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

PRELIMINARY OFFICIAL STATEMENT
Dated: August 11, 2022

NEW ISSUE: Book-Entry-Only

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

In the opinion of Bond Counsel (defined below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Resolution (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" herein.)

$4,500,000*
SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2022A

Dated Date: September 1, 2022 **Due: February 1, as shown on inside cover**

Interest on the Schertz/Seguin Local Government Corporation Contract Revenue Improvement Bonds, Series 2022A (the "Bonds") accrues from the Delivery Date (defined below) and is payable initially on February 1, 2023 and on each August 1 and February 1 thereafter until stated maturity or prior redemption. Principal of the Bonds will be paid at stated maturity or prior redemption only upon presentation and surrender of the Bonds at the corporate trust office of the Paying Agent/Registrar, initially Zions Bancorporation, National Association, Houston, Texas. Proceeds from the sale of the Bonds will be used (i) for the purpose of acquiring, constructing, leasing, improving, enlarging, extending, repairing, maintaining and operating the Corporation's water utility system (the "System"), and (ii) for the payment of the costs of issuance relating to the Bonds. (See "PLAN OF FINANCING - Authorization and Purpose" herein.) The Bonds are issued in fully registered form in the denomination of $5,000 principal amount or any integral multiple thereof and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds will be available to purchasers only in book-entry form. For as long as Cede & Co. is the exclusive registered owner of the Bonds, the principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be responsible for making such payments to DTC Participants for subsequent remittance to owners of beneficial interest in the Bonds. Purchasers of the Bonds will not receive certificates evidencing their beneficial ownership therein. (See "BOOK-ENTRY-ONLY SYSTEM.")

The Bonds are special obligations of the Schertz/Seguin Local Government Corporation (the "Corporation" or the "Issuer") issued pursuant to Subchapter D of Chapter 431, as amended, Texas Transportation Code, Chapter 1201, as amended, Texas Government Code, Chapter 22, as amended, Texas Business Organization Code ("Chapter 22") and Chapter 552 as amended, Texas Local Government Code, and the resolution authorizing the issuance of the Bonds adopted on July 21, 2022 (the "Resolution"). As permitted by the provisions of Chapter 22, in the Resolution, the Corporation delegated the authority to certain Corporation officials (each an "Authorized Official") to execute an approval certificate (the "Approval Certificate") establishing the final terms of the sale for the Bonds.

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

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

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

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

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued, and received by the initial purchasers thereof (the "Underwriters") and subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Bond Counsel, Austin, Texas. Certain matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. Certain legal matters will be passed upon by the Attorney General of the State of Texas, the Corporation's General Counsel, the City Attorney for the City of Seguin, and the City Attorney for the City of Schertz. The Bonds are expected to be available for delivery to the Underwriters through the services of DTC on or about September 21, 2022 (the "Delivery Date").

ESTRADA HINOJOSA

* *Preliminary, subject to change.*

STATED MATURITY SCHEDULE

$4,500,000*
SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2022A

Cusip No. Prefix[(1)] 806643

Maturity Date (Feb. 1)	Principal Amount($)	Interest Rate (%)	Initial Yield (%)	Cusip No. Suffix[(1)]
2024	25,000			
2025	25,000			
2026	25,000			
2027	25,000			
2028	25,000			
2029	25,000			
2030	25,000			
2031	25,000			
2032	25,000			
2033	25,000			
2034	25,000			
2035	25,000			
2036	30,000			
2037	30,000			
2038	50,000			
2039	55,000			
2040	55,000			
2041	60,000			
2042	250,000			
2043	250,000			
2044	250,000			
2045	250,000			
2046	250,000			
2047	525,000			
2048	525,000			
2049	525,000			
2050	540,000			
2051	555,000			

(Accrued interest from the Delivery Date)

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

* *Preliminary, subject to change.*

(1) *CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FacSet Research Systems, Inc., on behalf of American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Corporation, the Cities, the Financial Advisor, or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.*

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

Board of Directors

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

Administration

Amber Briggs Beard*	General Manager

* *Ms. Beard has announced her departure from the Schertz/Seguin Local Government Corporation effective August 26, 2022. At an upcoming board meeting, the Board will consider action to begin the search for a new General Manager.*

CITY OF SCHERTZ, TEXAS

City Council

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

Administrative Officers

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

* *Mr. Brown has announced his retirement from the City effective November 30, 2022. A search for a new City Manager has commenced.*

CITY OF SEGUIN, TEXAS

City Council

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

Administrative Officers

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

CONSULTANTS AND ADVISORS

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

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

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

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

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

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

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

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

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

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

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SUMMARY STATEMENT

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

The Issuer

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

The Bonds

$4,500,000* Schertz/Seguin Local Government Corporation Contract Revenue Improvement Bonds, New Series 2022A, dated September 1, 2022, maturing serially on February 1 in each of the years 2024 through 2051, inclusive. Interest on the Bonds will be paid semiannually on February 1 and August 1, commencing February 1, 2023, until stated maturity or prior redemption. (See "THE BONDS - General Description.")

Purpose of Bonds

Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) for acquiring, constructing, leasing, improving, enlarging, extending, repairing, maintaining and operating the System and (ii) for the payment of the costs of issuance relating to the Bonds. (See "PLAN OF FINANCING - Authorization and Purpose" herein.)

Authority for Issuance

The Bonds are special obligations of the Corporation issued pursuant to the Act, Chapter 1201, as amended, Texas Government Code, Chapter 22, as amended, Texas Business Organization Code ("Chapter 22"), and Chapter 552, as amended, Texas Local Government Code, and the resolution authorizing the issuance of the Bonds adopted on July 21, 2022 (the "Resolution"). As permitted by the provisions of the Chapter 22, in the Resolution, the Corporation delegated the authority to certain Corporation officials (each an "Authorized Official") to execute an approval certificate (the "Approval Certificate") establishing the final terms of the sale for the Bonds.

Security

The Bonds are special obligations of the Corporation issued pursuant to the Resolution and are secured, together with the currently outstanding New Series Bonds, solely by a junior and inferior lien on and pledge of the Bond Payment portion of the Annual Payments to be received by the Corporation from the Cities pursuant to the Regional Water Supply Contract, dated as of November 15, 1999, as amended (the "Contract"), among the Corporation and the Cities, which is junior and inferior to the first and prior lien on and pledge of the Bond Payment portion of the Annual Payments made under the Contract that secure the repayment of the Corporation's outstanding Priority Bonds (defined herein) until such time as no Priority Bonds remain outstanding (at which point in time the junior lien on and pledge of the Bond Payment portion of the Annual Payments securing the repayment of the New Series Bonds will be elevated to a first and prior lien position). The Cities' payment obligations under the Contract are (i) payable as an operations and maintenance expense from the gross revenues of the Cities' Systems and (ii) several, and not joint, obligations of each City to pay such City's proportionate share of the Bond Payment portion of each Annual Payment. (See "THE BONDS – Security and Source of Payment", "THE BONDS - Defaults and Remedies," and "APPENDIX B - Financial Information Regarding the Cities' Systems.")

Redemption

The Bonds maturing on or after February 1, 20__, are redeemable, in whole or in part, at the option of the Corporation on any date on February 1, 20__, or any date thereafter, as described herein. In addition, if two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Resolution. (See "THE BONDS – Redemption Provisions.")

Rating

S&P Global Ratings ("S&P") has assigned its municipal bond rating of "__" to the Bonds with the understanding that concurrently with the delivery of the Bonds a municipal bond insurance policy will be issued by _____. S&P has assigned its underlying, unenhanced rating of "__" to the Bonds. See "RATING" herein.

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* *Preliminary, subject to change.*

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

Additional New Series Bonds; Inferior Obligations; Additional Obligations In the Resolution the Corporation reserves the right to issue Additional New Series Bonds without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise; however, in the Resolution of the Corporation's Board of Directors (the "Board") authorizing the issuance of the Bonds, the Board has covenanted to no longer issue Additional Priority Bonds secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payment. In addition to Additional New Series Bonds, the Corporation has reserved the right to issue additional obligations payable from a lien on and pledge of all or part of the Bond Payment portion of the Annual Payments, so long as such lien and pledge is subordinate to the lien thereon and pledge thereof securing the currently outstanding New Series Bonds, the Bonds and any Additional New Series Bonds from time to time issued by the Corporation. The Corporation has also reserved the right to issue Additional Obligations (defined herein), which are obligations of the Corporation secured by and payable from certain other Corporation revenues (but excluding the Bond Payment portion of the Annual Payments). The Corporation's issuance of any additional obligations is without limitation as to principal amount, but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE BONDS - Additional New Series Bonds; Inferior Lien Obligations; Additional Obligations.")

Book-Entry-Only System The Bonds are initially issuable only to Cede & Co., the nominee of DTC, pursuant to the book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of, premium if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Tax Matters In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and, "APPENDIX G - Form of Opinion of Bond Counsel" herein.)

Payment Record The Issuer has never defaulted on the payment of its bonded indebtedness.

Delivery When issued, anticipated on or about September 21, 2022.

Legality Delivery of the Bonds is subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Bond Counsel, Austin, Texas. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, for the Issuer by its General Counsel, for the City of Seguin by the City Attorney, and for the City of Schertz by the City Attorney.

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PRELIMINARY OFFICIAL STATEMENT
relating to

$4,500,000*
SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2022A

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the inside cover page and appendices hereto, provides certain information regarding the issuance by the Schertz/Seguin Local Government Corporation (the "Corporation" or the "Issuer") of its $4,500,000* Contract Revenue Improvement Bonds, New Series 2022A (the "Bonds"). Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the resolution (the "Resolution") authorizing the issuance of the Bonds adopted by the Corporation's Board of Directors (the "Board") on July 21, 2022, except as otherwise indicated herein. As permitted by the provisions of Chapter 22, Texas Business Organizations Code, as amended ("Chapter 22"), in the Resolution, the Corporation delegated the authority to certain Corporation officials (each an "Authorized Official") to execute an approval certificate (the "Approval Certificate") establishing the final terms of the sale for the Bonds. (See "SELECTED PROVISIONS OF THE RESOLUTION" attached hereto as APPENDIX F.)

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

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

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

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

Infectious Disease Outbreak – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. 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 Cities. 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) have 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.

* *Preliminary, subject to change.*

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19 or variants of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and limit the growth of or reduce the Issuer's collection of revenues from various sources. In addition, further or extended reductions in the value of stocks and other investments could impact employee retirement plans or other funds and could require actions by the State. The Corporation cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19, or variants of COVID-19, or a similar virus on the Corporation's operations or financial condition.

Legislative Response

On June 8, 2021, the Governor signed Senate Bill 3 ("SB 3") to address issues that arose during an historical winter weather event in February 2021 that impacted the entirety of the State (the 2021 Event). The new law requires weather emergency preparedness and the identification of critical public utilities facilities, including in the natural gas supply chain and electric utilities.

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

Water utilities are required to submit their emergency preparedness plan to the TCEQ by March 1, 2022. Implementation of emergency plans must begin by the later of July 1, 2022, or upon final approval by the TCEQ. The Corporation has submitted its SB3 Emergency Preparedness Plan to the TECQ. In addition, chlorine room replacement heaters and additional backup heat lamps for major outdoor valves have been purchased.

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

PLAN OF FINANCING

Authorization and Purpose

The Bonds are special obligations of the Corporation issued pursuant to the Act, Chapter 1201, as amended, Texas Government Code, Chapter 22, and Chapter 552, as amended, Texas Local Government Code, and the Resolution authorizing the issuance of the Bonds. Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) for acquiring, constructing, leasing, improving, enlarging, extending, repairing, maintaining and operating the System and (ii) for the payment of the costs of issuance relating to the Bonds.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources:
- Principal Amount of Bonds
- **Total Sources of Funds**

Uses:
- Deposit to Project Fund
- Issuance Expenses (includes bond insurance premium fee)
- Underwriters' Discount
- **Total Uses of Funds**

THE BONDS

General Description

The Bonds will be dated September 1, 2022 and will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof. The Bonds will bear interest from the Delivery Date. Interest will be paid semiannually on each February 1 and August 1, commencing February 1, 2023. Interest will accrue on the Bonds on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds will be issued as book-entry-only securities pursuant to arrangements made with The Depository Trust Company, New York, New York. (See "BOOK-ENTRY-ONLY SYSTEM.")

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

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

Legality

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

Establishment of Lien Securing New Series Bonds

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

Security and Source of Payment

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

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

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

Reserve Fund

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

Rate Covenant

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

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

Additional New Series Bonds; Inferior Lien Obligations; Additional Obligations

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

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

Redemption Provisions

The Corporation reserves the right, at its option, to redeem the Bonds maturing on and after February 1, 20__ in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on February 1, 20__ or any date thereafter, at the redemption price of par

plus accrued interest to the date fixed for redemption. If two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Resolution.

Selection of Bonds for Redemption

If less than all of the Bonds are redeemed within a stated maturity at any time, the Bonds to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of $5,000 within any stated maturity.

Notice of Redemption

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

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

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

Defeasance

The Resolution provides that any Bond will be deemed paid and will no longer be considered to be outstanding within the meaning of the Resolution when payment of principal of and interest on such Bond to its stated maturity or date of prior redemption has been made or provided for. Payment may be provided for by deposit of any combination of (1) money in an amount sufficient to make such payment and/or (2) Government Securities (defined herein). Any such deposit must be certified by an independent public accountant, the Corporation's Financial Advisor, or other qualified financial institution (as provided in the Resolution) to be of such maturities and interest payment dates and bear such interest as will, without reinvestment, be sufficient to make the payment to be provided for on the Bond. The Resolution provides that "Government Securities" means (A) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (B) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (C) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (D) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. Corporation officials may contractually limit the use of certain Government Securities as deemed appropriate in connection with the sale of the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (A) through (C) above), or any rating requirement thereon, that

may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the Corporation has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Resolution does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the Corporation to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under Texas law as permissible defeasance securities.

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

Amendments

The Corporation may amend the Resolution without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Corporation may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Resolution; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

Defaults and Remedies

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

Perfection of Security Interest for the New Series Bonds

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

Ownership of Bonds

The Corporation, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of principal and interest, and for all other purposes, whether or not such Bond is overdue, and neither the Corporation nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has

no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Future Registration

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

Record Date for Interest Payment

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

Limitation on Transfer of Bonds

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

Replacement of Bonds

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

BOND INSURANCE

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

BOND INSURANCE GENERAL RISKS

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

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

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Defaults and Remedies"). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Beneficial Owners.

Additionally, the Insurer's consent may be required in connection with amendments to the Resolution. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the

Corporation revenues described in "THE BONDS - Security and Source of Payment." In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

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

INVESTMENT CONSIDERATIONS

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

Several Not Joint Liability

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

Limited Bondholder Remedies

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

Permitting and Regulatory Matters

Gonzales County Well Field

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

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

The Corporation believes that State law requires that the production permits, not just the transportation permits, have a term of thirty years; however, as noted in the preceding paragraph (and pursuant to the GCUWCD's current rules), the Corporation's permits are subject to renewal every five years. In considering an application for renewal of a permit, the Corporation may be subjected to the imposition of additional limitations, including limitations on the amount of water that may be transferred under a permit, and conditions that may be difficult or expensive to satisfy. The rules of the GCUWCD also provide that the GCUWCD may revise or revoke a well production permit at any time if the GCUWCD finds that the well is causing unreasonable effects on existing groundwater and surface water resources or existing permit holders. In an effort to reduce the risk of adverse impacts upon existing permit holders, the Corporation

has entered into an agreement with the GCUWCD that establishes a "mitigation fund" funded by the Corporation and other persons who hold permits to transport water out of the GCUWCD from which the GCUWCD will mitigate adverse impacts upon wells located in western Gonzales County and used for domestic and irrigation purposes.

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

Guadalupe County Well Field

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

Well-fields in Other Groundwater Conservation Districts

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

THE CORPORATION

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

1. to aid, assist, and act on behalf of the Cities in acquiring, constructing, leasing, improving, enlarging, extending, repairing, maintaining and operating a water utility system (the "Project") pursuant to the provisions of Tex. Loc. Government Code § 552.001 *et seq.* ("Chapter 552") (previously codified as Chapter 402, Texas Local Government Code) and other applicable laws of the State;

2. to aid, assist and act on behalf of the Cities in accomplishing a governmental purpose of Schertz and Seguin in the provision of water for public use;

3. to engage in activities permitted under the laws of the State, including, but not limited to, Chapter 552 and to own and operate all property, real, personal, or mixed, and conduct such activities as are now or hereafter permitted under the laws of the State, including, but not limited to, Chapter 552 and as are convenient or necessary to the ownership, maintenance, and operation of the Project;

4. to receive, hold, administer, and disburse any money, securities, or other property which may be transferred to Corporation by gift, devise, bequest, or otherwise, for any of the uses or purposes set forth above, and to invest, lend, conserve, use, and disburse such money, securities, or other property, and the income derived therefrom, for the uses and purposes herein specified, in accordance with the judgment and discretion of the board of directors;

5. to purchase, exchange, contract for, lease, rent, and in any and all other ways acquire, take, own, improve, and hold, and to sell, convey, mortgage, lease, rent to others, or otherwise dispose of real estate, improvements in real estate, interests in real estate, and personal property of every kind, character, and description;

6. to borrow money or raise money and to issue notes, bills, bonds and other obligations and to mortgage, pledge, hypothecate, or otherwise encumber any and all of the revenues and assets of the Corporation as security therefor for the purpose of carrying out the goals of the Corporation; and

7. to do any and all things necessary or convenient to the accomplishment of any of the purposes or for the exercise of any of the powers herein set forth, whether herein specified or not, either alone or in connection with other firms, individuals, or corporations, whether in the State or throughout the United States, and elsewhere.

SELECTED PROVISIONS OF THE CONTRACT

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

Selected Definitions and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

"Overhead Expenses" means the Corporation's reasonable and necessary costs and expenses incurred at any time directly related to the issuance and servicing of the Bonds, the acquisition of Land Interests required for the Project, the design, permitting, financing, acquisition, construction, and ownership of the Project and any other activities required of or involving the Corporation in connection with or attributable to the Project or the Bonds, including, but not limited to: (a) per diem and reimbursable expenses incurred by the Directors of the Corporation for special meetings of the Corporation's Board of Directors related to the Project; (b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Corporation, other than Corporation

staff personnel, together with their reimbursable expenses paid or required to be paid by the Corporation; (c) salaries of the Corporation's staff attributable to the Project or the Bonds based on time expended, as documented or reasonably estimated by the President, Board of Directors of the Corporation; (d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Project or the Bonds from the regulatory authorities having jurisdiction; (e) the cost of property casualty and public liability insurance incurred prior to the Completion Date; including any insurance deductible charged to or required to be paid by the Corporation; provided that if the Corporation is unable to obtain such insurance on an occurrence basis, then any expense incurred by the Corporation from and after the Completion Date for casualty and public liability insurance, including any insurance deductible, shall be paid by the Cities; (f) all costs incurred in litigation involving or relating to the Project; and (g) any and all other costs and expenses, including out-of-pocket expenses, incurred by the Corporation attributable to the Project or the Bonds, whether enumerated above or not, and whether or not included in the definition or as a part of Project Costs.

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

"State" means the State of Texas.

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

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

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

Acquisition and Construction of the Project

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

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

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

Financing of the Project

Issuance of Bonds.

