</u>  | <u>18,007,806</u> | <u>17,626,052</u> | <u>381,754</u>                                          |
| Public environment:        |                    |                   |                   |                                                         |
| Streets                    | 1,567,620          | 1,569,740         | 1,413,808         | 155,932                                                 |
| Total Public Environment   | <u>1,567,620</u>   | <u>1,569,740</u>  | <u>1,413,808</u>  | <u>155,932</u>                                          |
| Parks and recreation:      |                    |                   |                   |                                                         |
| Parks                      | 1,586,590          | 1,753,716         | 1,661,873         | 91,843                                                  |
| Pools                      | 569,878            | 569,878           | 536,674           | 33,204                                                  |
| Community/Civic Center     | 393,047            | 393,047           | 307,776           | 85,271                                                  |
| Total Parks and Recreation | <u>2,549,515</u>   | <u>2,716,641</u>  | <u>2,506,323</u>  | <u>210,318</u>                                          |
| Cultural:                  |                    |                   |                   |                                                         |
| Library                    | 1,062,442          | 1,074,255         | 1,040,276         | 33,979                                                  |
| Total Cultural             | <u>1,062,442</u>   | <u>1,074,255</u>  | <u>1,040,276</u>  | <u>33,979</u>                                           |

**CITY OF SCHERTZ, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

|                                          | Original<br>Budget       | Final<br>Budget          | Actual<br>Amounts        | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|------------------------------------------|--------------------------|--------------------------|--------------------------|---------------------------------------------------------|
| <b>EXPENDITURES (CONTINUED)</b>          |                          |                          |                          |                                                         |
| Administration:                          |                          |                          |                          |                                                         |
| Information technology                   | 2,637,316                | 2,638,646                | 2,517,578                | 121,068                                                 |
| Human resources                          | 717,584                  | 761,719                  | 666,390                  | 95,329                                                  |
| Finance                                  | 651,798                  | 693,967                  | 687,036                  | 6,931                                                   |
| Purchasing & asset management            | 243,431                  | 244,519                  | 247,912                  | ( 3,393)                                                |
| Building maintenance                     | 1,631,808                | 1,863,808                | 1,663,631                | 200,177                                                 |
| Fleet service                            | 1,061,752                | 1,083,597                | 1,025,477                | 58,120                                                  |
| Interfund charges                        | ( 2,893,732)             | ( 2,893,732)             | ( 2,893,814)             | 82                                                      |
| Total Administration                     | <u>4,049,957</u>         | <u>4,392,524</u>         | <u>3,914,210</u>         | <u>478,314</u>                                          |
| <br>Total Expenditures                   | <br><u>33,366,630</u>    | <br><u>34,254,845</u>    | <br><u>32,516,422</u>    | <br><u>1,738,423</u>                                    |
| <br>Excess of revenues over expenditures | <br>( 679,611)           | <br>( 1,567,826)         | <br>1,690,171            | <br>3,257,997                                           |
| <b>OTHER FINANCING SOURCES (USES)</b>    |                          |                          |                          |                                                         |
| Proceeds from capital lease              | -                        | -                        | 136,535                  | 136,535                                                 |
| Transfers in                             | 95,000                   | 95,000                   | -                        | ( 95,000)                                               |
| Transfers out                            | ( 592,050)               | ( 2,259,279)             | ( 2,317,117)             | ( 57,838)                                               |
| Total Other Financing Sources (Uses)     | <u>( 497,050)</u>        | <u>( 2,164,279)</u>      | <u>( 2,180,582)</u>      | <u>( 16,303)</u>                                        |
| <br><b>NET CHANGE IN FUND BALANCE</b>    | <br>( 1,176,661)         | <br>( 3,732,105)         | <br>( 490,411)           | <br>3,241,694                                           |
| <br><b>FUND BALANCE - BEGINNING</b>      | <br><u>16,968,978</u>    | <br><u>16,968,978</u>    | <br><u>16,968,978</u>    | <br><u>-</u>                                            |
| <br><b>FUND BALANCE - ENDING</b>         | <br><u>\$ 15,792,317</u> | <br><u>\$ 13,236,873</u> | <br><u>\$ 16,478,567</u> | <br><u>\$ 3,241,694</u>                                 |