(a) The Corporation's acquisition and construction of the Project and improvements to the Project were initially financed by the Corporation through the issuance of the Priority Bonds payable from and secured, in part, by an assignment of the Annual Payments made under the Contract. In consideration of the covenants and agreements set forth in the Contract, and to enable the Corporation to issue its bonds ("Corporation Bonds") to carry out the intents and purposes hereof, the Contract is executed to assure the issuance of the Corporation Bonds and to provide for and guarantee the due and punctual payment by the Cities to the Corporation, or to the Trustee under the trust indenture (or paying agent/registrar agreement) securing the Corporation Bonds, of amounts not less than the Annual Payments. Each of the Cities hereby agrees to make, or cause to be made, its proportionate share of each Annual Payment, as and when due, for the benefit of the owners of the Corporation Bonds, as provided in the Corporation Bonds and the Bond

Resolution. The proportionate share of each Annual Payment shall be determined on a several and not a joint basis, as follows: Schertz 50% and Seguin 50%.

(b) The proceeds from the sale of the Priority Bonds were used for the payment of the Project Costs.

(c) (1) Each Bond Resolution of the Corporation shall specify the maximum principal amount of the Corporation Bonds to be issued thereunder. The Corporation Bonds shall mature not more than forty (40) years from the date of such Corporation Bonds and shall bear interest at not to exceed the maximum legal rate then permitted by law, and the Bond Resolution may create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and any other funds deemed prudent by the Corporation, all in the manner and amounts as provided in such Bond Resolution.

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

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

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

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

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

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

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

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

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

(2) deposits required to be made to any special, contingency, or reserve fund by the provisions of any Bond Resolution; and

(3) any deposit in addition thereto required to restore any deficiency in any of such funds by the provisions of any Bond Resolution,

(b) amounts payable by the Corporation under a Credit Agreement; and

(c) the fees, expenses, and indemnities (to the extent permitted by law) of the remarketing agent, rate setting agent, authentication agent, arbitrage rebate compliance firm, and tender agent, if any, for the Corporation Bonds.

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

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

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

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

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

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

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

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

Annual Payments, City Covenants

Annual Payments by the Cities.

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

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

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

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

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

Source of Payment.

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

Systems. Each of the Cities further represents that the Governing Bodies of the Cities have determined that the services to be provided by the Project are absolutely necessary and essential to provide the water to the Cities.

(b) Each of the Cities agrees throughout the term of the Contract to fix and collect such rates and charges for services to be supplied by the Cities' Systems as will produce gross revenues at all times during the term of the Contract in an amount at least equal to (i) all of the expenses of operation and maintenance of the Cities' Systems, including specifically their payments under the Contract and (ii) all other amounts as required by law and the provisions of the ordinances or resolutions authorizing the Cities Utility Bonds or other obligations now or hereafter outstanding payable, in whole or in part, from the net revenues of the Cities' Systems, including the amounts required to pay all principal of and interest on such Cities Utility Bonds and other obligations.

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

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

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

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

General Provisions

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

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

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

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

Term of Contract. The Contract shall be effective from and after its date, and the Contract shall continue in force and effect until the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution and thereafter continue in force and effect during the entire useful life of the Project. When the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Corporation Bonds has been made in accordance with the terms of the Bond Resolution and all amounts owed to the Corporation, the Trustee, or any other person hereunder have been paid, all money held by the Trustee or the Corporation pursuant to the terms of the Bond Resolution shall be paid to the Corporation. Upon the termination of the Contract, the Corporation will charge each of the Cities a per gallonage charge (or other published rate) for water delivered to the Cities in accordance with the Corporation's then existing rate schedule.

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

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

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

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

PROJECT DESCRIPTION

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

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

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

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

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

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

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

INVESTMENTS

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

Legal Investments

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

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

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

Investment Policies

Under State law, the Corporation is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The Corporation is required to adopt a written investment strategy for each fund group to

achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the Corporation's investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." The Corporation is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments*

As of June 30, 2022, the following percentages of the Corporation's investable funds were invested as indicated below:

Category of Investments	Amount	Percentage	Term of Investments
Depository Bank	$ 2,214,752	3.78%	Daily Liquidity
Money Market Funds	10,980,335	18.74%	Daily Liquidity
Investment Pools	45,394,115	77.48%	Daily Liquidity
	$58,589,202	100.00%	

* *Unaudited.*

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

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) 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 G. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

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

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

Tax Changes

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

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, 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 purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Bonds

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

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

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

Tax Accounting Treatment of Premium on Certain Bonds

The initial public offering price to be paid for certain Bonds (the "Premium Bonds") may be greater than the stated redemption price on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond 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 Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution and in the Contract, the Corporation and the Cities (collectively, the "Obligated Parties"), respectively, have made the following agreements for the benefit of the holders and beneficial owners of the Bonds. The Obligated Parties are required to observe the agreements for so long as they remain obligated to advance funds to pay the Bonds. Under the agreements, the Obligated Parties will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system through an internet website accessible at www.emma.msrb.org.

Annual Reports

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

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

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

Material Event Notices

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

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

Availability of Information

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

With respect to debt of the Corporation issued prior to the EMMA Effective Date, the Obligated Parties remain obligated to make annual required filings, as well as notices of specified events filed by the Corporation, under the continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information repository (the "SID"). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State

and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC has entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the Obligated Parties receive notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the Obligated Parties have determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

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

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

RATING

S&P Global Ratings ("S&P") has assigned a rating of "__" to the Bonds with the understanding that concurrently with the delivery of the Bonds a municipal bond insurance policy will be issued by _____. See "BOND INSURANCE" herein. The Corporation received from S&P an underlying, unenhanced rating of "__" to the Bonds.

An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the view of such company at the time the rating is given, and the City makes no representation as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

OTHER INFORMATION

Litigation

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

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

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

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

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

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

Environmental Regulations

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

Legal Matters

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

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

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

Legal Investments in Texas

Section 1201.041, Texas Government Code (the "Public Security Procedures Act"), provides that the Bonds are negotiable instruments, investment securities to which Chapter 8, Texas Uniform Commercial Code applies, and legal and authorized investments for insurance companies, for fiduciaries or trustees and for a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. Texas law further provides that the Bonds are eligible to secure deposits of any public funds of the state, its agencies or political subdivisions and are lawful and sufficient security for those deposits to the extent of their market value. For political subdivisions in the State which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities act of any other jurisdiction. The Corporation and the Cities assume no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

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

Financial Advisor

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the City of Schertz, the City of Seguin and the Corporation to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Corporation or the Cities to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and the sale of the Bonds.

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

Underwriting

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to $_____ (representing the par amount of the Bonds of $_____, plus a [net] reoffering premium of $_____, less an Underwriters' discount of $_____) and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

FORWARD LOOKING STATEMENTS

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

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

CONCLUDING STATEMENT

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

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

MISCELLANEOUS

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

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

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

_____

President
Board of Directors

ATTEST:

_____

Secretary
Board of Directors

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APPENDIX A

Financial Information Regarding the
Schertz/Seguin Local Government Corporation

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APPENDIX A

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

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

Corporation's Debt Statement[1]
(As of August 15, 2022)

Priority Bonds	
Contract Revenue Bonds, Series 2001	$ 10,000,000
New Series Bonds	
Contract Revenue Improvement and Refunding Bonds, New Series 2015	860,000
Contract Revenue Bonds, New Series 2016	38,660,000[2]
Texas Water Development Board Participation Loan, Series 2016	22,830,000
Contract Revenue Refunding Bonds, New Series 2018	17,425,000
Contract Revenue Refunding Bonds, Taxable New Series 2022	39,150,000
Contract Revenue Improvement Bonds, New Series 2022A	4,500,000[1]
Total Bonds Outstanding	133,425,000
Contract Revenue Refunding Bonds, Series 2019 (San Antonio Water System Expansion Water Treatment Project 2)	18,285,000
Total Bonds Outstanding	$151,710,000[1]

[1] *Preliminary, subject to change.*
[2] *"See - Project Description for a discussion of the Cost Allocation Agreement related to the New Series 2016 Bonds."*

The Corporation has issued revenue bonds, currently outstanding in the amount of $151,710,000 to provide funds to build, improve, extend, enlarge and repair the Corporation's utility system, fund a reserve, and pay the costs of bond issuance (or to refund previously issued bonds). The bond resolutions relating to $133,425,000[1] in outstanding Bonds pledge intergovernmental contract revenues from the Cities of Schertz and Seguin (the participating governments) to bond holders. Under the intergovernmental water supply contract, the Cities of Schertz and Seguin are unconditionally obligated to pay their respective shares of annual contract revenue bond debt service on Priority Bonds and certain other amounts as operating expenses from their respective utility systems. Contributions to the Corporation are reflected as "Nonoperating Expenses" in the Utility Enterprise Fund. The Bonds represent the sixth series of junior lien obligations and, as such, are designated as "New Series Bonds." The bond resolution relating to Series 2019 issue, currently outstanding in the amount of $18,285,000, pledges revenues to be paid by the City of San Antonio, Texas, acting by and through the San Antonio Water System ("SAWS"), to the Corporation pursuant to the Mutual Regional Water Supply Contract.

[1] *Preliminary, subject to change. Includes the Bonds.*

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Comparative State of Net Position

The City of Seguin is severally liable, together with the City of Schertz, Texas for operating deficits and long-term debt of the Corporation. Following is a summary of financial data as reported in the Corporation's audited financial statement dated September 30, 2021:

Assets	2021	2020
Current Assets:		
Cash and Cash Equivalents	$21,368,136	$14,103,879
Accounts Receivable	1,405,369	1,871,176
Notes Receivable – Current	-	-
Other Receivables	6,625	79,763
Inventory	80,980	80,980
Total Current Assets	$22,861,110	$16,135,798
Restricted Assets:		
Cash and Cash Equivalents	60,687,769	74,306,769
Total Restricted Assets	60,687,769	74,306,769
Property, Plant & Equipment:		
Land	19,254,028	19,248,307
Water Distribution System	100,351,880	100,041,108
Building & Improvements	1,7703,377	1,703,377
Equipment & Vehicles	690,214	649,954
System Expansion - Projects in Progress	16,300,233	3,968,782
Accumulated Depreciation	(30,212,794)	(27,458,980)
Net Property, Plant & Equipment	108,086,938	98,152,548
Total Other Assets	-	-
Total Assets	191,635,817	188,595,115
Deferred Outflows of Resources		
Deferred Charge on Refunding	2,608,516	2,781,377
Total Deferred Outflows of Resources	2,608,516	2,781,377
Liabilities		
Current Liabilities:		
Accounts Payable – Trade	497,547	860,344
Accounts Payable - Construction	4,123,833	-
Accrued Interest Payable	825,430	855,944
unearned Revenue	91,520	91,963
Current Portion of Revenue Bonds	3,895,000	3,780,000
Total Current Liabilities	9,433,330	5,588,251
Revenue Bonds Payable	150,094,421	154,226,349
Total Liabilities	159,527,751	159,814,600
Net Position:		
Invested in Capital Assets, Net of Related Debt	9,044,360	6,117,596
Restricted:		
Debt Service	1,630,699	1,454,888
Repairs and Replacement	500,000	500,000
Impact Fees	5,503,898	5,860,000
Unrestricted	18,037,625	17,628,831
Total Net Position	$ 34,716,582	$ 31,561,892

Schertz/Seguin Local Government Corporation
Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021	2020
Operating Revenue		
Water Usage Fees	$18,402,842	$18,284,415
Rents, Royalties & Leases	355,088	391,255
Impact Fees	609,029	683,719
Management Services Provided	-	50,000
Miscellaneous Fees	160,546	89,789
Total Operating Revenues	$19,617,505	$19,499,178
Operating Expenses		
Operations & Maintenance:		
Personnel Costs	1,302,635	1,141,382
Professional Services	422,612	289,678
Technical Services	405,624	331,491
Utilities	2,328,952	1,620,001
Repairs and Maintenance	975,276	781,600
General Supplies	536,726	597,115
Insurance	127,415	126,287
Other Operating Costs	89,714	61,420
Total Operations & Maintenance	6,188,954	4,948,974
Other Operating Expenses:		
Amortization of Lease Acquisition Costs	-	-
Annual Lease Payments - Water Rights	2,685,536	2,630,257
Depreciation	2,785,241	2,531,455
Total Other Operating Expenses	5,470,777	5,161,712
Total Operating Expenses	11,659,831	10,110,686
Operating Income (Loss)	7,957,674	9,388,492
Nonoperating Revenues (Expenses):		
Interest Income	32,848	810,812
Gains on Sale of Assets	14,895	-
Interest Expense and Fiscal Fees	(4,850,727)	(4,658,091)
Bond Insurance Costs	-	(357,683)
Total Nonoperating Revenues (Expenses)	(4,802,984)	(4,204,962)
Change in Net Position	3,154,690	5,183,530
Net Position - Beginning of Year	31,561,892	26,378,362
Net Position - End of Year	$34,716,582	$31,561,892

Source: The Corporation's audited financial statements.

Schertz/Seguin Local Government Corporation Debt Service

FISCAL YEAR 30-Sep	EXISTING PRIORITY LIEN DEBT SERVICE	EXISTING JUNIOR LIEN DEBT SERVICE	NEW SERIES 2022A BONDS* PRINCIPAL	INTEREST	TOTAL	TOTAL JUNIOR LIEN DEBT SERVICE*	TOTAL COMBINED DEBT SERVICE*
2023	$ 520,000	$ 6,867,033		$ 247,500	$ 247,500	$ 7,114,533	$ 7,634,533
2024	520,000	6,987,794	$ 25,000	246,813	271,813	7,259,607	7,779,607
2025	520,000	7,111,886	25,000	245,438	270,438	7,382,324	7,902,324
2026	520,000	7,356,316	25,000	244,063	269,063	7,625,379	8,145,379
2027	520,000	7,471,627	25,000	242,688	267,688	7,739,315	8,259,315
2028	520,000	7,474,566	25,000	241,313	266,313	7,740,879	8,260,879
2029	520,000	7,860,014	25,000	239,938	264,938	8,124,952	8,644,952
2030	520,000	8,234,401	25,000	238,563	263,563	8,497,964	9,017,964
2031	2,268,330	6,493,008	25,000	237,188	262,188	6,755,196	9,023,526
2032	2,272,390	6,498,052	25,000	235,813	260,813	6,758,865	9,031,255
2033	2,271,250	6,498,837	25,000	234,438	259,438	6,758,275	9,029,525
2034	2,269,780	6,500,034	25,000	233,063	258,063	6,758,097	9,027,877
2035	2,272,590	6,795,614	25,000	231,688	256,688	7,052,302	9,324,892
2036		9,061,185	30,000	230,175	260,175	9,321,360	9,321,360
2037		9,089,470	30,000	228,525	258,525	9,347,995	9,347,995
2038		9,094,874	50,000	226,325	276,325	9,371,199	9,371,199
2039		9,094,071	55,000	223,438	278,438	9,372,509	9,372,509
2040		9,097,251	55,000	220,413	275,413	9,372,664	9,372,664
2041		9,091,372	60,000	217,250	277,250	9,368,622	9,368,622
2042		4,457,494	250,000	208,725	458,725	4,916,219	4,916,219
2043		4,451,126	250,000	194,975	444,975	4,896,101	4,896,101
2044		4,440,845	250,000	181,225	431,225	4,872,070	4,872,070
2045		4,131,833	250,000	167,475	417,475	4,549,308	4,549,308
2046		4,124,178	250,000	153,725	403,725	4,527,903	4,527,903
2047		1,912,522	525,000	132,413	657,413	2,569,935	2,569,935
2048		1,910,063	525,000	103,538	628,538	2,538,601	2,538,601
2049		1,905,635	525,000	74,663	599,663	2,505,298	2,505,298
2050		1,904,238	540,000	45,375	585,375	2,489,613	2,489,613
2051		1,900,693	555,000	15,263	570,263	2,470,956	2,470,956
	$15,514,340	$177,816,032	$4,500,000	$5,742,009	$10,242,009	$188,058,041	$203,572,381

* *Preliminary, subject to change.*

APPENDIX B

Financial Information Regarding the Cities' Systems

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APPENDIX B

CITY OF SCHERTZ, TEXAS

The City

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

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

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

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

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

Utility System Operating Statement

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

	Fiscal Year Ended				
	9/30/21	9/30/20	9/30/19	9/30/18	9/30/17
Revenues	$28,394,433	$30,284,539	$28,311,457	$28,016,064	$25,955,276
Expenses*	18,323,015	21,190,967	22,620,644	20,802,263	18,697,162
Net Revenue Available for Debt Service	$10,071,418	$ 9,093,572 *	$ 5,690,813	$7,213,801	$7,258,114
Customer Count:					
Water	15,861	15,471	15,020	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.
** Expenditures exclude depreciation and include the following contractual payments:*

	9/30/21	9/30/20	9/30/19	9/30/18	9/30/17
Cibolo Creek Municipal Authority		$ 717,400	$ 577,775	$ 410,650	$ 413,650
Schertz/Seguin LGC	3,908,631	3,892,799	2,906,068	2,906,068	2,242,314
Cibolo Valley LGC		100,000	480,000	300,000	300,000

Water System

The City's primary water source is from the Carrizo Aquifer which is pumped and treated by the Schertz/Seguin Local Government Corporation ("SSLGC" or the "Corporation). SSLGC has water leases totaling 19,363 acre feet and leases 840 acre feet to Springs Hill and of the remainder 50% are dedicated to the City of Schertz. The City's water system has ten water storage tanks which can hold 16,500,000 gallons. The city maintains 231.42 miles of water lines. Schertz's total water usage for fiscal year September 30, 2020 was 2,139,526,000 gallons.

Schertz's secondary source of water is a lease from the Edwards Aquifer Authority for 1,768 acre-feet (or 576,104,568 gallons) per year. Of this amount, 120 acre feet is leased for irrigation for City parks. The water is utilized when the Schertz utility system water demand is at peak levels. Schertz has 2 wells which can produce up to 4,180,000 gallons per day from the Edwards Aquifer. Although the City still maintains its permits (and ownership) to draw water from the Edwards Aquifer, for fiscal year ending September 30, 2021 the City obtained 99% of its water from the Schertz/Seguin Local Government Corporation.

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

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

Water Rates
(New Rates Effective 2021)

GALLONS SOLD BY METER SIZE (RESIDENTIAL AND SMALL COMMERCIAL)

		Inside City		Outside City	
Meter	Block Gallons	Block Rate	Rate 1000	Block Rate	Rate 1000
5/8 IN	0	$ 24.61	$ 3.04	$ 24.61	$ 3.04
CODE 1	6,000	42.85	3.40	42.85	3.40
	12,000	63.25	3.98	63.25	3.98
	18,000	87.13	4.86	87.13	4.86
	30,000	145.45	6.17	145.45	6.17
3/4 IN	0	36.89	3.04	36.89	3.04
CODE 2	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	0	61.49	3.04	61.49	3.04
CODE 3	6,000	79.73	3.40	79.73	3.40
	12,000	100.13	3.98	100.13	3.98
	18,000	124.01	4.86	124.01	4.86
	30,000	182.33	6.17	182.33	6.17
1 1/2 IN	0	122.99	3.04	122.99	3.04
CODE 4	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	0	196.78	3.04	196.78	3.04
SIMPLE	6,000	215.02	3.40	215.02	3.40
COMPOUND	12,000	235.42	3.98	235.42	3.98
CODE 5	18,000	259.30	4.86	259.30	4.86
	30,000	317.62	6.17	317.62	6.17

Meter	Block Gallons	Inside City Block Rate	Inside City Rate 1000	Outside City Block Rate	Outside City Rate 1000
2 IN	0	$196.78	$ 3.04	$196.78	$ 3.04
SIMPLE	6,000	215.02	3.40	215.02	3.40
COMPOUND	12,000	235.42	3.98	235.42	3.98
CODE 5	18,000	259.30	4.86	259.30	4.86
	30,000	317.62	6.17	317.62	6.17
2 IN	0	$245.96	$3.04	$245.96	$3.04
TURBINE	6,000	264.20	3.40	264.20	3.40
CODE 6	12,000	284.60	3.98	284.60	3.98
	18,000	308.48	4.86	308.48	4.86
	30,000	366.80	6.17	366.80	6.17
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	590.13	3.04	590.13	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
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
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

Meter	Block Gallons	Inside City Block Rate	Inside City Rate 1000	Outside City Block Rate	Outside City Rate 1000
8 IN	0	$3,975.48	$ 3.04	43,975.48	$3.04
TURBINE	6,000	3,993.72	3.40	3,993.72	3.40
CODE 14	12,000	4,014.12	3.98	4,014.12	3.98
	18,000	4,038.00	4.86	4,038.00	4.86
	30,000	4,096.32	6.17	4,096.32	6.17
10 IN	0	$2,857.37	3.04	$2,857.37	3.04
COMPOUND	6,000	2,875.61	3.40	2,875.61	3.40
CODE 15	12,000	2,896.01	3.98	2,896.01	3.98
	18,000	2,919.89	4.86	2,919.89	4.86
	30,000	2,978.21	6.17	2,978.21	6.17
10 IN	0	6,211.67	3.04	6,211.67	3.04
TURBINE	6,000	6,229.91	3.40	6,229.91	3.40
CODE 16	12,000	6,250.31	3.98	6,250.31	3.98
	18,000	6,274.19	4.86	6,274.19	4.86
	30,000	6,332.51	6.17	6,332.51	6.17
12 IN	0	8,199.42	3.04	8,199.42	3.04
TURBINE	6,000	8,217.66	3.40	8,217.66	3.40
CODE 17	12,000	8,238.06	3.98	8,238.06	3.98
	18,000	8,261.94	4.86	8,261.94	4.86
	30,000	8,320.26	6.17	8,320.26	6.17

Historical Water Consumption (Gallons)

Fiscal Year Ended 9-30	Estimated City Population[1]	Number of Customers	Water Usage Daily Average	Water Usage Peak Day	Water Usage Peak Month	Water Usage Totl Usage	Water Sales $
2012	34,499	12,557	5,224,301	9,290,000	224,192,000	1,613,141,500	7,657,695
2013	35,929	12,757	4,935,155	9,483,000	204,492,000	1,550,045,200	7,660,165
2014	36,477	13,324	4,245.772	10,089,000	213,349,000	1,549,707,100	7,960,763
2015	37,865	13,570	4,043,050	8,385,050	218,644,000	1,475,713,400	7,943,694
2016	37,938	13,877	4,113,553	8,587,000	214,546,000	1,501,446,900	8,543,050
2017	39,453	14,124	4,335,480	9,478,000	218,181,000	1,582,450,300	9,741,286
2018	41,182	14,678	4,532,352	9,083,000	230,144,000	1,519,008,100	10,271,113
2019	41,948	16,434	4,822,500	11,094,000	257,809,000	1,622,930,500	11,089,576
2020	42,612	15,020	6,169,463	14,011,000	253,588,000	2,251,854,000	12,343,795
2021	43,300	15,748	5,907,287	13,299,444	239,390,000	2,156,160,000	11,566,510

[1] *Source: The City of Schertz.*

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

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

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

Wastewater System

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

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

New Rates
(Effective November 1, 2021)

Residential Rates (Single Family)	
Base rate per month	$14.43
Per 1,000 gallon charge, per month	
Per 1,000 gal charge Total – 12,000 or less	$ 4.75
Greater the 12,000 gallons	$10.79
Business and Multi-Family Dwelling Units:	
Base rate per month	$18.15

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

Per 1,000 Gallon Charge, Per Month	
Per 1,000 gal charge Total – 12,000 or less	$ 4.87
Greater then 12,000 gallons	$10.89
YMCA	
Per 1,000 gal charge, Per Month	$3.20

Source: City of Schertz

Schertz's Water and Sewer System Debt Service

The City of Schertz' Utility System supports seven series of City general obligation bonds with revenues of the City's Utility System. Schertz 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:

Fiscal Year Ending 9/30	Self-Supporting General Obligation Debt
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	**$38,191,625**

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CITY OF SEGUIN, TEXAS

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

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

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

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

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

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

Utility System Customer Count

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

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

Fiscal Year Ending	9-30-2021	9-30-2020	9-30-2019	9-30-2018	9-30-2017
Income:	$59,998,742	$56,181,996	$54,671,288	$53,025,594	$50,369,518
Expenses:					
Power Purchased	17,391,561	17,895,999	16,830,729	16,970,475	18,351,972
Other	28,160,543	26,539,157	28,629,186	24,142,389	23,355,181
Total Expenses	45,552,104	44,235,156	45,459,915	41,112,864	41,707,153
Net Revenue Available for Debt Service	14,446,638	11,946,840	9,211,373	11,912,730	8,662,365
Annual Requirement Prior Lien Debt	2,861,119	2,503,299	2,609,069	2,260,175	1,761,445
Coverage of Outstanding Annual	2,861,119	2,503,299	2,609,069	2,260,175	1,761,445
Requirement for Prior Lien Debt	5.05x	4.77x	3.53x	5.27x	4.92x

Source: City's audited financial statements and City Officials.

DESCRIPTION OF THE UTILITY SYSTEM

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

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

UTILITY RATE REGULATIONS

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

THE ELECTRIC SYSTEM

The City

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

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

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

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

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

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

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

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

The Electric Utility Industry Generally

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

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

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

Texas 2021 Winter Weather Event

2021 Winter Weather Event's Direct Impact to the City … As a result of an historic winter weather event that occurred in February of 2021 (the "2021 Event"), Seguin and the entire State of Texas were exposed to unprecedented weather and high energy prices. Usage of electricity by customers of the City's System was above February 2020's total consumption of 23,882.44 MWh, while February 2021's total usage was 24,674.35 MWh, a 3.3% increase in usage. At the time of the 2021 Event, the System's power supply was secured through an agreement with the CPS Energy. During the storm, 100% of the System's requirements were met through the CPS Energy agreement (defined below a the "Wholesale Power Agreement"). The System's total cost for power supply

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

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

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

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

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

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

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

PUC of violations, and (v) authorizes the PUC to impose an administrative penalty for each violation, not to exceed $1 million for each day of noncompliance. The PUC adopted new reliability standards effective December 1, 2022, as required by SB3. In addition, SB 3 calls on the PUC to implement certain market reforms to increase the reliability of the ERCOT grid. The Governor has directed the regulatory agency to rely on existing legislative authority to make additional market reforms to incentivize investment in new dispatchable generation.

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

Electric Rate Regulation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PUC Regulatory Activities

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

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

Emerging Issues

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

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

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

The ERCOT Nodal Electric Market

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

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

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

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

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

Federal Regulation of Electric Transmission Services

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

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

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

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

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

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

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

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

Environmental Regulation

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

Electric Distribution

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

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

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

10 Largest Electric Customers[1]

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

[1] *For October 2020 – September 2021*

kWh Energy Analysis

Year	kWh Purchased	Growth	kWh Consumption	Growth	Customer Count	Growth
2010-11	310.175.128	2.67%	293,799,122	4.15%	8,210	3.4%
2011-12	306,960,799	-1.04%	281,673,636	-4.13%	8,247	0.5%
2012-13	335,747,515	9.38%	283,520,517	.66%	8,293	0.6%
2013-14	344,327,169	2.56%	287,631,799	1.45%	8,340	0.6%
2014-15	305,143,171	-11.38%	269,528,056	-6.29%	8,500	1.9%
2015-16	297,035,140	- 2.66%	282,255,073	4.72%	8,438	-0.7%
2016-17	329,736,280	10.77%	313,410,061	11.04%	8,549	1.19%
2017-18	337,952,510	2.49%	322,494,973	2.90%	8,549	0.13%
2018-19	332,880,050	-1.50%	319,654,993	-0.88%	8,564	0.17%
2019-20	327,112,900	-1.73%	308,671,697	-3.44%	8,581	0.20%
2020-21	332,783,880	1.73%	311,202,790	0.82%	8,879	3.40%

Electric Sales and Peak Demand

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

Note: Data on Peak Demand furnished by LCRA.

Electric Rates (Effective October 1, 2021)

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

Applicable to individually metered residential dwellings.

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

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

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

SECURITY LIGHTS

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

LED SECURITY LIGHTS

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

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

Rio Nogales Power Project

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

WATER PLANT AND DISTRIBUTION SYSTEM

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

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

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

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

WATER AND SEWER PROJECTS

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

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

Classification of Customers

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

Water Rates (Effective October 1, 2021)

Residential:

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

Commercial, Industrial, Governmental, and Multi-Family:

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

INDUSTRIAL SURFACE WATER (Effective October 1, 2021)

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

Historical Water Consumption

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

Top Ten Water Customers

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

Name	Gallons Used (1,000)	Water Revenues
CPS Energy		
Niagra Bottling LLC	886,637,410	$3,146,892
Tyson	390,789,017	1,410,829
CPS Reuse	278,100,400	975,288
Vitesco Technologies	214,765,790	103,101
Guadalupe Regional Medical Center	21,989,000	95,163
TLU	16,015,000	75,254
Guadalupe County Administration	13,840,000	65,131
Stone Ranch Townhomes	9,565,000	45,187
Summers Bend Apartments	9,440,000	44,613
Hexel	7,310,000	34,707
Seguin ISD	4,482,920	21,503

WASTEWATER PLANT

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

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

Present influent and effluent quality is as follows:

	Influent	Effluent	% Removal
CBOD	65.96 mg/l	2.45 mg/l	94.51%

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

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

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

	Influent	Effluent	% Removal
BOD	77.92 mg/l	3.82 mg/l	94.99%

SEWER RATES: (effective October 1, 2021)

Residential:

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

Residential Outside:

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

Commercial and Industrial:

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

Industrial User Charge and Fee:

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

Industrial User Metered Sewer:

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

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

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

SALES TAX:

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

State Sales Tax	6.25%
City Sales Tax	1.50%
County Sales Tax	.50%
Total Sales Tax	8.25%

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

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

APPENDIX C

General Purpose Financial Statements for the City of Schertz, Texas
For the Fiscal Year Ended September 30, 2021

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CITY OF SCHERTZ, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

OFFICIALS ISSUING REPORT

James M. Browne
City Manager

James Walters
Director of Finance

CITY OF SCHERTZ, TEXAS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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INTRODUCTORY SECTION

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SCHERTZ | COMMUNITY SERVICE OPPORTUNITY

March 08, 2022

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

State law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Schertz for the fiscal year ended September 30, 2021.

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

The City of Schertz's financial statements have been audited by Pattillo, Brown & Hill, LLP a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Schertz for the fiscal year ended September 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Schertz's financial statements for the fiscal year ended September 30, 2021, are fairly presented in conformity with U.S. GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Schertz, incorporated in 1958, is located in the central part of Texas, which is considered to be a top growth area in the state, and one of the top growth areas in the country. The City of Schertz currently occupies a land area of 32.21 square miles with a population of 42,002 in 2020 according to the US Census Bureau. The City of Schertz is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statue to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

1400 Schertz Parkway ★ Schertz, Texas 78154 ★ 210.619.1000 ★ schertz.com

The City of Schertz has operated under the council-manager form of government since November 30, 1972. Policymaking and legislative authority are vested in a City Council consisting of the Mayor and seven at-large councilmembers. The City Council is responsible for establishing public policy on City matters by the passage of appropriate ordinances and resolutions. The City Manager is responsible for overseeing the day-to-day operations of the government, implementing policy established by City Council, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve three-year staggered terms, with two council members elected every three years and then three council members elected the final three years in the cycle. The mayor is elected to serve a three-year term.

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

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

Factors Affecting Financial Condition

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

Local economy.
Economic growth in Schertz remained strong in 2021. The surrounding metro area saw growth evidenced by the Federal Reserve Bank of Dallas reporting the San Antonio Business-Cycle Index increase 6.1% year over year for September 2021. This Index potentially indicates a new period of economic growth around the state. As of September 2021, the unemployment rate for Texas was 4.9% and several metro areas including Austin, Dallas-Fort Worth, and San Antonio, are below the state average. Schertz in particular had an **unemployment rate of 3.8% during this time**.

As another indicated of economic growth, the City of Schertz realized a **16.7% increase year-over-year** in sales tax collections during the fiscal year. While Schertz continued to see growth during the pandemic, as other economies start to recover Schertz continues strong.

Further showcasing Schertz' economic fortitude, it also saw a diverse range of new products developed its real estate and land markets with approximately 2,373,899 square feet of new commercial and industrial space that will become available. CORES is working with the City to provide 1.7 million sq ft of speculative industrial space in the southern area of Schertz. In the North, Titan Development, EastGroup, and Phelan-Bennet are adding 573,899 sq ft of industrial warehouse space that is currently under development.

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

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

Current Year Budget Initiatives. For FY 2021-22, the City is using the momentum from the previous year and is putting an additional $500,000 into replacing the City's financial software and funding an estimated $350,000 to fix the HVAC system in the Animal Adoption Facility. Due to growing needs the City will also hire a Police Officer, an Evidence Technician and a Plumber as well as expand the existing facilities cleaning contract to include public safety buildings and parks restrooms. The EMS Fund will hire an additional 2 Paramedics and the Water & Sewer Fund will hire a SCADA Technician.

Financial Information:

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

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

Financial Results. Assets and fund balances continue to grow as the City grows and financial results remain strong. While additional debt was issued during the year, Staff closely monitors and plans the amount of issuance to keep steady debt ratios per capita, per revenue, and per operations tax rate to the debt tax rate. Examples of these ratios can be found in the Statistical Section on pages 105-110. A more detailed summary of the City's Financial Performance is available in the Management Discussion and Analysis section on page 4.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Schertz for its annual comprehensive financial report for the fiscal year ended September 30, 2020. This was the 36th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,

James M. Browne
City Manager

James P. Walters
Finance Director

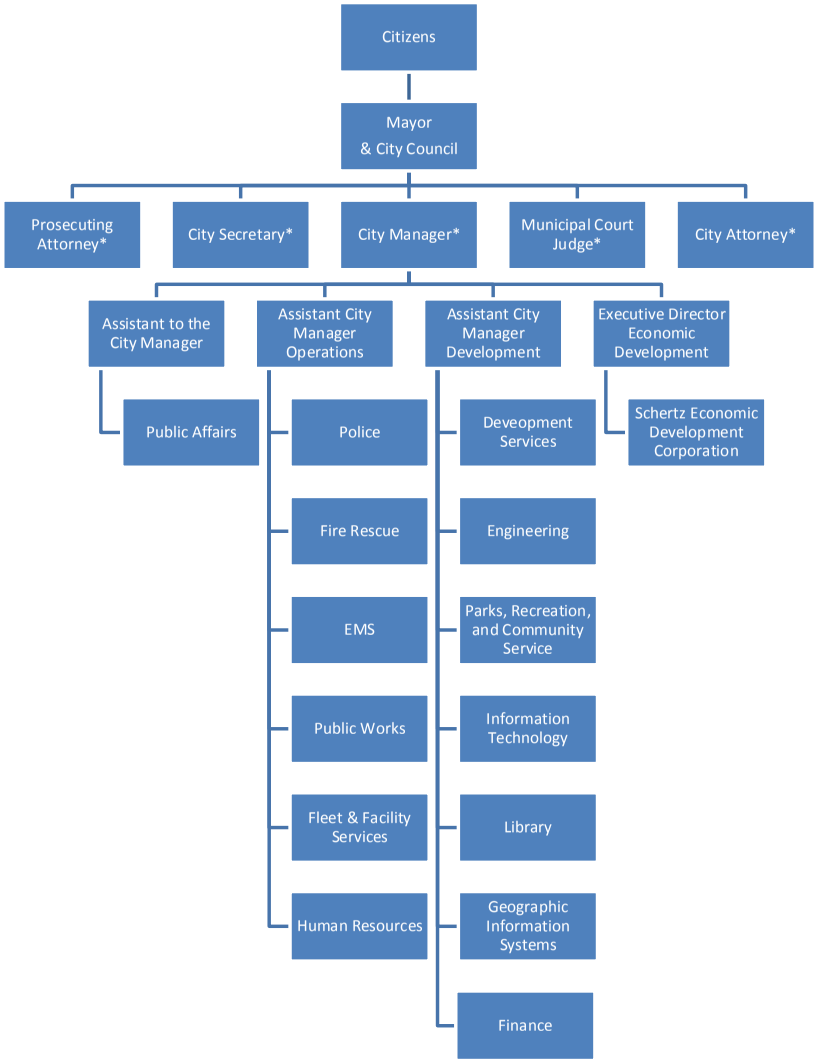
1400 Schertz Parkway ★ Schertz, Texas 78154 ★ 210.619.1000 ★ schertz.com

CITY OF SCHERTZ, TEXAS

CITY OFFICIALS

MAYOR	RALPH GUTIERREZ
MAYOR PRO-TEM	ROSEMARY SCOTT
CITY COUNCIL	MARK E. DAVIS
	JILL WHITTAKER
	MICHAEL DAHLE
	DAVID SCAGLIOLA
	ALLISON HEYWARD
	TIM BROWN
CITY MANAGER	JAMES M. BROWNE
DIRECTOR OF FINANCE	JAMES WALTERS
CITY ATTORNEY	CHARLES ZECH, DENTON, NAVARRO, ROCHA, BERNAL & ZECH, P.C.

CITY OF SCHERTZ ORGANIZATIONAL CHART FY 2020-21



*Appointed by City Council

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Schertz
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Schertz, Texas, as of and for the year ended September 30, 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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AICPA
GAQC Member

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.