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**CITY OF SCHERTZ, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

|                                       | Original<br>Budget   | Final<br>Budget      | Actual<br>Amounts    | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|----------------------|----------------------|----------------------|---------------------------------------------------------|
| <b>REVENUES</b>                       |                      |                      |                      |                                                         |
| Taxes                                 | \$ 4,507,371         | \$ 4,507,371         | \$ 5,615,928         | \$ 1,108,557                                            |
| Investment income                     | <u>141,000</u>       | <u>141,000</u>       | <u>56,144</u>        | <u>( 84,856)</u>                                        |
| Total Revenues                        | <u>4,648,371</u>     | <u>4,648,371</u>     | <u>5,672,072</u>     | <u>1,023,701</u>                                        |
| <b>EXPENDITURES</b>                   |                      |                      |                      |                                                         |
| Current:                              |                      |                      |                      |                                                         |
| General government                    | 3,521,830            | 3,521,330            | 306,025              | 3,215,305                                               |
| Administration                        | <u>572,969</u>       | <u>573,469</u>       | <u>528,442</u>       | <u>45,027</u>                                           |
| Total Expenditures                    | <u>4,094,799</u>     | <u>4,094,799</u>     | <u>834,467</u>       | <u>3,260,332</u>                                        |
| <b>OTHER FINANCING SOURCES (USES)</b> |                      |                      |                      |                                                         |
| Transfers out                         | ( 4,050,000)         | ( 4,050,000)         | ( 4,050,000)         | -                                                       |
| Total Other Financing Sources (Uses)  | <u>( 4,050,000)</u>  | <u>( 4,050,000)</u>  | <u>( 4,050,000)</u>  | <u>-</u>                                                |
| <b>NET CHANGE IN FUND BALANCE</b>     | <u>( 3,496,428)</u>  | <u>( 3,496,428)</u>  | <u>787,605</u>       | <u>4,284,033</u>                                        |
| <b>FUND BALANCE - BEGINNING</b>       | <u>21,018,626</u>    | <u>21,018,626</u>    | <u>21,018,626</u>    | <u>-</u>                                                |
| <b>FUND BALANCE - ENDING</b>          | <u>\$ 17,522,198</u> | <u>\$ 17,522,198</u> | <u>\$ 21,806,231</u> | <u>\$ 4,284,033</u>                                     |

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## **CITY OF SCHERTZ, TEXAS**

### **NOTES TO BUDGETARY SCHEDULES**

**SEPTEMBER 30, 2021**

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

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

For the fiscal year ended September 30, 2021, actual expenditures did not exceed budgeted expenditures at the fund level for any of the City's funds.

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

**CITY OF SCHERTZ, TEXAS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

| <b>Measurement Date December 31,</b>                              | <b>2020</b>          | <b>2019</b>          | <b>2018</b>          |
|-------------------------------------------------------------------|----------------------|----------------------|----------------------|
| <b>Total pension liability</b>                                    |                      |                      |                      |
| Service cost                                                      | \$ 3,761,994         | \$ 3,421,878         | \$ 3,301,265         |
| Interest on total pension liability                               | 5,326,206            | 4,898,478            | 4,505,483            |
| Difference between expected and actual experience                 | ( 154,592)           | ( 108,478)           | 34,393               |
| Change of assumptions                                             | -                    | 263,015              | -                    |
| Benefit payments/refunds of contributions                         | ( 2,372,023)         | ( 2,244,447)         | ( 1,914,159)         |
| Net Change in Total Pension Liability                             | 6,561,585            | 6,230,446            | 5,926,982            |
| Total Pension Liability, Beginning                                | <u>78,211,777</u>    | <u>71,981,331</u>    | <u>66,054,349</u>    |
| Total Pension Liability, Ending (a)                               | <u>\$ 84,773,362</u> | <u>\$ 78,211,777</u> | <u>\$ 71,981,331</u> |
| <b>Plan fiduciary net position</b>                                |                      |                      |                      |
| Contributions - employer                                          | \$ 3,327,434         | \$ 3,163,340         | \$ 3,033,936         |
| Contributions - employee                                          | 1,474,466            | 1,380,585            | 1,326,518            |
| Net investment income                                             | 4,760,749            | 8,093,416            | ( 1,540,890)         |
| Benefit payments/refunds of contributions                         | ( 2,372,023)         | ( 2,244,447)         | ( 1,914,159)         |
| Administrative expenses                                           | ( 30,767)            | ( 45,681)            | ( 29,768)            |
| Other                                                             | ( 1,200)             | ( 1,373)             | ( 1,554)             |
| Net Change in Fiduciary Position                                  | 7,158,659            | 10,345,840           | 874,083              |
| Fiduciary Net Position, Beginning                                 | <u>62,639,563</u>    | <u>52,293,723</u>    | <u>51,419,640</u>    |
| Fiduciary Net Position, Ending (b)                                | <u>69,798,222</u>    | <u>62,639,563</u>    | <u>52,293,723</u>    |
| <b>Net pension liability = (a)-(b)</b>                            | <u>\$ 14,975,140</u> | <u>\$ 15,572,214</u> | <u>\$ 19,687,608</u> |
| Fiduciary Net Position as a Percentage of Total Pension Liability | 82.34%               | 80.09%               | 72.65%               |
| Covered Payroll                                                   | \$ 21,063,794        | \$ 19,722,641        | \$ 18,896,766        |
| Net Pension Liability as a Percentage of Covered Payroll          | 71.09%               | 78.96%               | 104.19%              |