City of Schertz's Net Position
Government-Wide

	Governmental Activities		Business-Type 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	149,570,599	144,079,930	98,743,525	92,643,825	248,314,124	236,723,755
Total assets	216,987,272	206,279,527	154,876,385	147,307,992	371,863,657	353,587,519
Deferred outflows of resources	3,488,506	3,267,540	954,384	806,262	4,442,890	4,073,802
Current liabilities	12,946,000	12,527,345	5,316,572	5,245,378	18,262,572	17,772,723
Long-term liabilities	67,867,628	73,002,458	18,214,795	20,706,167	86,082,423	93,708,625
Total liabilities	80,813,628	85,529,803	23,531,367	25,951,545	104,344,995	111,481,348
Deferred inflows of resources	2,130,871	2,235,923	581,986	551,074	2,712,857	2,786,997
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	10,744,127	4,157,801	39,406,798	30,570,717	50,150,925	34,728,518
Total net position	$ 137,531,279	$ 121,781,341	$ 131,717,416	$ 121,611,635	$ 269,248,695	$ 243,392,976

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:

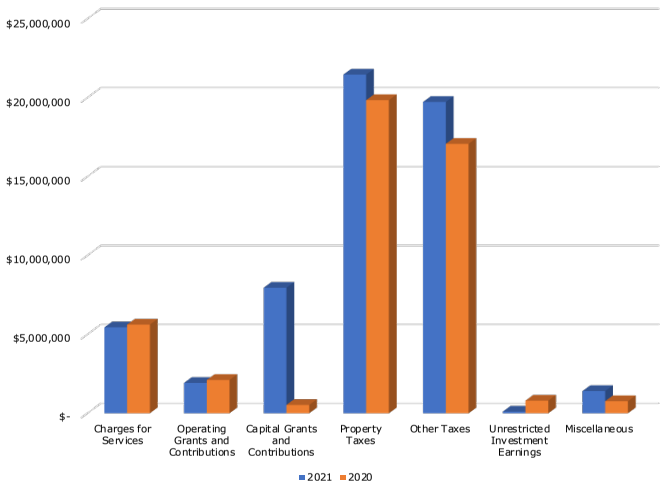
- General government expenses decreased compared to the prior year; in fiscal year 2020, Schertz EDC made a planned $3.7 million incentive payment for developers meeting performance obligations.
- Public Safety expenses increased over $2 million due to increases to police and fire salaries. In 2020, 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:

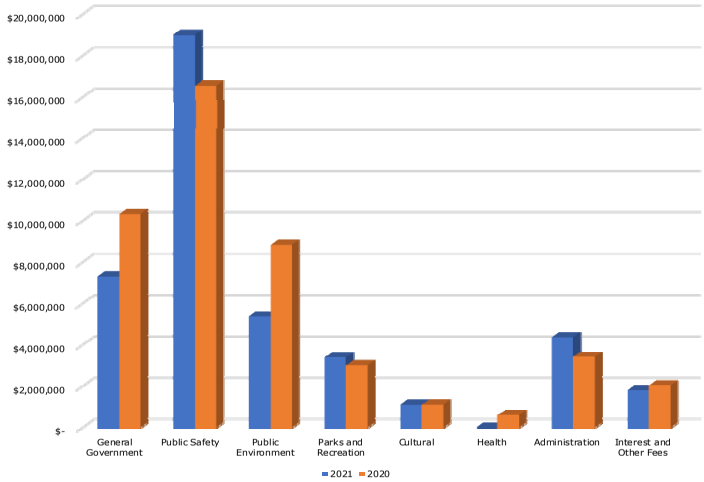
City of Schertz's Changes in Net Position
Government-Wide

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
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	58,042,238	46,758,614	43,191,769	37,254,429	101,234,007	84,013,043
Expenses:						
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	42,312,654	45,856,111	33,065,634	30,400,515	75,378,288	76,256,626
Increase in net position before transfers	15,729,584	902,503	10,126,135	6,853,914	25,855,719	7,756,417
Transfers	20,354	-	(20,354)	-	-	-
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	121,781,341	120,878,838	121,611,635	114,757,721	243,392,976	235,636,559
Net position - end of year	$ 137,531,279	$ 121,781,341	$ 131,717,416	$ 121,611,635	$ 269,248,695	$ 243,392,976

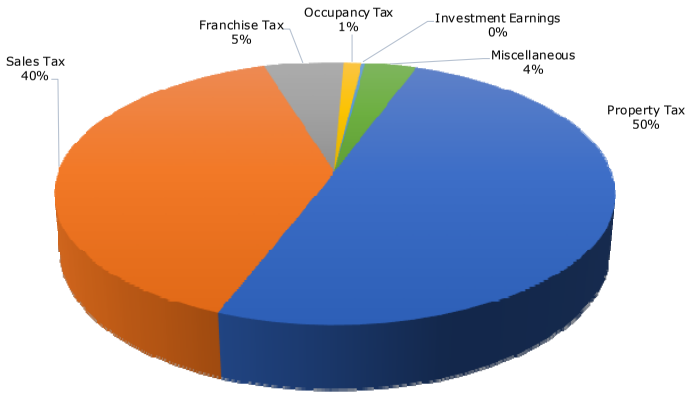
TOTAL REVENUES – GOVERNMENT-WIDE



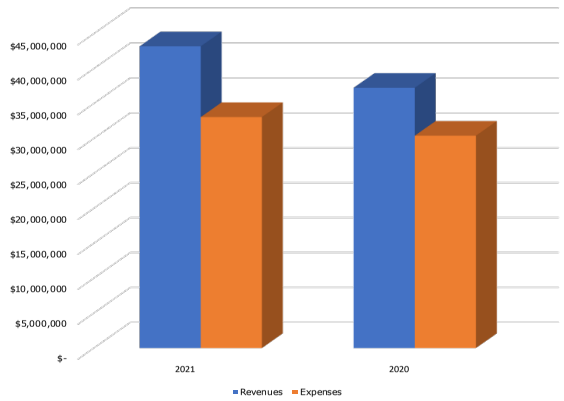
TOTAL EXPENSES – GOVERNMENT-WIDE



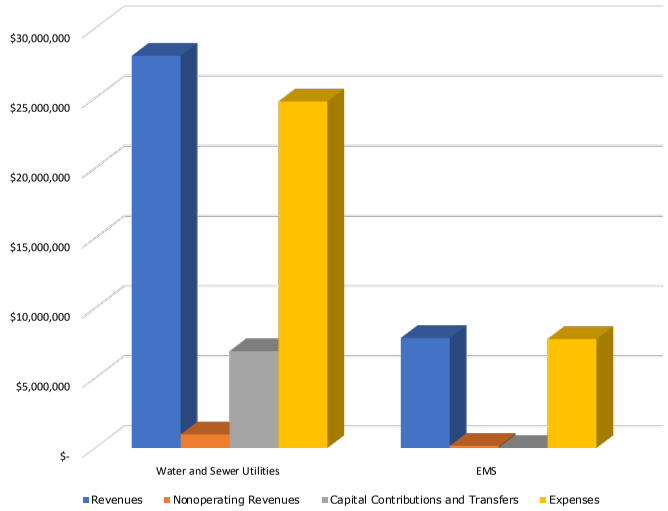
GENERAL REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



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 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 Activities		Business-Type 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 Activities		Business-Type 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 Activities	Business-Type Activities	Total
ASSETS			
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
Prepaids	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	216,987,272	154,876,385	371,863,657
DEFERRED OUTFLOWS OF RESOURCES			
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	2,301,907	734,509	3,036,416
Total Deferred Outflows of Resources	3,488,506	954,384	4,442,890
LIABILITIES			
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 Activities	Business-Type Activities	Total
LIABILITIES (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
DEFERRED INFLOWS OF RESOURCES			
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
NET POSITION			
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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 7,298,193	$ 651,211	$ 1,367,592	$ -	$(5,279,390)	$ -	$(5,279,390)
Public safety	19,008,871	3,079,945	538,523	-	(15,390,403)	-	(15,390,403)
Public environment	5,364,408	902,712	-	7,959,576	3,497,880	-	3,497,880
Parks and recreation	3,395,458	528,886	-	-	(2,866,572)	-	(2,866,572)
Cultural	1,087,975	285,792	19,824	-	(782,359)	-	(782,359)
Administration	4,360,229	-	-	-	(4,360,229)	-	(4,360,229)
Interest	1,797,520	-	-	-	(1,797,520)	-	(1,797,520)
Total Governmental Activities	42,312,654	5,448,546	1,925,939	7,959,576	(26,978,593)	-	(26,978,593)
Business-type activities:							
Water and sewer	25,280,964	27,724,929	-	6,935,191	-	9,379,156	9,379,156
EMS	7,784,670	7,709,027	-	-	-	(75,643)	(75,643)
Total Business-Type Activities	33,065,634	35,433,956	-	6,935,191	-	9,303,513	9,303,513
Total Primary Government	$ 75,378,288	$ 40,882,502	$ 1,925,939	$ 14,894,767	(26,978,593)	9,303,513	(17,675,080)
General revenues:							
Taxes:							
Ad valorem					21,463,804	-	21,463,804
Sales					16,838,731	-	16,838,731
Franchise fees					2,305,108	-	2,305,108
Hotel/motel					518,921	-	518,921
Mixed drink					68,730	-	68,730
Investment earnings					104,613	68,354	172,967
Miscellaneous					1,408,270	754,268	2,162,538
Transfers					20,354	(20,354)	-
Total General Revenues and Transfers					42,728,531	802,268	43,530,799
Change in Net Position					15,749,938	10,105,781	25,855,719
Net Position - Beginning					121,781,341	121,611,635	243,392,976
Net Position - Ending					$ 137,531,279	$ 131,717,416	$ 269,248,695

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

CITY OF SCHERTZ, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	General Fund	Capital Projects Fund	Debt Service Fund	Economic Development Corporation	American Rescue Plan Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 11,733,703	$ 13,229,954	$ 1,087,376	$ 18,542,752	$ 4,905,952	$ 5,240,371	$ 54,740,108
Investments	2,514,059	-	-	2,206,135	-	-	4,720,194
Receivables (net of allowances)							
Taxes	2,924,472	-	133,778	1,054,214	-	-	4,112,464
Accounts and other	1,636,735	258,142	-	7,949	-	64,942	1,967,768
Due from other funds	678,444	-	-	-	-	-	678,444
Inventory	134,373	-	-	-	-	-	134,373
Prepaid items	28,090	-	-	990	-	-	29,080
Restricted assets:							
Cash and cash equivalents	946,454	-	-	-	-	-	946,454
Total Assets	20,596,330	13,488,096	1,221,154	21,812,040	4,905,952	5,305,313	67,328,885
LIABILITIES							
Accounts payable	921,978	162,695	-	5,809	-	51,218	1,141,700
Accrued salaries and benefits	1,180,560	-	-	-	-	-	1,180,560
Retainage payable	-	154,437	-	-	-	-	154,437
Customer deposits	1,007	-	-	-	-	-	1,007
Due to other governments	60,492	-	-	-	-	-	60,492
Due to other funds	16,139	-	-	-	-	678,444	694,583
Unearned revenues	40,589	-	-	-	4,905,709	-	4,946,298
Total Liabilities	2,220,765	317,132	-	5,809	4,905,709	729,662	8,179,077
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	1,896,998	-	133,778	-	-	-	2,030,776
Total Deferred Inflows of Resources	1,896,998	-	133,778	-	-	-	2,030,776
FUND BALANCES							
Nonspendable for:							
Inventory	134,373	-	-	-	-	-	134,373
Prepaid items	28,090	-	-	-	-	-	28,090
Restricted for:							
Police and public safety/municipal court	287,199	-	-	-	-	134,163	421,362
Municipal court	816,152	-	-	-	-	-	816,152
PEG capital fees	889,139	-	-	-	-	-	889,139
Capital improvement	-	5,185,166	-	-	-	1,801,040	6,986,206
Debt service	-	-	1,087,376	-	-	-	1,087,376
Tourism development	-	-	-	-	-	2,301,716	2,301,716
Parks and tree mitigation	-	-	-	-	-	934,913	934,913
Historical Committee and library	-	-	-	-	-	78,862	78,862
Economic development	-	-	-	21,806,231	243	-	21,806,474
Animal control	42,416	-	-	-	-	-	42,416
Scholarships	116,505	-	-	-	-	-	116,505
Committed for:							
Capital Projects	-	7,985,798	-	-	-	-	7,985,798
Civic Center/CIED	907,676	-	-	-	-	-	907,676
Assigned for:							
Property replacement	902,849	-	-	-	-	-	902,849
Subsequent year's budget	598,549	-	-	-	-	-	598,549
Unassigned	11,755,619	-	-	-	-	(675,043)	11,080,576
Total Fund Balances	16,478,567	13,170,964	1,087,376	21,806,231	243	4,575,651	57,119,032
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 20,596,330	$ 13,488,096	$ 1,221,154	$ 21,812,040	$ 4,905,952	$ 5,305,313	$ 67,328,885

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

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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

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

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Capital Projects Fund	Debt Service Fund	Economic Development Corporation	American Rescue Plan Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	$ 27,913,222	$ -	$ 7,102,016	$ 5,615,928	$ -	$ 518,921	$ 41,150,087
Permits and fees	1,593,382	-	-	-	-	219,513	1,812,895
Service fees	1,628,589	-	-	-	-	912,406	2,540,995
Fines and fees	637,638	-	-	-	-	5,844	643,482
Intergovernmental	1,623,282	724,993	-	-	303,000	1,931,599	4,582,874
Investment earnings	29,147	12,333	1,593	56,144	243	5,153	104,613
Miscellaneous	781,333	501,922	125,000	-	-	15	1,408,270
Total Revenues	34,206,593	1,239,248	7,228,609	5,672,072	303,243	3,593,451	52,243,216
EXPENDITURES							
Current:							
General government	6,008,482	-	-	306,025	-	266,408	6,580,915
Public safety	17,166,400	-	-	-	303,000	638,018	18,107,418
Public environment	1,382,185	-	-	-	-	-	1,382,185
Parks and recreation	2,494,684	-	-	-	-	39,995	2,534,679
Cultural	1,040,276	-	-	-	-	19,708	1,059,984
Administration	3,858,317	-	-	528,442	-	72,464	4,459,223
Capital outlay	566,078	4,582,289	-	-	-	66,889	5,215,256
Debt service:							
Principal	-	-	4,955,000	-	-	-	4,955,000
Interest and fiscal charges	-	-	1,801,467	-	-	-	1,801,467
Bond issue costs	-	-	140,140	-	-	-	140,140
Total Expenditures	32,516,422	4,582,289	6,896,607	834,467	303,000	1,103,482	46,236,267
Excess (Deficiency) of Revenues Over Expenditures	1,690,171	(3,343,041)	332,002	4,837,605	243	2,489,969	6,006,949
OTHER FINANCING SOURCES (USES)							
Issuance of refunding debt	-	-	7,555,000	-	-	-	7,555,000
Premium on refunding debt	-	-	629,992	-	-	-	629,992
Payment to refunding escrow agent	-	-	(8,223,452)	-	-	-	(8,223,452)
Issuance of capital lease	136,535	-	-	-	-	-	136,535
Transfers in	-	6,384,362	7,915	-	-	3,109	6,395,386
Transfers out	(2,317,117)	(7,915)	-	(4,050,000)	-	-	(6,375,032)
Total Other Financing Sources (Uses)	(2,180,582)	6,376,447	(30,545)	(4,050,000)	-	3,109	118,429
NET CHANGE IN FUND BALANCE	(490,411)	3,033,406	301,457	787,605	243	2,493,078	6,125,378
FUND BALANCES - BEGINNING	16,968,978	10,137,558	785,919	21,018,626	-	2,082,573	50,993,654
FUND BALANCES - ENDING	$ 16,478,567	$ 13,170,964	$ 1,087,376	$ 21,806,231	$ 243	$ 4,575,651	$ 57,119,032

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

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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

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 Activities Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total Enterprise Fund	Internal Service Fund
ASSETS				
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	-
Prepaids	-	2,311	2,311	-
Total Current Assets	12,723,336	4,565,617	17,288,953	-
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	(36,963,688)	(1,806,520)	(38,770,208)	-
Total Noncurrent Assets	136,461,093	1,126,339	137,587,432	-
Total Assets	149,184,429	5,691,956	154,876,385	-
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	25,027	-	25,027	-
Deferred OPEB related outflows	62,568	132,280	194,848	-
Deferred pension related outflows	227,731	506,778	734,509	-
Total Deferred Outflows of Resources	315,326	639,058	954,384	-

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 Activities Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total Enterprise Fund	Internal Service Fund
LIABILITIES				
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	1,065,000	262,436	1,327,436	-
Total Current Liabilities	4,588,498	728,074	5,316,572	-
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	13,138,922	331,565	13,470,487	-
Total Noncurrent Liabilities	14,619,556	3,595,239	18,214,795	-
Total Liabilities	19,208,054	4,323,313	23,531,367	-
DEFERRED INFLOWS OF RESOURCES				
Deferred OPEB related inflows	32,964	73,356	106,320	-
Deferred pension related inflows	147,478	328,188	475,666	-
Total Deferred Inflows of Resources	180,442	401,544	581,986	-
NET POSITION				
Net investment in capital assets	83,409,544	532,338	83,941,882	-
Restricted for construction	8,368,736	-	8,368,736	-
Unrestricted	38,332,979	1,073,819	39,406,798	-
Total Net Position	$ 130,111,259	$ 1,606,157	$ 131,717,416	$ -

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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 Activities Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES				
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	28,030,614	7,860,697	35,891,311	3,916,301
OPERATING EXPENSES				
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	24,765,551	7,784,670	32,550,221	3,916,301
Operating Income (Loss)	3,265,063	76,027	3,341,090	-
NON-OPERATING REVENUES (EXPENSES)				
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)	(151,594)	1,448	(150,146)	-
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	-
CHANGE IN NET POSITION	10,028,306	77,475	10,105,781	-
NET POSITION - BEGINNING	120,082,953	1,528,682	121,611,635	-
NET POSITION - END OF YEAR	$ 130,111,259	$ 1,606,157	$ 131,717,416	$ -

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 Activities Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total Enterprise	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
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	2,452,134	360,746	2,812,880	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(20,354)	-	(20,354)	-
Net Cash Used in Non-Capital Financing Activities	(20,354)	-	(20,354)	-
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES				
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 Financing Activities	(3,496,433)	(500,231)	(3,996,664)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	(22,071)	-	(22,071)	-
Payments from leases	296,913	-	296,913	-
Interest and investment earnings	66,906	1,448	68,354	-
Net Cash Provided By (Used in) Investing Activities	341,748	1,448	343,196	-
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	17,504,886	-	17,504,886	-
	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	20,271,954	-	20,271,954	-
	$ 28,468,977	$ 1,259,823	$ 29,728,800	$ -

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 Activities Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total Enterprise	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 3,265,063	$ 76,027	$ 3,341,090	$ -
Adjustments to reconcile operating income (loss) 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	$ -
SCHEDULE OF NON-CASH CAPITAL ACTIVITIES				
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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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 of 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:

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

J. Deferred Inflows/Outflows of Resources

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

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

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

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

K. Compensated Absences

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

L. Pensions

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

M. Other Post-Employment Benefits (OPEB)

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

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

N. Long-Term Obligations

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

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

O. Fund Balance

Fund balances in governmental funds are classified as follows:

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

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

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

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

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

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

P. Net Position

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

Q. Estimates

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

R. 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 Value	Weighted Average 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	3,269,952	404
Subtotal	83,192,501	
Plus: depository and petty cash	9,936,693	
Total cash and investments	$ 93,129,194	

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 Water/ Sewer	Business-type Activities EMS	Totals
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:

Due From	Due To	Amount	Purpose
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:

Transfer From	Transfer To	Amount	Purpose
General	Nonmajor governmental	$ 3,109	Suplement funds sources
General	Capital Projects	2,314,008	Funding for various capital projects
Capital Projects	Debt Service	7,915	Suplement 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:

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
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 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 depreciated, net	111,178,821	1,229,597	2,156,044	114,564,462
Governmental activities capital assets, net	$ 144,079,930	$ 5,490,669	$ -	$ 149,570,599

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending 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	17,266,273	2,773,773	(97,252)	19,942,794
Total capital assets, not being depreciated	19,181,006	2,773,773	(97,252)	21,857,527
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	100,588,293	5,243,820	-	105,832,113
Total assets being depreciated	110,199,865	6,306,524	(850,184)	115,656,205
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	(30,009,441)	(2,096,063)	-	(32,105,504)
Total accumulated depreciation	(36,737,046)	(2,820,649)	787,488	(38,770,207)
Total capital assets being depreciated, net	73,462,819	3,485,875	(62,696)	76,885,998
Business-type activities capital assets, net	$ 92,643,825	$ 6,259,648	$(159,948)	$ 98,743,525

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	7,053
Total	$ 6,742,811
Business-type activities:	
Water and sewer system	$ 2,534,305
EMS	286,344
Total	$ 2,820,649
Total Depreciation	$ 9,563,460

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 September 30,	Total
2022	$ 250,687
2023	263,221
2024	276,382
2025	290,201
2026	304,711
2027-2028	655,891
	$ 2,041,093

H. Long-Term Debt

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

	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Amount Due Within One Year
Governmental activities:					
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-					
Private Placement	10,005,000	-	(3,385,000)	6,620,000	925,000
Tax Notes-					
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
Total governmental	$ 63,355,055	$ 8,919,065	$(13,712,377)	$ 58,561,743	$ 5,067,919
Business-type activities:					
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-					
Private Placement	1,040,000	-	(200,000)	840,000	205,000
Tax Notes-					
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
Total business-type	$ 16,550,518	$ 624,897	$(2,012,640)	$ 15,162,775	$ 1,400,407

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 form 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 Amount	Maturity	Rate	Balance
Governmental Activities				
General Obligation Bonds				
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
Private Placement obligations				
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
Certificates of Obligation				
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
Total Governmental Long-Term Obligations				$ 54,745,000

	Issue Amount	Maturity	Rate	Balance
Business-type Activities				
General Obligation Bonds				
2018 Series, Refunding	2,740,000	2026	3.125% - 5%	$ 2,055,000
Certificates of Obligation				
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
Private Placement obligations				
2013 Series GO Refunding	2,130,000	2025	2.58%	840,000
Total Business-Type Long-Term Obligations				$ 13,550,000

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

Governmental activities:

Year Ended September 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	General Obligation Bonds Total	Certificates of Obligation Principal	Certificates of Obligation Interest	Certificates of Obligation 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					
	General Obligation Bonds			Tax Notes		
Year Ended September 30,	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 September 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	General Obligation Bonds Total	Certificates of Obligation Principal	Certificates of Obligation Interest	Certificates of Obligation 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					
	General Obligation Bonds			Tax Notes		
Year Ended September 30,	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:

Assets:	Governmental Activities	Business-type Activities
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 Activities	Business-type 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 Activities	Business-type Activities Water/ Sewer	Business-type Activities EMS	Totals
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 Activities	Business-type Activities Water/ Sewer	Business-type Activities EMS	Totals
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.tmrs.com.

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

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

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

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

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

At the December 31, 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	703

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, 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 Real Rate of Return (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	10.00%	7.75%
Total	100.0%	

Discount Rate

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

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

	Increase (Decease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (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	6,561,585	7,158,659	(597,074)
Balance at 12/31/2020	$ 84,773,362	$ 69,798,222	$ 14,975,140

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	2,700,695	-
Total	$ 3,036,416	$ 1,966,377

$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 Ended September 30,	
2022	$(530,825)
2023	50,171
2024	(1,016,088)
2025	(130,884)
2026	(3,030)

B. <u>Other Post-Employment Benefits</u>

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	517

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 projeted 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 Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (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 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	222,992
Balance at 12/31/2020	$ 1,033,078

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 of Resources	Deferred Inflows 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	3,310	-
Total	$ 320,917	$ 110,399

$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 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	332
Total	340

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 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	302,633
Balance at 12/31/2020	$ 2,466,556

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 Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (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 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 of Resources	Deferred Inflows 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	$ 496,519	$ 329,120

$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 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:

	FY 2020-21 Amt.	Est. Remaining Grant
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 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:

Primary Government:	Estimated Project Cost to City	Expended to Date	Estimated Future 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 classifies 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 Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
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	32,687,019	32,687,019	34,206,593	1,519,574
EXPENDITURES				
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	6,790,564	6,493,879	6,015,753	478,126
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	17,346,532	18,007,806	17,626,052	381,754
Public environment:				
Streets	1,567,620	1,569,740	1,413,808	155,932
Total Public Environment	1,567,620	1,569,740	1,413,808	155,932
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	2,549,515	2,716,641	2,506,323	210,318
Cultural:				
Library	1,062,442	1,074,255	1,040,276	33,979
Total Cultural	1,062,442	1,074,255	1,040,276	33,979

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 Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
EXPENDITURES (CONTINUED)				
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	4,049,957	4,392,524	3,914,210	478,314
Total Expenditures	33,366,630	34,254,845	32,516,422	1,738,423
Excess of revenues over expenditures	(679,611)	(1,567,826)	1,690,171	3,257,997
OTHER FINANCING SOURCES (USES)				
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)	(497,050)	(2,164,279)	(2,180,582)	(16,303)
NET CHANGE IN FUND BALANCE	(1,176,661)	(3,732,105)	(490,411)	3,241,694
FUND BALANCE - BEGINNING	16,968,978	16,968,978	16,968,978	-
FUND BALANCE - ENDING	$ 15,792,317	$ 13,236,873	$ 16,478,567	$ 3,241,694

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

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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

Measurement Date December 31,	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total pension liability							
Service cost	$ 3,761,994	$ 3,421,878	$ 3,301,265	$ 3,073,538	$ 2,855,745	$ 2,724,337	$ 2,558,743
Interest on total pension liability	5,326,206	4,898,478	4,505,483	4,111,517	3,763,562	3,556,428	3,245,266
Difference between expected and actual experience	(154,592)	(108,478)	34,393	416,585	139,216	120,434	(122,286)
Change of assumptions	-	263,015	-	-	-	59,193	-
Benefit payments/refunds of contributions	(2,372,023)	(2,244,447)	(1,914,159)	(1,843,774)	(1,581,272)	(1,570,211)	(1,068,487)
Net Change in Total Pension Liability	6,561,585	6,230,446	5,926,982	5,757,866	5,177,251	4,890,181	4,613,236
Total Pension Liability, Beginning	78,211,777	71,981,331	66,054,349	60,296,483	55,119,232	50,229,051	45,615,815
Total Pension Liability, Ending (a)	$ 84,773,362	$ 78,211,777	$ 71,981,331	$ 66,054,349	$ 60,296,483	$ 55,119,232	$ 50,229,051
Plan fiduciary net position							
Contributions - employer	$ 3,327,434	$ 3,163,340	$ 3,033,936	$ 2,793,644	$ 2,627,335	$ 2,542,565	$ 2,403,929
Contributions - employee	1,474,466	1,380,585	1,326,518	1,232,232	1,152,864	1,095,260	1,077,097
Net investment income	4,760,749	8,093,416	(1,540,890)	5,999,805	2,602,572	53,742	1,841,586
Benefit payments/refunds of contributions	(2,372,023)	(2,244,447)	(1,914,159)	(1,843,774)	(1,581,272)	(1,570,211)	(1,068,487)
Administrative expenses	(30,767)	(45,681)	(29,768)	(31,080)	(29,385)	(32,727)	(19,219)
Other	(1,200)	(1,373)	(1,554)	(1,575)	(1,583)	(1,616)	(1,580)
Net Change in Fiduciary Position	7,158,659	10,345,840	874,083	8,149,252	4,770,531	2,087,013	4,233,326
Fiduciary Net Position, Beginning	62,639,563	52,293,723	51,419,640	43,270,388	38,499,857	36,412,844	32,179,518
Fiduciary Net Position, Ending (b)	69,798,222	62,639,563	52,293,723	51,419,640	43,270,388	38,499,857	36,412,844
Net pension liability = (a)-(b)	$ 14,975,140	$ 15,572,214	$ 19,687,608	$ 14,634,709	$ 17,026,095	$ 16,619,375	$ 13,816,207
Fiduciary Net Position as a Percentage of Total Pension Liability	82.34%	80.09%	72.65%	77.84%	71.76%	69.85%	72.49%
Covered Payroll	$ 21,063,794	$ 19,722,641	$ 18,896,766	$ 17,603,310	$ 16,478,620	$ 15,648,114	$ 15,389,154
Net Pension Liability as a Percentage of Covered Payroll	71.09%	78.96%	104.19%	83.14%	103.32%	106.21%	89.78%

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

CITY OF SCHERTZ, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Fiscal Year Ended September 30,	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Actuarially determined contribution	$ 3,700,948	$ 3,235,479	$ 3,129,413	$ 2,971,592	$ 2,756,511	$ 2,592,593	$ 2,487,856
Contributions in relation to the actuarially determined contribution	3,700,948	3,235,479	3,129,413	2,971,592	2,756,511	2,592,593	2,487,856
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	22,879,083	20,401,412	19,520,269	18,605,654	17,347,849	16,175,988	15,486,735
Contributions as a percentage of covered payroll	16.18%	15.86%	16.03%	15.97%	15.89%	16.03%	16.06%

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

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	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 Municpal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Measurement Date December 31,	2020	2019	2018	2017
Total OPEB liability				
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
Total OPEB liability				
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	2,163,923	2,086,718	2,020,624	1,789,769
Total OPEB liability, ending (a)	$ 2,466,556	$ 2,163,923	$ 2,086,718	$ 2,020,624
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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SUPPLEMENTARY INFORMATION

Comparative Schedules – Governmental Funds

General Fund
Economic Development Corporation
Debt Service Fund
Capital Projects Fund
American Recovery Program Act Fund

Combining Statements and Individual Fund Schedules - Nonmajor Governmental Funds

Hotel Occupancy Fund - will account for proceeds of hotel occupancy taxes to be used strictly for those kinds of programs that promote the tourism industry.

Park Fund - will account for revenues from developers' fees (in lieu of park land dedication), grants, and donations and is designed to monitor and manage improvement of the City's park system.

Tree Mitigation Fund - will account for revenues from permits, grants and donations to preserve and replace trees in the City.

Treasury Forfeitures Fund - will account for revenue received from drug related cases in conjunction with other law enforcement agencies within the jurisdiction of the U.S. Treasury department.

Justice Forfeitures Fund - will account for revenue received from drug related cases in conjunction with other law enforcement agencies within the jurisdiction of the US Department of Justice.

State Forfeitures Fund - will account for revenue received from drug related cases in conjunction with other law enforcement agencies within the jurisdiction of the State Forfeiture Program.

Grant Fund - will account for revenue and expenditures related to federal and state grant programs.

Library Advisory Board - to account for certain fees generated at the library to be used by the Board for general improvements to the Library.

Historical Committee Fund - will account for funds received for the preservation of the history of the City.

Capital Recovery Roadways Fund - to account for a fee assessed for capital recovery on new construction.

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CITY OF SCHERTZ, TEXAS

COMPARATIVE BALANCE SHEETS
GENERAL FUND

SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 11,733,703	$ 13,417,484
Investments	2,514,059	2,507,998
Receivables (net of allowances)		
Taxes	2,924,472	2,393,311
Accounts and other	1,636,735	1,854,763
Due from other funds	678,444	-
Inventory	134,373	99,871
Prepaid items	28,090	14,916
Restricted assets:		
Cash and cash equivalents	946,454	867,708
Total Assets	20,596,330	21,156,051
LIABILITIES		
Accounts payable	921,978	972,066
Accrued salaries and benefits	1,180,560	1,074,546
Customer deposits	1,007	141,987
Due to other governments	60,492	123,911
Due to other funds	16,139	16,139
Unearned revenues	40,589	39,159
Total Liabilities	2,220,765	2,367,808
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	1,896,998	1,819,265
Total Deferred Inflows of Resources	1,896,998	1,819,265
FUND BALANCES		
Nonspendable for:		
Inventory	134,373	99,871
Prepaid items	28,090	14,916
Restricted for:		
Police and public safety/municipal court	287,199	226,092
Municipal court	816,152	823,452
PEG capital fees	889,139	807,140
Animal control	42,416	33,408
Veterans	-	2,109
Scholarships	116,505	104,156
Committed for:		
Civic Center/CIED	907,676	687,780
Assigned for:		
Property replacement	902,849	891,319
Subsequent year's budget	598,549	1,081,160
Unassigned	11,755,619	12,197,575
Total Fund Balances	16,478,567	16,968,978
Total Liabilities, Deferred inflows of Resources, and Fund Balances	$ 20,596,330	$ 21,156,051

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2020)

	2021	2020
REVENUES		
Taxes	$ 27,913,222	$ 25,000,163
Permits and fees	1,593,382	1,750,837
Service fees	1,628,589	1,724,150
Fines and fees	637,638	833,148
Intergovernmental	1,623,282	516,475
Investment earnings	29,147	300,369
Miscellaneous	781,333	559,393
Total Revenues	34,206,593	30,684,535
EXPENDITURES		
Current:		
General government	6,008,482	5,381,790
Public safety	17,166,400	15,690,248
Public environment	1,382,185	1,270,894
Parks and recreation	2,494,684	2,067,649
Cultural	1,040,276	1,034,435
Administration	3,858,317	2,799,004
Capital outlay	566,078	1,175,241
Debt service:		
Principal	-	44,544
Total Expenditures	32,516,422	29,463,805
Excess (Deficiency) of Revenues Over Expenditures	1,690,171	1,220,730
OTHER FINANCING SOURCES (USES)		
Proceeds from capital lease	136,535	-
Transfers out	(2,317,117)	(4,000,169)
Total Other Financing Sources (Uses)	(2,180,582)	(4,000,169)
NET CHANGE IN FUND BALANCE	(490,411)	(2,779,439)
FUND BALANCES - BEGINNING	16,968,978	19,748,417
FUND BALANCES - ENDING	$ 16,478,567	$ 16,968,978

CITY OF SCHERTZ, TEXAS

COMPARATIVE BALANCE SHEETS

ECONOMIC DEVELOPMENT CORPORATION

SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 18,542,752	$ 22,032,946
Investments	2,206,135	2,169,760
Receivables, net of allowances:		
Taxes	1,054,214	818,817
Accounts and other	7,949	7,949
Prepaid items	990	-
Total Assets	21,812,040	25,029,472
LIABILITIES		
Accounts payable	5,809	4,010,846
Total Liabilities	5,809	4,010,846
FUND BALANCES		
Restricted for:		
Economic development	21,806,231	21,018,626
Total Fund Balances	21,806,231	21,018,626
Total Liabilities and Fund Balances	$ 21,812,040	$ 25,029,472

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2020)

	2021	2020
REVENUES		
Taxes	$ 5,615,928	$ 4,819,288
Investment earnings	56,144	288,740
Total Revenues	5,672,072	5,108,028
EXPENDITURES		
Current:		
General government	306,025	4,886,456
Administration	528,442	480,202
Total Expenditures	834,467	5,366,658
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,837,605	(258,630)
OTHER FINANCING SOURCES (USES)		
Transfers out	(4,050,000)	(500,000)
Total Other Financing Sources (Uses)	(4,050,000)	(500,000)
NET CHANGE IN FUND BALANCE	787,605	(758,630)
FUND BALANCES - BEGINNING	21,018,626	21,777,256
FUND BALANCES - ENDING	$ 21,806,231	$ 21,018,626

CITY OF SCHERTZ, TEXAS

COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND

SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 1,087,376	$ 785,919
Receivables, net of allowances:		
Taxes	133,778	120,816
Total Assets	1,221,154	906,735
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	133,778	120,816
Total Deferred Inflows of Resources	133,778	120,816
FUND BALANCES		
Restricted for:		
Debt service	1,087,376	785,919
Total Fund Balances	1,087,376	785,919
Total Deferred Inflows of Resources and Fund Balances	$ 1,221,154	$ 906,735

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE ACTUAL TOTALS FOR 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Variance With Final Budget Positive (Negative)	2020 Actual Amounts
REVENUES					
Property taxes	$ 6,980,821	$ 6,980,821	$ 7,102,016	$ 121,195	$ 6,714,516
Investment income	15,000	15,000	1,593	(13,407)	19,900
Miscellaneous	100,000	100,000	125,000	25,000	75,000
Total Revenue	7,095,821	7,095,821	7,228,609	132,788	6,809,416
EXPENDITURES					
Debt service:					
Principal	5,065,000	5,065,000	4,955,000	110,000	4,885,000
Interest and fiscal charges	1,979,861	1,979,861	1,801,467	178,394	2,136,523
Bond issue costs	50,000	50,000	140,140	(90,140)	4,200
Total Expenditures	7,094,861	7,094,861	6,896,607	198,254	7,025,723
Excess (Deficiency) of Revenues over Expenditures	960	960	332,002	(65,466)	(216,307)
OTHER FINANCING SOURCES (USES)					
Issuance of refunding debt	-	-	7,555,000	7,555,000	-
Premium on refunding debt	-	-	629,992	629,992	-
Payment to refunding escrow agent	-	-	(8,223,452)	(8,223,452)	-
Transfers in	-	-	7,915	7,915	-
Total Other Financing Sources (Uses)	-	-	(30,545)	(30,545)	-
NET CHANGE IN FUND BALANCE	960	960	301,457	300,497	(216,307)
FUND BALANCE - BEGINNING	785,919	785,919	785,919	-	1,002,226
FUND BALANCE - ENDING	$ 786,879	$ 786,879	$ 1,087,376	$ 300,497	$ 785,919

CITY OF SCHERTZ, TEXAS

COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND

SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 13,229,954	$ 10,677,080
Accounts receivable, net of allowance	258,142	-
Total Assets	13,488,096	10,677,080
LIABILITIES		
Accounts payable	162,695	428,387
Retainage payable	154,437	111,135
Total Liabilities	317,132	539,522
FUND BALANCES		
Restricted for:		
Capital improvement	5,185,166	6,065,616
Committed for:		
Capital projects	7,985,798	4,071,942
Total Fund Balances	13,170,964	10,137,558
Total Liabilities and Fund Balance	$ 13,488,096	$ 10,677,080

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CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARTIVE TOTALS FOR THE YEAR ENDED 2020)

	2021	2020
REVENUES		
Intergovernmental	$ 724,993	$ -
Investment earnings	12,333	154,977
Miscellaneous	501,922	132,901
Total Revenues	1,239,248	287,878
EXPENDITURES		
Capital outlay	4,582,289	7,837,991
Total Expenditures	4,582,289	7,837,991
Excess (Deficiency) of Revenues Over Expenditures	(3,343,041)	(7,550,113)
OTHER FINANCING SOURCES (USES)		
Transfers in	6,384,362	4,500,000
Transfers out	(7,915)	-
Total Other Financing Sources (Uses)	6,376,447	4,500,000
NET CHANGE IN FUND BALANCE	3,033,406	(3,050,113)
FUND BALANCES - BEGINNING	10,137,558	13,187,671
FUND BALANCES - ENDING	$ 13,170,964	$ 10,137,558