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

| <b>2017</b>                            | <b>2016</b>                            | <b>2015</b>                         | <b>2014</b>                            |
|----------------------------------------|----------------------------------------|-------------------------------------|----------------------------------------|
| \$ 3,073,538<br>4,111,517              | \$ 2,855,745<br>3,763,562              | \$ 2,724,337<br>3,556,428           | \$ 2,558,743<br>3,245,266              |
| 416,585<br>-                           | 139,216<br>-                           | 120,434<br>59,193                   | ( 122,286)<br>-                        |
| ( 1,843,774)                           | ( 1,581,272)                           | ( 1,570,211)                        | ( 1,068,487)                           |
| 5,757,866                              | 5,177,251                              | 4,890,181                           | 4,613,236                              |
| <u>60,296,483</u>                      | <u>55,119,232</u>                      | <u>50,229,051</u>                   | <u>45,615,815</u>                      |
| \$ <u>66,054,349</u>                   | \$ <u>60,296,483</u>                   | \$ <u>55,119,232</u>                | \$ <u>50,229,051</u>                   |
| \$ 2,793,644<br>1,232,232<br>5,999,805 | \$ 2,627,335<br>1,152,864<br>2,602,572 | \$ 2,542,565<br>1,095,260<br>53,742 | \$ 2,403,929<br>1,077,097<br>1,841,586 |
| ( 1,843,774)                           | ( 1,581,272)                           | ( 1,570,211)                        | ( 1,068,487)                           |
| ( 31,080)                              | ( 29,385)                              | ( 32,727)                           | ( 19,219)                              |
| ( 1,575)                               | ( 1,583)                               | ( 1,616)                            | ( 1,580)                               |
| 8,149,252                              | 4,770,531                              | 2,087,013                           | 4,233,326                              |
| <u>43,270,388</u>                      | <u>38,499,857</u>                      | <u>36,412,844</u>                   | <u>32,179,518</u>                      |
| <u>51,419,640</u>                      | <u>43,270,388</u>                      | <u>38,499,857</u>                   | <u>36,412,844</u>                      |
| \$ <u>14,634,709</u>                   | \$ <u>17,026,095</u>                   | \$ <u>16,619,375</u>                | \$ <u>13,816,207</u>                   |
| 77.84%                                 | 71.76%                                 | 69.85%                              | 72.49%                                 |
| \$ 17,603,310                          | \$ 16,478,620                          | \$ 15,648,114                       | \$ 15,389,154                          |
| 83.14%                                 | 103.32%                                | 106.21%                             | 89.78%                                 |

**CITY OF SCHERTZ, TEXAS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM**

**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

| <b>Fiscal Year Ended September 30,</b>                               | <b>2021</b>      | <b>2020</b>      | <b>2019</b>      |
|----------------------------------------------------------------------|------------------|------------------|------------------|
| Actuarially determined contribution                                  | \$ 3,700,948     | \$ 3,235,479     | \$ 3,129,413     |
| Contributions in relation to the actuarially determined contribution | <u>3,700,948</u> | <u>3,235,479</u> | <u>3,129,413</u> |
| Contribution deficiency (excess)                                     | -                | -                | -                |
| Covered payroll                                                      | 22,879,083       | 20,401,412       | 19,520,269       |
| Contributions as a percentage of covered payroll                     | 16.18%           | 15.86%           | 16.03%           |

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

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

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

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

|                               |                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial cost method         | Entry age normal                                                                                                                                                                                                                                                                                                                                       |
| Amortization method           | Level percentage of payroll, closed                                                                                                                                                                                                                                                                                                                    |
| Remaining amortization period | 25 years                                                                                                                                                                                                                                                                                                                                               |
| Asset valuation method        | 10 year smoothed market; 12% soft corridor                                                                                                                                                                                                                                                                                                             |
| Inflation                     | 2.5%                                                                                                                                                                                                                                                                                                                                                   |
| 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. |

| <b>2018</b>      | <b>2017</b>      | <b>2016</b>      | <b>2015</b>      |
|------------------|------------------|------------------|------------------|
| \$ 2,971,592     | \$ 2,756,511     | \$ 2,592,593     | \$ 2,487,856     |
| <u>2,971,592</u> | <u>2,756,511</u> | <u>2,592,593</u> | <u>2,487,856</u> |
| -                | -                | -                | -                |
| 18,605,654       | 17,347,849       | 16,175,988       | 15,486,735       |
| 15.97%           | 15.89%           | 16.03%           | 16.06%           |