CITY OF SCHERTZ, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	Special Revenue Funds				Special Revenue Funds					Capital Projects Fund	
	Hotel Occupancy Fund	Park Fund	Tree Mitigation	Treasury Forfeitures	Justice Forfeitures	State Forfeitures	Grant Fund	Library Advisory Board	Historical Committee Fund	Capital Recovery Roadways	Total Nonmajor Governmental Funds
ASSETS											
Cash and cash equivalents	$ 2,240,387	$ 287,017	$ 660,896	$ 32,560	$ 128,310	$ 4,779	$ 6,287	$ 64,697	$ 14,398	$ 1,801,040	$ 5,240,371
Accounts receivable, net of allowance	64,942	-	-	-	-	-	-	-	-	-	64,942
Total Assets	2,305,329	287,017	660,896	32,560	128,310	4,779	6,287	64,697	14,398	1,801,040	5,305,313
LIABILITIES											
Accounts payable	3,613	-	13,000	-	31,486	-	2,886	133	100	-	51,218
Due to other funds	-	-	-	-	-	-	678,444	-	-	-	678,444
Total Liabilities	3,613	-	13,000	-	31,486	-	681,330	133	100	-	729,662
FUND BALANCES											
Restricted for:											
Tourism development	2,301,716	-	-	-	-	-	-	-	-	-	2,301,716
Parks and tree mitigation	-	287,017	647,896	-	-	-	-	-	-	-	934,913
Police forfeiture	-	-	-	32,560	96,824	4,779	-	-	-	-	134,163
Roadways	-	-	-	-	-	-	-	-	-	1,801,040	1,801,040
Historical Committee and library	-	-	-	-	-	-	-	64,564	14,298	-	78,862
Unassigned	-	-	-	-	-	-	(675,043)	-	-	-	(675,043)
Total Fund Balances	2,301,716	287,017	647,896	32,560	96,824	4,779	(675,043)	64,564	14,298	1,801,040	4,575,651
Total Liabilities and Fund Balances	$ 2,305,329	$ 287,017	$ 660,896	$ 32,560	$ 128,310	$ 4,779	$ 6,287	$ 64,697	$ 14,398	$ 1,801,040	$ 5,305,313

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue Funds				Special Revenue Funds					Capital Projects Fund	
	Hotel Occupancy Fund	Park Fund	Tree Mitigation	Treasury Forfeiture	Justice Forfeitures	State Forfeitures	Grant Fund	Library Advisory Board	Historical Committee Fund	Capital Recovery Roadways	Total Nonmajor Governmental Funds
REVENUES											
Occupancy tax	$ 518,921	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 518,921
Permits and fees	-	-	219,513	-	-	-	-	-	-	-	219,513
Service fees	-	-	-	-	-	-	-	9,104	590	902,712	912,406
Fines and fees	-	-	-	-	5,844	-	-	-	-	-	5,844
Intergovernmental	-	-	-	-	-	-	1,931,599	-	-	-	1,931,599
Investment earnings	2,095	293	650	-	176	-	-	111	-	1,828	5,153
Miscellaneous	-	-	-	-	-	-	-	13	2	-	15
Total Revenues	521,016	293	220,163	-	6,020	-	1,931,599	9,228	592	904,540	3,593,451
EXPENDITURES											
Current:											
General government	263,300	-	-	-	-	-	-	-	3,108	-	266,408
Public safety	-	-	-	-	94,899	7,995	535,124	-	-	-	638,018
Parks and recreation	-	4,500	35,495	-	-	-	-	-	-	-	39,995
Cultural	-	-	-	-	-	-	-	19,708	-	-	19,708
Administration	72,464	-	-	-	-	-	-	-	-	-	72,464
Capital outlay	-	1,012	-	-	24,750	-	-	-	-	41,127	66,889
Total Expenditures	335,764	5,512	35,495	-	119,649	7,995	535,124	19,708	3,108	41,127	1,103,482
Excess (Deficiency) of Revenue Over Expenditures	185,252	(5,219)	184,668	-	(113,629)	(7,995)	1,396,475	(10,480)	(2,516)	863,413	2,489,969
OTHER FINANCING SOURCES (USES)											
Transfer in	-	-	-	-	-	-	-	-	3,109	-	3,109
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	3,109	-	3,109
NET CHANGE IN FUND BALANCES	185,252	(5,219)	184,668	-	(113,629)	(7,995)	1,396,475	(10,480)	593	863,413	2,493,078
FUND BALANCES - BEGINNING	2,116,464	292,236	463,228	32,560	210,453	12,774	(2,071,518)	75,044	13,705	937,627	2,082,573
FUND BALANCES - ENDING	$ 2,301,716	$ 287,017	$ 647,896	$ 32,560	$ 96,824	$ 4,779	$(675,043)	$ 64,564	$ 14,298	$ 1,801,040	$ 4,575,651

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE ACTUAL TOTALS FOR 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Variance With Final Budget Positive (Negative)	2020 Actual Amounts
REVENUES					
Occupancy tax	$ 520,000	$ 520,000	$ 518,921	$(1,079)	$ 268,946
Investment earnings	20,750	20,750	2,095	(18,655)	26,224
Total Revenues	540,750	540,750	521,016	(19,734)	295,170
EXPENDITURES					
Current:					
General government	181,466	226,354	263,300	(36,946)	95,954
Administration	72,464	72,464	72,464	-	74,428
Capital outlay	-	-	-	-	223,189
Total Expenditures	253,930	298,818	335,764	(36,946)	393,571
NET CHANGE IN FUND BALANCE	286,820	241,932	185,252	(56,680)	(98,401)
FUND BALANCE - BEGINNING	2,116,464	2,116,464	2,116,464	-	2,214,865
FUND BALANCE - ENDING	$ 2,403,284	$ 2,358,396	$ 2,301,716	$(56,680)	$ 2,116,464

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE ACTUAL TOTALS FOR 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Variance With Final Budget Positive (Negative)	2020 Actual Amounts
REVENUES					
Licenses and permits	$ 70,000	$ 70,000	$ -	$(70,000)	$ 4,000
Investment earnings	3,500	3,500	293	(3,207)	3,325
Investment earnings	-	-	-	-	1
Total Revenues	73,500	73,500	293	(73,207)	7,326
EXPENDITURES					
Current:					
Parks and recreation	25,000	25,000	4,500	20,500	5,760
Capital outlay	100,000	100,000	1,012	98,988	-
Total Expenditures	125,000	125,000	5,512	119,488	5,760
NET CHANGE IN FUND BALANCE	(51,500)	(51,500)	(5,219)	(192,695)	1,566
FUND BALANCE - BEGINNING	292,236	292,236	292,236	-	290,670
FUND BALANCE - ENDING	$ 240,736	$ 240,736	$ 287,017	$ 46,281	$ 292,236

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE ACTUAL TOTALS FOR 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Variance With Final Budget Positive (Negative)	2020 Actual Amounts
REVENUES					
Licenses and permits	$ 70,000	$ 70,000	$ 219,513	$ 149,513	$ 52,427
Investment earnings	4,500	4,500	650	(3,850)	5,569
Miscellaneous	-	-	-	-	500
Total Revenues	74,500	74,500	220,163	145,663	58,496
EXPENDITURES					
Current:					
Parks and recreation	70,000	70,000	35,495	34,505	28,674
Total Expenditures	70,000	70,000	35,495	34,505	28,674
NET CHANGE IN FUND BALANCE	4,500	4,500	184,668	180,168	29,822
FUND BALANCE - BEGINNING	463,228	463,228	463,228	-	433,406
FUND BALANCE - ENDING	$ 467,728	$ 467,728	$ 647,896	$ 180,168	$ 463,228

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
REVENUES		
Fines and fees	$ -	$ 4,400
Total Revenues	-	4,400
EXPENDITURES		
Capital outlay	-	206
Total Expenditures	-	206
NET CHANGE IN FUND BALANCE	-	4,194
FUND BALANCE - BEGINNING	32,560	28,160
FUND BALANCE - ENDING	$ 32,560	$ 32,354

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
REVENUES		
Fines and fees	$ 5,844	$ 35,444
Investment earnings	176	2,747
Total Revenues	6,020	38,191
EXPENDITURES		
Current:		
Public safety	94,899	42,063
Capital outlay	24,750	40,465
Total Expenditures	119,649	82,528
NET CHANGE IN FUND BALANCE	(113,629)	(44,337)
FUND BALANCE - BEGINNING	210,453	254,790
FUND BALANCE - ENDING	$ 96,824	$ 210,453

CITY OF SCHERTZ, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

STATE FORFEITURES FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
REVENUES		
Fines and fees	$ -	$ 7,665
Investment earnings	-	-
Total Revenues	-	7,665
EXPENDITURES		
Current:		
Public safety	7,995	-
Total Expenditures	7,995	-
NET CHANGE IN FUND BALANCE	(7,995)	7,665
FUND BALANCE - BEGINNING	12,774	5,109
FUND BALANCE - ENDING	$ 4,779	$ 12,774

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE ACTUAL TOTALS FOR 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Variance With Final Budget Positive (Negative)	2020 Actual Amounts
REVENUES					
Service fees	$ 20,000	$ 20,000	$ 9,104	$(10,896)	$ 9,204
Investment earnings	1,000	1,000	111	(889)	850
Miscellaneous	200	200	13	(187)	4
Total Revenues	21,200	21,200	9,228	(11,972)	10,058
EXPENDITURES					
Current:					
Cultural	21,200	21,200	19,708	1,492	10,456
Total Expenditures	21,200	21,200	19,708	1,492	10,456
NET CHANGE IN FUND BALANCE	-	-	(10,480)	(10,480)	(398)
FUND BALANCE - BEGINNING	75,044	75,044	75,044	-	75,442
FUND BALANCE - ENDING	$ 75,044	$ 75,044	$ 64,564	$(10,480)	$ 75,044

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE ACTUAL TOTALS FOR 2020)

	Original Budget	Final Budget	2021 Actual Amounts	Variance With Final Budget Positive (Negative)	2020 Actual Amounts
REVENUES					
Sale of merchandise	$ 1,000	$ 1,000	$ 590	$(410)	$ 43
Miscellaneous	-	-	2	2	-
Total Revenues	1,000	1,000	592	(408)	43
EXPENDITURES					
Current:					
General government	11,750	11,750	3,108	8,642	169
Total Expenditures	11,750	11,750	3,108	8,642	169
Excess of Revenues Over Expenditures	(10,750)	(10,750)	(2,516)	8,234	(126)
OTHER FINANCING SOURCES (USES)					
Transfers in	10,750	10,750	3,109	(7,641)	169
Total Other Financing Sources (Uses)	10,750	10,750	3,109	(7,641)	169
NET CHANGE IN FUND BALANCE	-	-	593	593	43
FUND BALANCE - BEGINNING	13,705	13,705	13,705	-	13,662
FUND BALANCE - ENDING	$ 13,705	$ 13,705	$ 14,298	$ 593	$ 13,705

CITY OF SCHERTZ, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
CAPITAL RECOVERY ROADWAYS

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
REVENUES		
Service fees	$ 902,712	$ 850,201
Investment earnings	1,828	1,973
Total Revenues	904,540	852,174
EXPENDITURES		
Capital outlay	41,127	-
Total Expenditures	41,127	-
NET CHANGE IN FUND BALANCE	863,413	852,174
FUND BALANCE - BEGINNING	937,627	85,453
FUND BALANCE - ENDING	$ 1,801,040	$ 937,627

STATISTICAL SECTION

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STATISTICAL SECTION
(Unaudited)

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

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Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 86 – 95

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue sources. 96 - 104

Debt Capacity
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 105 - 110

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 111 - 114

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. 115 - 120

CITY OF SCHERTZ, TEXAS

TABLE 1

NET POSITION BY COMPONENT

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	$ 56,616,809	$ 57,543,618	$ 62,792,671	$ 68,125,738	$ 74,237,004	$ 84,537,238	$ 89,266,885	$ 89,869,766	$ 88,959,102	$ 98,444,714
Restricted	1,917,098	7,788,354	10,401,728	13,343,280	17,095,325	20,437,116	23,391,047	28,088,355	28,664,438	28,342,438
Unrestricted	8,907,326	6,645,418	8,613,239	1,640,519	2,231,341	1,673,567	2,351,236	2,920,717	4,157,801	10,744,127
Total Governmental Activities Net Position	$ 67,441,233	$ 71,977,390	$ 81,807,638	$ 83,109,537	$ 93,563,670	$ 106,647,921	$ 115,009,168	$ 120,878,838	$ 121,781,341	$ 137,531,279
Business-type activities										
Net investment in capital assets	$ 50,161,157	$ 53,071,836	$ 53,674,437	$ 59,625,205	$ 64,210,231	$ 70,361,035	$ 64,871,629	$ 68,271,075	$ 75,969,319	$ 83,941,882
Restricted	-	-	-	-	-	10,565,463	12,626,526	13,232,638	15,071,599	8,368,736
Unrestricted	11,577,645	11,902,282	16,450,988	14,243,922	15,737,470	20,781,291	20,870,671	33,254,008	30,570,717	39,406,798
Total Business-Type Activities Net Position	$ 61,738,802	$ 64,974,118	$ 70,125,425	$ 73,869,127	$ 79,947,701	$ 101,707,789	$ 98,368,826	$ 114,757,721	$ 121,611,635	$ 131,717,416
Primary government										
Net investment in capital assets	$ 106,777,966	$ 110,615,454	$ 116,467,108	$ 127,750,943	$ 138,447,235	$ 154,898,273	$ 154,138,514	$ 158,140,841	$ 164,928,421	$ 182,386,596
Restricted	1,917,098	7,788,354	10,401,728	13,343,280	17,095,325	20,437,116	23,391,047	41,320,993	43,736,037	36,711,174
Unrestricted	20,484,971	18,547,700	25,064,227	15,884,441	17,968,811	22,454,858	35,848,433	36,174,725	34,728,518	50,150,925
Total Primary Government Net Position	$ 129,180,035	$ 136,951,508	$ 151,933,063	$ 156,978,664	$ 173,511,371	$ 197,790,247	$ 213,377,994	$ 235,636,559	$ 243,392,976	$ 269,248,695

CITY OF SCHERTZ, TEXAS

TABLE 2

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	$ 7,802,092	$ 7,066,087	$ 6,958,530	$ 6,443,227	$ 6,557,778	$ 6,253,926	$ 7,421,918	$ 6,534,013	$ 10,310,363	$ 7,298,193
Public safety	9,103,676	9,567,595	10,025,703	10,836,712	12,141,968	13,061,120	13,899,278	15,448,886	16,575,191	19,008,871
Public environment	3,586,087	3,622,834	3,740,538	3,876,644	4,147,653	4,460,540	4,930,723	5,495,192	8,825,099	5,364,408
Parks and recreation	1,584,605	1,807,559	1,807,136	2,164,604	2,034,964	2,859,974	2,707,292	3,022,278	3,012,134	3,395,458
Cultural	916,967	907,676	870,159	892,194	954,871	1,004,747	1,042,085	1,119,650	1,089,564	1,087,975
Health	357,658	344,647	407,114	470,468	570,204	776,494	724,780	516,890	596,288	-
Administration	1,117,044	1,180,656	1,942,312	1,845,877	1,954,276	3,052,102	3,067,983	3,853,255	3,419,407	4,360,229
Interest and other fees	2,302,912	3,340,951	2,352,856	2,226,635	2,240,783	2,355,714	2,125,687	2,196,180	2,028,065	1,797,520
Total Governmental Activities Expenses	26,771,041	27,838,005	28,104,348	28,756,361	30,602,497	33,824,617	35,919,746	38,186,344	45,856,111	42,312,654
Business-type activities:										
Water and sewer	16,349,967	16,954,871	17,762,116	18,440,959	20,269,111	21,346,078	23,579,854	25,608,390	24,349,219	25,280,964
EMS	3,758,425	3,959,445	4,268,125	4,719,526	5,004,110	6,006,178	6,110,407	6,529,631	6,051,296	7,784,670
Total Business-Type Activities Expenses	20,108,392	20,914,316	22,030,241	23,160,485	25,273,221	27,352,256	29,690,261	32,138,021	30,400,515	33,065,634
Total Primary Government Expenses	46,879,433	48,752,321	50,134,589	51,916,846	55,875,718	61,176,873	65,610,007	70,324,365	76,256,626	75,378,288
Program Revenues										
Governmental activities:										
Charges for services:										
General government	2,286,488	2,230,800	1,974,637	1,840,547	1,507,252	874,737	1,013,698	947,538	836,246	651,211
Public safety	2,216,385	2,516,547	2,536,476	2,603,476	2,415,537	4,131,548	4,104,911	3,177,329	3,276,129	3,079,945
Public environment	-	-	-	-	-	-	-	138,920	850,201	902,712
Parks and recreation	541,512	721,222	917,639	794,003	788,727	544,460	640,231	484,495	331,174	528,886
Cultural	279,267	305,932	309,897	325,178	326,079	330,412	313,668	311,575	299,944	285,792
Health	36,746	38,149	32,429	26,744	30,308	29,742	27,930	21,101	26,304	-
Operating grants and contributions	764,997	234,084	220,264	336,252	342,485	552,878	776,942	692,042	2,113,673	1,925,939
Capital grants and contributions	1,178,573	1,531,740	5,756,456	5,509,530	6,227,664	10,043,483	4,744,489	1,319,793	531,096	7,959,576
Total Governmental Activities Program Revenues	7,303,968	7,578,474	11,747,798	11,435,730	11,638,052	16,507,260	11,621,869	7,092,793	8,264,767	15,334,061
Business-type activities:										
Charges for services:										
Water and sewer	17,411,568	17,696,327	19,147,872	20,700,369	22,003,794	25,390,713	27,099,237	27,333,475	29,709,279	27,724,929
EMS	3,561,114	4,459,600	4,533,753	4,415,126	5,921,223	6,366,894	6,092,559	6,596,618	6,114,891	7,709,027
Capital grants and contributions	828,853	1,301,235	2,809,110	4,158,552	2,831,126	6,111,474	3,132,348	1,975,524	292,408	6,935,191
Total Business-Type Activities Program Revenues	21,801,535	23,457,162	26,490,735	29,274,047	30,756,143	37,869,081	36,324,144	35,905,617	36,116,578	42,369,147
Total Primary Government Program Revenues	29,105,503	31,035,636	38,238,533	40,709,777	42,394,195	54,376,341	47,946,013	42,998,410	44,381,345	57,703,208
Net (expense) revenue:										
Governmental activities	(19,467,073)	(20,259,531)	(16,356,550)	(17,320,631)	(18,964,445)	(17,317,357)	(24,297,877)	(31,093,551)	(37,591,344)	(26,978,593)
Business-type activities	1,693,143	2,542,846	4,460,494	6,113,562	5,482,922	10,516,825	6,633,883	3,767,596	5,716,063	9,303,513
Total Primary Government Net Expense	(17,773,930)	(17,716,685)	(11,896,056)	(11,207,069)	(13,481,523)	(6,800,532)	(17,663,994)	(27,325,955)	(31,875,281)	(17,675,080)

CITY OF SCHERTZ, TEXAS

TABLE 2

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Ad valorem	$ 11,298,204	$ 12,359,146	$ 12,794,172	$ 14,139,037	$ 15,131,997	$ 16,166,006	$ 17,018,950	$ 19,151,005	$ 19,844,912	$ 21,463,804
Sales	7,968,212	9,637,097	10,553,382	10,315,125	10,921,489	10,844,503	12,668,555	12,506,879	14,432,152	16,838,731
Franchise fees	1,647,712	1,681,079	2,073,162	2,263,783	2,250,815	2,208,373	2,393,182	2,357,150	2,305,225	2,305,108
Hotel/motel	470,290	503,267	552,570	563,734	544,871	499,466	520,424	514,679	268,946	518,921
Mixed drink	28,586	30,421	39,917	43,656	43,073	42,699	43,395	60,518	70,139	68,730
Investment income	60,265	54,270	43,279	56,820	187,847	448,408	909,985	1,470,258	804,674	104,613
Miscellaneous	621,560	505,268	180,316	197,881	309,275	182,754	283,496	984,257	767,779	1,408,270
Transfers	(62,294)	25,140	(50,000)	(42,235)	29,211	9,399	19,186	(81,525)	-	-
Total Governmental Activities	22,032,535	24,795,688	26,186,798	27,537,801	29,418,578	30,401,608	33,857,173	36,963,221	38,493,827	42,708,177
Business-type activities:										
Interest and investment earnings	36,409	53,089	31,810	47,728	102,642	211,466	532,367	855,216	431,555	68,354
Miscellaneous	666,645	664,521	609,003	344,731	522,221	475,733	453,374	267,788	706,296	754,268
Transfers	62,294	(25,140)	50,000	42,235	(29,211)	(9,399)	(19,186)	81,525	-	-
Total Business-Type Activities	765,348	692,470	690,813	434,694	595,652	677,800	966,555	1,204,529	1,137,851	822,622
Total Primary Government	22,797,883	25,488,158	26,877,611	27,972,495	30,014,230	31,079,408	34,823,728	38,167,750	39,631,678	43,530,799
Change in Net Position										
Governmental activities	2,565,462	4,536,157	9,830,248	10,217,170	10,454,133	13,084,251	9,559,296	5,869,670	902,503	15,729,584
Business-type activities	2,458,491	3,235,316	5,151,307	6,548,256	6,078,574	11,194,625	7,600,438	4,972,125	6,853,914	10,126,135
Total Primary Government	$ 5,023,953	$ 7,771,473	$ 14,981,555	$ 16,765,426	$ 16,532,707	$ 24,278,876	$ 17,159,734	$ 10,841,795	$ 7,756,417	$ 25,855,719

Source: City financial statements

CITY OF SCHERTZ, TEXAS

TABLE 3

FUND BALANCES OF GOVERNMENTAL FUNDS

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Non-spendable	$ 186,003	$ 925,291	$ 110,253	$ 117,084	$ 220,503	$ 98,263	$ 94,876	$ 131,925	$ 114,787	$ 162,463
Restricted	1,275,501	1,599,487	1,701,408	1,748,374	1,929,636	1,994,905	2,027,125	2,196,037	1,996,357	2,151,411
Committed	-	-	-	-	-	-	-	-	687,780	907,676
Assigned	322,656	456,034	694,916	785,005	752,503	854,198	3,080,557	5,580,626	1,972,479	1,501,398
Unassigned	2,560,667	4,206,734	5,587,262	7,280,240	8,509,467	9,976,169	12,548,013	9,228,612	12,197,575	11,755,619
Total general fund	$ 4,344,827	$ 7,187,546	$ 8,093,839	$ 9,930,703	$ 11,412,109	$ 12,923,535	$ 17,750,571	$ 17,137,200	$ 16,968,978	$ 16,478,567
All other governmental funds										
Restricted	$ 22,462,562	$ 22,742,237	$ 19,261,995	$ 21,191,968	$ 27,252,908	$ 35,721,031	$ 37,772,240	$ 39,009,399	$ 32,024,252	$ 33,329,710
Committed	-	165,000	31,718	-	342,519	454,376	454,376	687,779	4,071,942	7,985,798
Assigned	347,191	244,937	31,177	6,657	6,743	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(2,071,518)	(675,043)
Total all other governmental funds	$ 22,809,753	$ 23,152,174	$ 19,324,890	$ 21,198,625	$ 27,602,170	$ 36,175,407	$ 38,226,616	$ 39,697,178	$ 34,024,676	$ 40,640,465

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

CITY OF SCHERTZ, TEXAS

TABLE 4

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	$ 21,401,991	$ 24,181,863	$ 26,021,730	$ 27,348,297	$ 28,865,727	$ 29,720,578	$ 32,632,702	$ 34,590,008	$ 36,802,913	$ 41,150,087
Permits and fees	1,363,461	1,609,954	1,805,047	1,731,302	1,493,336	2,540,045	2,557,056	1,635,461	1,807,264	1,812,895
Service fees	1,547,007	1,739,387	1,763,964	1,797,151	1,789,321	2,132,299	2,159,193	2,070,293	2,583,598	2,540,995
Fines and fees	2,027,613	1,927,744	1,750,311	1,534,588	1,441,474	1,217,621	1,049,989	953,614	880,657	643,482
Intergovernmental	1,000,413	492,332	221,769	393,607	401,494	397,073	609,131	1,057,681	951,604	4,582,874
Other revenue	969,921	767,110	671,731	689,805	1,741,436	1,897,153	1,761,285	2,454,515	1,572,473	1,512,883
Total Revenues	28,310,406	30,718,390	32,234,552	33,494,750	35,732,788	37,904,769	40,769,356	42,761,572	44,598,509	52,243,216
Expenditures										
Current:										
General government	7,094,834	6,311,276	5,981,439	5,582,441	5,657,998	5,394,918	6,327,133	5,881,647	10,364,369	6,580,915
Public safety	8,690,849	9,113,840	9,409,894	10,158,401	11,048,767	11,870,636	12,728,222	13,985,443	15,366,593	18,107,418
Public environment	976,327	951,528	1,012,607	952,663	1,007,326	1,128,979	1,136,052	1,112,041	1,270,894	1,382,185
Parks and recreation	1,398,692	1,412,329	1,338,232	1,658,197	1,528,356	1,885,915	1,697,872	2,393,487	2,102,083	2,534,679
Cultural	845,124	840,595	815,691	821,146	869,162	921,870	955,153	1,018,109	1,044,891	1,059,984
Health	346,318	341,961	394,918	404,008	480,175	672,934	628,054	498,871	589,616	-
Administration	1,249,557	1,289,078	2,270,041	2,056,646	2,015,573	2,912,855	3,015,239	3,795,233	3,353,634	4,459,223
Capital outlay	1,299,843	3,277,397	8,000,467	2,314,668	10,192,398	5,492,196	7,708,625	9,083,572	9,276,886	5,215,256
Debt service:										
Principal	2,704,898	3,217,325	3,695,597	3,918,008	4,040,975	4,473,174	4,744,116	4,565,000	4,929,544	4,955,000
Interest and fiscal charges	2,313,510	2,381,171	2,108,610	2,112,746	1,896,911	2,113,679	2,099,190	2,069,215	2,136,523	1,801,467
Bond issue costs	254,971	31,750	165,650	7,992	449,358	214,280	129,417	189,082	4,200	140,140
Payment to refund agent	-	-	-	-	-	-	-	5,489,912	-	-
Total Expenditures	27,174,923	29,168,250	35,193,146	29,986,916	39,186,999	37,081,436	41,169,073	50,081,612	50,439,233	46,236,267
Excess of Revenues Over (Under) Expenditures	1,135,483	1,550,140	(2,958,594)	3,507,834	(3,454,211)	823,333	(399,717)	(7,320,040)	(5,840,724)	6,006,949
Other Financing Sources (Uses)										
Bond & debt issuances	14,370,000	1,635,000	8,583,715	245,000	10,750,000	8,870,000	4,887,829	4,620,000	-	136,535
Refunding bond issuance	-	-	-	-	4,185,000	-	6,035,000	5,225,000	-	7,555,000
Premium (discount) on bond issue	175,473	-	686,137	-	590,432	381,931	269,212	640,115	-	629,992
Payment to refund agent	(6,698,421)	-	(9,182,250)	-	(4,215,482)	-	(6,159,623)	-	-	(8,223,452)
Transfer in	139,635	788,084	1,243,833	989,120	863,583	438,803	777,487	120,503	4,500,169	6,395,386
Transfer out	(201,929)	(788,084)	(1,293,832)	(1,031,355)	(834,371)	(429,404)	(758,302)	(202,028)	(4,500,169)	(6,375,032)
Net Other Financing Sources (Uses)	7,784,758	1,635,000	37,603	202,765	11,339,162	9,261,330	5,051,603	10,403,590	-	118,429
Net Change in Fund Balances	$ 8,920,241	$ 3,185,140	$(2,920,991)	$ 3,710,599	$ 7,884,951	$ 10,084,663	$ 4,651,886	$ 3,083,550	$(5,840,724)	$ 6,125,378
Debt Service as a Percentage of Noncapital Expenditures	19.5%	21.6%	21.3%	21.3%	20.5%	20.4%	22.2%	17.3%	16.2%	19.9%

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

CITY OF SCHERTZ, TEXAS

TABLE 5

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

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Mixed Beverage	Bingo	Hotel Occupancy	Total
2012	$ 11,287,191	$ 7,968,212	$ 1,647,712	$ 28,586	$ -	$ 470,290	$ 21,401,991
2013	12,329,999	9,637,097	1,681,079	30,421	-	503,267	24,181,863
2014	12,802,668	10,553,382	2,073,162	39,917	31	552,570	26,021,730
2015	14,161,999	10,315,125	2,263,783	43,553	103	563,734	27,348,297
2016	15,105,480	10,921,489	2,250,815	43,072	1	544,870	28,865,727
2017	16,125,537	10,844,503	2,208,373	42,668	31	499,466	29,720,578
2018	17,007,148	12,668,555	2,393,182	43,384	11	520,424	32,632,704
2019	19,150,782	12,506,879	2,357,150	60,518	24	514,679	34,590,032
2020	19,726,451	14,432,152	2,305,225	70,139	24	268,946	36,802,937
2021	21,418,597	16,838,731	2,305,108	68,730	24	518,921	41,150,111

CITY OF SCHERTZ, TEXAS **TABLE 6**

TOTAL WATER AND SEWER CONSUMPTION AND RATES

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Total Water & Sewer Consumption (In Gallons)	Water & Sewer Base Rate	Water & Sewer Initial Rate Per 1,000 Gallons
2021	1,629,336,300	38.15	6.97
2020	1,982,664,200	38.15	6.97
2019	1,622,930,500	37.15	6.84
2018	1,583,312,400	35.61	6.53
2017	1,583,462,300	34.35	6.21
2016	1,509,250,000	30.11	5.73
2015	1,472,948,300	26.54	5.43
2014	1,543,351,600	24.38	5.17
2013	1,550,039,700	22.69	4.84
2012	1,604,952,300	22.69	4.84

CITY OF SCHERTZ, TEXAS **TABLE 7**

PRINCIPAL WATER AND SEWER CONSUMERS

LAST TEN FISCAL YEARS

	2021			2012		
TAXPAYERS	Total Water Consumption (In Gallons)	Rank	Percentage of Total City Water Consumption	Total Water Consumption (In Gallons)	Rank	Percentage of Total City Water Consumption
Caterpillar	20,975,100	1	1.29%			
City of Cibolo	17,972,200	2	1.10%			
Republic Beverage Company	5,824,300	3	0.36%			
Sysco	8,056,600	4	0.49%	18,163,300	2	1.13%
Colgate Inc.	4,209,200	5	0.26%	6,766,200	4	0.42%
Silver Tree Nursing Rehab.	4,203,100	6	0.26%	6,304,900	6	0.39%
IPT San Antonio Logistics	4,173,400	7	0.26%	4,444,100	9	0.28%
YMCA	4,067,200	8	0.25%			
Atrium Inn	3,396,200	9	0.21%			
Manco Structures	3,331,300	10	0.20%			
Lions Fut Ball Club				25,141,000	1	1.57%
Beck Readymix Concrete				8,567,600	3	0.53%
IPT San Antonio Logistics				6,447,400	5	0.40%
Manco Structures				6,275,400	7	0.39%
Big Time Management				5,966,500	8	0.37%
City of Schertz (Soccor Field)				4,196,400	10	0.26%
TOTAL	76,208,600		4.68%	92,272,800		5.75%
Total City Water Consumption	1,629,336,300			1,604,952,300		

CITY OF SCHERTZ, TEXAS **TABLE 8**

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS
(UNAUDITED)

	City Direct Rates			Overlapping School Districts	
Fiscal Year	Basic Rate	Debt Service	Total	Schertz-Cibolo-Universal City ISD	Comal ISD
2021	0.3470	0.1651	0.5121	1.4106	1.2757
2020	0.3496	0.1650	0.5146	1.4200	1.3200
2019	0.3497	0.1649	0.5146	1.4900	1.3200
2018	0.3248	0.1662	0.4910	1.4900	1.3900
2017	0.3168	0.1743	0.4911	1.4700	1.3900
2016	0.3159	0.1752	0.4911	1.4900	1.3900
2015	0.3164	0.1810	0.4974	1.4900	1.3900
2014	0.3010	0.1964	0.4974	1.4900	1.4300
2013	0.2993	0.2006	0.4999	1.4600	1.4300
2012	0.2993	0.1850	0.4843	1.4350	1.4300

	Overlapping Counties					
	Bexar					
Fiscal Year	Bexar County	Hospital District	River Authority	Community College District	Comal County	Guadalupe County
2021	0.2624	0.2762	0.0186	0.1492	0.3224	0.3854
2020	0.2774	0.2762	0.0186	0.1492	0.3224	0.3319
2019	0.2774	0.2762	0.0186	0.1492	0.2952	0.3319
2018	0.2928	0.2762	0.0173	0.1492	0.3078	0.3799
2017	0.2928	0.2762	0.0173	0.1492	0.2928	0.3851
2016	0.2929	0.2762	0.0173	0.1492	0.2929	0.3851
2015	0.2929	0.2762	0.0178	0.1492	0.2929	0.3941
2014	0.2782	0.2762	0.0174	0.1492	0.2782	0.3999
2013	0.3052	0.2762	0.0174	0.1416	0.3504	0.4036
2012	0.3269	0.2762	0.0167	0.1416	0.3340	0.4036

CITY OF SCHERTZ, TEXAS **TABLE 9**

PRINCIPAL PROPERTY OF TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO

	2021			2012		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
SYSCO San Antonio, Inc.	$ 141,147,340	1	3.28%	$ 44,955,071	2	2.28%
Caterpillar Inc.	107,425,724	2	2.49%	39,710,625	3	2.02%
Amazon Com Services Inc	83,888,434	3	1.95%			
Texas Circle 161 LLC	58,777,703	4	1.36%			
Rebublic Beverage Company	57,556,210	5	1.34%	47,821,320	1	2.43%
Colfin 2018-3 Industrial Owner LLC	51,009,011	6	1.18%			
1290 Entertainment LLC	19,923,909	7	0.46%			
H.E.Butt Grocery Co.	18,099,778	8	0.42%			
EM Limited Partnership	17,800,000	9	0.41%			
Piret(Doer Lane) Holdings LLC	17,536,180	10	0.41%			
Capital Group Companies Inc.				23,928,015	4	1.22%
San Antonio MTA Lp				23,026,185	5	1.17%
Capital Group Companies Inc.				17,587,923	6	0.89%
SC Schertz LLC				16,900,000	7	0.86%
Eye Care Centers of America Inc.				14,471,578	8	0.74%
Salof Properties II LLC				14,300,000	9	0.73%
Wal-Mart Real Estate Business Trust				13,137,327	10	0.67%
Totals	$ 573,164,289		13.31%	$ 255,838,044		12.99%
Total Taxable Assessed Value	$ 4,306,840,068			$ 1,968,808,829		

CITY OF SCHERTZ, TEXAS **TABLE 10**

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected Within Fiscal Year of Levy		Collections In Subsequent Years	Total Collections To Date	
		Amount	% of Levy		Amount	% of Levy
2021	$ 22,011,090	$ 21,787,625	98.98%	$ -	$ 21,787,625	98.98%
2020	20,854,329	20,758,493	99.54%	68,692	20,827,185	99.87%
2019	19,922,568	19,825,244	99.51%	85,062	19,910,306	99.94%
2018	18,010,824	17,899,825	99.38%	71,342	17,971,167	99.78%
2017	17,356,822	17,241,556	99.34%	72,675	17,314,231	99.75%
2016	16,238,180	16,160,248	99.52%	57,835	16,218,083	99.88%
2015	14,793,867	14,738,760	99.63%	44,730	14,783,490	99.93%
2014	13,383,759	13,297,258	99.35%	68,412	13,365,670	99.86%
2013	12,536,540	12,455,336	99.35%	71,432	12,526,768	99.92%
2012	11,239,572	11,159,974	99.29%	71,740	11,231,714	99.93%

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CITY OF SCHERTZ, TEXAS

TABLE 11

TAXABLE ASSESSED VALUE

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended September 30,	Taxable Value January 1,	Residential Property	Commercial Property	Tax-Exempt Property	Other Property	Total Taxable Assessed Value*	Total Direct Tax Rate
2021	2020	$ 3,060,963,760	$ 1,505,592,717	$ (716,028,336)	$ 276,109,231	$ 4,070,815,340	0.5121
2020	2019	3,004,686,341	1,613,615,732	(716,028,336)	250,185,870	4,152,459,607	0.5146
2019	2018	2,860,333,982	1,401,636,211	(621,773,006)	260,571,835	3,900,769,022	0.5146
2018	2017	2,049,067,806	2,344,365,139	(757,265,921)	146,860,809	3,647,504,903	0.4911
2017	2016	1,895,085,016	2,269,590,522	(649,173,041)	132,002,406	3,375,850,131	0.4911
2016	2015	1,702,601,947	2,087,223,204	(544,328,535)	130,353,515	3,037,267,611	0.4974
2015	2014	1,568,651,309	1,793,803,709	(460,271,461)	135,084,054	2,752,562,574	0.4974
2014	2013	1,445,731,509	1,540,565,195	(340,747,650)	107,013,520	2,600,365,551	0.4999
2013	2012	1,383,423,359	1,396,349,905	(285,245,142)	105,837,429	2,411,270,623	0.4843
2012	2011	1,337,223,390	1,233,687,039	(262,591,896)	102,952,090	2,363,893,708	0.4493

*Taxable Assessed Value is before any applicable freeze adjustments.