# CITY OF SCHERTZ, TEXAS

## SCHEDULE OF CHANGES IN TMRS OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

| Measurement Date December 31,                                    | 2020          | 2019          | 2018          | 2017          |
|------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| <b>Total OPEB liability</b>                                      |               |               |               |               |
| Service cost                                                     | \$ 50,554     | \$ 33,528     | \$ 37,794     | \$ 29,926     |
| Interest on total OPEB liability                                 | 22,915        | 26,904        | 21,182        | 20,123        |
| Differences in actuarial experience                              | ( 4,382)      | ( 105,282)    | 86,276        | -             |
| Change of assumptions                                            | 158,118       | 148,494       | ( 54,027)     | 57,257        |
| Benefit payments                                                 | ( 4,213)      | ( 3,945)      | ( 3,779)      | ( 3,521)      |
| Net change in total OPEB liability                               | 222,992       | 99,699        | 87,446        | 103,785       |
| Total OPEB liability, beginning                                  | 810,086       | 710,387       | 622,941       | 519,156       |
| Total OPEB liability, ending (a)                                 | \$ 1,033,078  | \$ 810,086    | \$ 710,387    | \$ 622,941    |
| Covered-employee payroll                                         | \$ 21,063,794 | \$ 19,722,641 | \$ 18,896,766 | \$ 17,603,310 |
| Total OPEB liability as a percentage of covered-employee payroll | 4.90%         | 4.11%         | 3.76%         | 3.54%         |

Note: 10 years of data is required to be provided in this schedule. As of year-end, all years are not available. Additional years will be added in the future as the information becomes available.

### NOTES TO SCHEDULE

#### Valuation Date:

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

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

|                         |                                                                                                                                            |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation               | 2.50%                                                                                                                                      |
| Salary increases        | 3.50% to 11.50% including inflation                                                                                                        |
| Discount rate           | 2.00%                                                                                                                                      |
| 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 setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the 3% floor.

Other information      No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

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

# CITY OF SCHERTZ, TEXAS

## SCHEDULE OF CHANGES IN CITY RETIREE HEALTH OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

| Measurement Date December 31,                           | 2020                | 2019                | 2018                | 2017                |
|---------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total OPEB liability</b>                             |                     |                     |                     |                     |
| Service cost                                            | \$ 141,084          | \$ 125,648          | \$ 121,821          | \$ 107,517          |
| Interest on total OPEB liability                        | 60,561              | 78,646              | 67,947              | 69,435              |
| Difference in actuarial experience                      | 4,341               | ( 343,086)          | 14,962              | -                   |
| Change of assumptions                                   | 161,146             | 275,398             | ( 81,106)           | 96,092              |
| Benefit payments                                        | ( 64,499)           | ( 59,401)           | ( 57,530)           | ( 42,189)           |
| Net change in total OPEB liability                      | 302,633             | 77,205              | 66,094              | 230,855             |
| Total OPEB liability, beginning                         | <u>2,163,923</u>    | <u>2,086,718</u>    | <u>2,020,624</u>    | <u>1,789,769</u>    |
| Total OPEB liability, ending (a)                        | <u>\$ 2,466,556</u> | <u>\$ 2,163,923</u> | <u>\$ 2,086,718</u> | <u>\$ 2,020,624</u> |
| Covered payroll                                         | \$ 20,870,983       | \$ 19,521,924       | \$ 18,974,951       | \$ 16,068,891       |
| Total OPEB liability as a percentage of covered payroll | 11.82%              | 11.08%              | 11.00%              | 12.57%              |

Note: 10 years of data is required to be provided in this schedule. As of year-end, all years are not available. Additional years will be added in the future as the information becomes available.

### NOTES TO SCHEDULE

**Valuation Date:** December 31, 2020

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

|                         |                                                                                                                                                     |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial cost method   | Individual entry-age                                                                                                                                |
| Discount rate           | 2.00% as of December 31, 2020                                                                                                                       |
| Inflation               | 2.50%                                                                                                                                               |
| Salary increases        | 3.50% to 11.50% including inflation                                                                                                                 |
| Demographic assumptions | Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS). |

**Mortality** For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.

**Health care trend rates** Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years.

**Participation rates** For all non-Medicare retirees, 30% if retiring from age 50 to 59, and 35% if retiring from age 60 to 64.

**Other information** The discount rate changed from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020.

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