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

CITY OF SCHERTZ, TEXAS

TABLE 12

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

	Governmental Activities				Business-Type Activities		Business-Type Activities					
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Capital Lease	Revenue Bonds	Certificates of Obligation	General Obligation Bonds	Capital Lease	Tax Notes	Total Primary Government	Percent of Gross Income	Per Capita
2021	40,390,000	14,200,000	155,000	136,535	-	$ 10,655,000	$ 2,895,000	$ 475,121	$ -	$ 68,906,656	4.25%	1,619
2020	44,620,000	15,415,000	345,000	25,695	-	11,200,000	3,685,000	134,662	150,000	75,575,357	4.50%	1,769
2019	48,320,000	16,235,000	530,000	25,699	-	12,330,000	4,445,000	199,421	460,000	82,545,120	5.60%	1,932
2018	52,752,896	13,636,966	715,000	34,264	-	13,211,178	2,127,657	289,553	765,000	83,532,514	5.98%	2,028
2017	56,613,614	9,011,415	1,230,000	25,147	-	8,174,779	2,533,626	92,721	1,065,000	75,076,605	6.22%	1,996
2016	56,352,272	4,057,189	1,740,000	58,321	-	8,331,966	3,014,595	162,262	1,360,000	75,076,605	6.39%	1,979
2015	53,410,128	277,801	1,210,000	91,495	-	8,946,153	3,490,564	231,803	1,640,000	69,297,944	5.99%	1,830
2014	56,487,433	543,934	1,585,000	123,370	-	9,561,204	3,966,533	347,705	65,000	72,680,179	6.35%	1,992
2013	58,693,750	801,767	2,155,000	22,398	2,215,000	5,048,233	2,127,502	-	130,000	71,193,650	6.50%	1,982
2012	60,878,759	1,581,300	190,000	60,190	2,342,656	5,383,700	2,413,471	-	190,000	73,040,076	8.15%	2,117

CITY OF SCHERTZ, TEXAS **TABLE 13**

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding					
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Less: Amounts Available for Debt Service	Total	Percentage of Actual Taxable Value of Property	Per Capita
2021	$ 43,285,000	$ 24,855,000	$ (934,899)	$ 67,205,101	1.65%	1,558
2020	46,223,908	15,801,473	(1,051,874)	60,973,507	1.47%	1,481
2019	54,687,960	16,834,029	(1,084,908)	70,437,081	1.81%	1,785
2018	54,880,553	13,636,966	(809,427)	67,708,092	1.86%	1,785
2017	59,147,240	9,011,415	(924,989)	67,233,666	1.99%	1,776
2016	59,366,867	4,057,189	(813,306)	62,610,750	2.06%	1,716
2015	56,900,692	277,801	(847,178)	56,331,315	2.05%	1,568
2014	60,453,966	543,934	(517,199)	60,480,701	2.33%	1,753
2013	60,821,252	801,767	(227,674)	61,395,345	2.55%	1,830
2012	63,292,230	1,581,300	(117,250)	64,756,280	2.74%	2,418

CITY OF SCHERTZ, TEXAS **TABLE 14**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

CURRENT YEAR

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Alamo CCD	$ 437,790,000	0.32%	$ 1,400,928
Bexar County	1,541,429,243	0.32%	4,932,574
Bexar County Hospital District	916,855,010	0.32%	2,933,936
Comal County	130,723,964	4.18%	5,464,262
Comal ISD	725,695,179	4.42%	32,075,727
Guadalupe County	17,905,000	20.10%	3,598,905
Schertz-Cibolo-Universal ISD	384,573,190	48.29%	185,710,393
Subtotal, Overlapping Debt			236,116,724
City Governmental Activities Direct Debt			54,881,535
TOTAL NET OVERLAPPING DEBT			$ 290,998,259

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

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

CITY OF SCHERTZ, TEXAS **TABLE 15**

DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

Assessed Value, 2020 Tax Roll		$ 4,070,815,340
Debt Limit - Texas statues do not provide a legal debt limit for cities; however, through accepted practice a practical "economic" debt limit is considered to be 10% of the assessed value.		$ 407,081,534
Amount of Applicable Debt:		
General Bonded Debt	$ 54,881,535	
Less Debt Service Net Position	(934,899)	53,946,636
DEBT MARGIN		$ 353,134,898
Total Net Debt as a Percentage of Debt Margin		15.28%

	Fiscal Year		
	2016	2017	2018
Assessed Value	$ 3,375,850,131	$ 3,647,504,903	$ 3,783,027,833
Debt Limit	337,585,013	364,750,490	378,302,783
Total Net Debt Applicable to Limit	61,181,169	65,792,916	66,329,699
Total Debt Margin	$ 276,403,844	$ 298,957,574	$ 311,973,084
	2013	2014	2015
Assessed Value	$ 2,600,365,551	$ 2,752,562,574	$ 3,037,267,611
Debt Limit	260,036,555	275,256,257	303,726,761
Total Net Debt Applicable to Limit	60,499,568	56,803,499	53,424,303
Total Debt Margin	$ 199,536,987	$ 218,452,758	$ 250,302,458
	2010	2011	2012
Assessed Value	$ 2,363,893,708	$ 2,411,270,623	$ 2,600,365,551
Debt Limit	236,389,371	241,127,062	260,036,555
Total Net Debt Applicable to Limit	55,298,550	60,973,626	60,499,568
Total Debt Margin	$ 181,090,821	$ 180,153,436	$ 199,536,987

CITY OF SCHERTZ, TEXAS **TABLE 16**

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Water Revenue Bonds					
				Debt Service		
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2021	$ 28,030,614	$ 22,231,246	$ 5,799,368	$ 1,856,953	$ 515,413	2.44
2020	29,735,911	24,032,772	5,703,139	1,961,953	612,643	2.22
2019	27,246,250	22,622,986	4,623,264	1,845,132	561,880	1.92
2018	27,099,237	20,802,263	6,296,974	1,671,134	391,609	3.05
2017	25,390,713	18,697,162	6,693,551	1,554,541	368,390	3.48
2016	22,003,794	17,603,487	4,400,307	1,441,741	417,346	2.37
2015	20,700,369	15,916,597	4,783,772	1,448,407	428,912	2.55
2014	19,147,872	15,246,653	3,901,219	1,010,500	426,100	2.72
2013	17,696,327	14,553,274	3,143,053	728,800	359,680	2.89
2012	17,411,568	14,185,126	3,226,442	697,100	396,968	2.95

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

CITY OF SCHERTZ, TEXAS **TABLE 17**

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2021	43,125	$ 1,641,725,625	$ 38,069	37.6	16.2	15,887	3.9%
2020	42,734	1,680,129,944	39,316	37.4	16.2	15,675	5.1%
2019	41,948	1,473,255,708	35,121	38.0	16.2	15,925	2.7%
2018	41,182	1,396,481,620	33,910	37.3	15.9	15,817	3.2%
2017	39,453	1,266,046,770	32,090	37.2	15.9	15,497	3.8%
2016	37,938	1,175,319,240	30,980	36.9	15.8	15,460	3.4%
2015	37,865	1,157,835,970	30,578	36.1	15.6	15,009	3.2%
2014	36,477	1,144,465,875	31,375	36.9	15.4	14,515	5.1%
2013	35,929	1,095,331,494	30,486	37.1	15.4	14,058	5.5%
2012	34,499	895,739,206	25,964	36.8	15.4	13,016	5.6%

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

CITY OF SCHERTZ, TEXAS **TABLE 18**

TOP TEN PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

	2021		2012	
Employer	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Schertz-Cibolo-Universal City ISD	2,000	10.40%	944	5.86%
Amazon	1,302	6.80%		
Sysco Central Texas, Inc	827	4.30%	582	3.62%
Republic National Distributing Company	639	3.30%	250	1.55%
Fed Ex Ground - Doerr Lane, Schertz	580	3.00%		
Brandt Companies	527	2.70%	300	1.86%
City of Schertz	400	2.10%	344	2.14%
FedEx Freight	340	1.80%	141	0.88%
Visionworks	300	1.60%	542	3.37%
Hollingsworth Logistics Group	286	1.50%		
Wal-mart Stores			385	2.39%
H.E.B Grocery Co.			346	2.15%
Valero Diamond Distribution			170	1.06%
TOTAL	7,201	37.50%	4,004	24.88%

Source: City Economic Development Corporation

CITY OF SCHERTZ, TEXAS

TABLE 19

FULL-TIME EQUIVALENT CITY GOVERNMENTAL EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

	Full-Time Equivalent Employees as of September 30,									
Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government										
City Manager	7	7	6	6	5	5	5	5	5	5
Court Support	-	-	-	-	-	-	-	-	-	-
Municipal Court	6	6	6	6	6	6	6	4	4	4
Customer Relations	5	5	5	5	5	5	5	3	3	3
Planning and Zoning	3	3	3	3	4	4	4	3	3	4
General Services	15	13	13	13	-	-	-	-	-	-
City Secretary	2	2	2	2	2	2	2	2	2	2
Public Affairs	4	4	4	4	4	4	5	5	5	4
Records Management	1	1	1	1	1	1	-	-	-	-
Schertz Magazine	2	2	2	2	2	2	-	-	-	-
Engineer	4	3	3	3	7	7	7	7	8	8
GIS	2	2	2	2	2	2	2	2	2	2
Information Technology	4	6	6	6	6	7	8	8	8	8
Human Resources	4	4	4	4	5	5	5	5	5	5
Finance	6	6	6	8	8	8	8	7	7	7
Purchasing	5	4	3	3	3	3	3	3	3	3
Fleet Service	4	4	4	6	6	6	6	7	8	8
Building Maintenance	-	2	2	3	-	-	-	-	-	-
Facility Services	-	-	-	-	16	16	17	10	10	11
Public Safety										
Police	70	75	75	75	78	81	86	86	87	90
Fire	32	32	33	33	36	39	45	45	46	46
Inspections	7	7	8	9	8	8	11	12	12	12
Marshal Services	8	8	8	8	8	5	-	-	-	-
Health										
Animal Control	6	6	7	7	8	8	7	7	8	9
Environmental Health	-	-	-	-	3	3	4	4	4	5
Parks and Culture										
Parks	9	9	9	9	9	10	12	11	11	11
Pools	-	-	-	-	-	-	-	-	-	-
Event Facilities	1	1	1	1	1	1	1	5	5	6
Library	14	14	14	14	14	14	15	14	14	14
Public Environment										
Streets	14	14	14	14	14	14	14	14	17	17
Public Works										
Public Works	4	6	6	6	4	4	4	4	4	4
Business Office	10	10	10	10	10	10	10	9	9	9
Water and Sewer	17	16	16	16	16	16	19	19	19	21
Drainage	7	8	8	8	6	6	8	8	8	8
EMS	35	35	36	37	39	41	45	45	45	55
Economic Development	4	4	4	4	4	4	4	4	4	4
TOTAL	311	318	320	327	339	346	366	357	365	384

CITY OF SCHERTZ, TEXAS

TABLE 20

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	Fiscal Year									
Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government										
Building Permits Issued	2,643	3,054	2,869	3,087	5,919	4,800	5,251	4,748	2,993	4,474
Schertz Tales										
Number of Magazines Printed	168,000	168,000	180,000	180,000	180,000	180,000	180,000	180,000	187,500	189,700
Police										
CFS	19,434	19,894	19,067	36,138	39,064	34,428	45,190	41,327	57,149	29,007
Arrests	666	800	776	595	603	423	624	603	527	416
Traffic Violations	20,881	19,335	15,077	12,306	8,960	8,001	11,359	12,541	8,326	6,980
Accidents	1,665	1,960	1,823	2,040	2,119	2,057	2,244	2,304	1,752	2,076
Fire										
Number of Rescue/Other Responses	1,799	2,046	1,759	2,167	2,327	2,758	3,055	3,804	3,953	4,837
Number of Fire Responses	74	108	110	99	67	86	161	100	108	205
Number of Inspections	429	332	252	698	440	519	562	528	500	548
Number of Training Classes Conducted	168	132	125	150	460	340	600	804	763	770
Number of Pre-Plan Inspections	714	729	735	980	867	922	788	865	814	848
EMS										
Requests for Transport	7,545	8,391	8,840	9,286	9,723	9,956	10,059	10,759	10,713	12,251
Actual Transports	4,766	5,451	5,713	6,118	6,123	6,201	6,165	6,738	6,549	7,444
EMT Students	79	116	87	84	89	90	90	90	84	123
Marshal Service										
Warrants Issued	2,888	3,344	2,354	3,798	2,587	2,816	1,598	2,036	1,738	2,095
Warrants Cleared	4,118	4,687	3,781	3,691	3,492	2,822	2,022	1,834	664	1,451
Food Establishment Permits	123	127	82	135	145	201	181	55	189	142
Food Establishment Inspection	180	281	218	136	153	13	211	96	209	172
Foster/Adoption Inspections	14	24	16	22	21	21	18	8	10	12
Parks										
Facility Reservations	234	258	301	275	240	251	248	241	75	237
Community and Civic Centers										
Civic Center	325	444	458	478	483	590	516	441	293	253
Community Center Rentals	816	735	437	455	370	455	381	326	193	291
North Community Center Rentals	307	288	244	209	185	230	235	188	92	153

CITY OF SCHERTZ, TEXAS

TABLE 20

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	Fiscal Year									
Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Animal Services										
Number of Animals Handled	1,463	1,326	1,218	1,304	1,313	1,283	926	1,157	1,015	1,070
Number of Adoptions	291	362	309	357	410	348	319	366	450	329
Number of Return to Owners	149	231	222	213	205	228	218	233	335	284
Number of Transfers	312	301	316	296	316	326	297	227	188	152
Library										
Annual Circulation	410,312	404,691	395,998	394,766	399,622	385,206	414,790	447,379	254,643	281,659
Library Visits	256,349	254,633	253,237	259,413	255,109	235,428	258,695	237,821	102,297	91,291
Library Program Attendance	16,035	12,581	15,048	13,825	15,282	16,814	16,945	18,412	6,524	2,541
Registered Users	30,475	31,658	30,759	31,138	30,702	31,432	30,806	33,104	31,296	30,291
Water										
New Connections	271	168	235	369	213	303	235	300	357	342
Water Main Breaks	52	38	45	45	45	45	50	52	65	38
Total Consumption (Thousands of Gallons)	16,131,415	15,500,413	15,497,071	14,757,134	16,097,931	15,222,373	15,833,124	17,602,330	1,976,687	1,617,120
Daily Average Consumption (Thousands of Gallons)	44,196	42,466	42,458	40,431	43,942	41,705	43,378	48,225	54,155	59,377
Peak Daily Consumption (Thousands of Gallons)	9,290	9,483	10,089	8,385	10,985	11,000	9,083	11,094	14,011	9,160
Total Customers	12,557	12,757	13,324	13,570	13,877	14,124	14,678	16,434	13,683	15,861
Average Use Per Connection	5,517	5,905	5,467	5,135	5,352	5,244	5,294	4,587	5,600	101,955
Sewer										
Total Customers	10,988	11,456	11,578	11,413	12,282	12,398	12,866	12,853	13,112	14,128
Facilities Maintenance										
Number of Buildings Maintained	19	19	19	21	21	21	25	26	27	26
Square Footage	166,591	166,591	166,591	234,202	234,202	234,202	245,218	257,218	301,656	257,218

CITY OF SCHERTZ, TEXAS

TABLE 21

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	Fiscal Year									
Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	42	42	42	48	50	64	69	68	72	66
Fire										
Stations	2	2	2	2	2	2	3	3	3	3
Fire Vehicles	13	13	15	16	16	16	18	19	20	20
EMS										
Ambulances	6	7	7	9	9	8	8	9	9	10
Marshal Service										
Vehicles	8	7	7	7	7	7	7	7	7	7
Streets										
Streets, Paved (Miles)	134	137	141	149	153	159	153	165.4	165	167.5
Streets, Unpaved (Miles)	5	5	5	5	5	5	5	5	5	5
Parks and Recreation										
Parks - Developed	17	13	13	14	15	20	21	21	21	21
Parks - Undeveloped	4	8	8	9	10	4	4	4	4	5
Playground	15	16	16	18	19	19	19	20	21	21
Swimming Pools	2	2	2	2	2	4	4	4	4	4
Baby Pools	2	2	2	2	2	2	2	2	2	2
Baseball/Softball Diamonds	9	12	12	15	15	15	15	15	15	15
Soccer Fields	12	12	12	12	12	12	12	12	12	12
Community Centers	4	4	4	4	4	4	4	4	4	4
Animal Control										
Control Vehicle	3	3	3	3	4	3	4	4	6	6
Library										
Facility	1	1	1	1	1	1	1	1	1	1
Volumes in Collection	81,468	86,221	100,478	113,085	97,412	107,382	110,266	150,972	139,447	149,965
Water										
Number of Pump Stations	5	5	5	5	5	5	5	5	6	7
Water Mains (Miles)	192	197	199	210	211	221	225	228	228.5	231.4
Sewer										
Sanitary Sewers (Miles)	85	87	90	96	98	110	113	116	116.2	119.5
Storm Sewers (Miles)	10	11	11	12	12	12	13.6	13.8	13.8	14.7
Facilities Maintenance										
Vehicles	4	5	5	6	6	6	11	11	10	8
Fleet										
Generators	3	3	3	4	4	4	7	10	7	8
Vehicles & Equipment							384	352	341	376

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APPENDIX D

General Purpose Financial Statements for the City of Seguin, Texas
For the Fiscal Year Ended September 30, 2021

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SEGUIN
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CITY OF SEGUIN, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2021

Prepared by: Finance Department
Susan Caddell
Director of Finance

SEGUIN
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CITY OF SEGUIN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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CITY OF SEGUIN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
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March 1, 2022

The Honorable Mayor and City Council
City of Seguin, Texas

We are pleased to present the Annual Comprehensive Financial Report of the City of Seguin, Texas (the City), for the fiscal year ended September 30, 2021. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the presented data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

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

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

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

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

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

It's not all about manufacturing in Seguin, the City is also home to growing education and healthcare industries. U.S. News & World Report ranked Seguin's Texas Lutheran University the #1 "Best Value" School for Western Regional Colleges, and the #5"Best Regional College" for the Western Region. Seguin's Guadalupe Regional Medical Center (GRMC) was the proud recipient of the Healthgrades 2021 Patient Experience Award, a distinction that recognizes GRMC as being among the top 5% of hospitals nationwide for patient experience. Each year GRMC admits approximately 5,000 patients, treats 32,000 Emergency Department visits, delivers 700 babies, and performs 3,200 surgeries. GRMC contributes nearly $40 million per year to the local economy in salaries and benefits and is one of the largest employers in Guadalupe County. Jointly owned by the City of Seguin and Guadalupe County, GRMC is a not-for-profit community hospital committed to its values of compassion, teamwork, excellence, enthusiasm, and dedication.

2021 data provided by the Bureau of Labor Statistics indicates that economic conditions within the State of Texas, the San Antonio-New Braunfels Metropolitan Statistical Area (MSA) and the City of Seguin are recovering from the impacts created by the COVID-19 Pandemic. The average unemployment rate decreased from 7.0% in 2020, to 4.9% in 2021. The civilian labor force population increased from an average of 13,546 in 2020, to 13,773 in 2021. Unemployment rates in 2020 averaged 5.3% for the San Antonio-New Braunfels MSA, 4.5% for the City of New Braunfels, 5.3% for the City of San Antonio, and 4.8% for the City of Schertz

2021 was a successful year for the City of Seguin and the Seguin Economic Development Corporation. Two major economic development projects that were announced in late 2019 began productions operations in 2021. Teijin Automotive Technologies (formerly known as Continental Structural Plastics) commenced production operations at their new 200,000 square foot automotive component manufacturing facility located at Interstate 10 and Rio Nogales Drive. Teijin's new facility represents a capital investment of more than $65 Million. In addition, over the next 5-years, Teijin will create at least 285 new, well-paying jobs at their Seguin facility. United Alloy also commenced production operations at their new 120,000 square foot metal fabrication facility in Seguin. United Alloy, a major Caterpillar supplier, invested $18 Million in their

new facility, and plan to invest an addition $18 Million in 2022, with a 100,000 square foot expansion project. United Alloy will also be creating more than 100 new, well-paying jobs in Seguin over the next 5-years.

Long-term financial planning. The City issued $10,970,000 in 2021 Certificates of Obligation to fund street and drainage improvements, renovations to Central Fire Station, and phase two of improvements to the Walnut Springs Trail. The City also issued $4,160,000 in General Obligation Refunding Bonds to refund the 2011 Certificates of Obligation Bonds and the 2013 General Obligation Refunding Bonds. The City issued $14.2 million in Texas Water Development Bonds for engineering services for water and sewer infrastructure.

FINANCIAL INFORMATION

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

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

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

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

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

	Fitch Ratings	Standard & Poor's
General Obligation Bonds	AA/stable outlook	AA/stable outlook
Utility Revenue Bonds	A-/stable outlook	A-/stable outlook

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

Deferred Compensation Plan. The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred

compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

OTHER INFORMATION

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

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

Respectfully submitted,

Steve Parker
City Manager

Susan Caddell
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Seguin
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morrill

Executive Director/CEO

CITY OF SEGUIN, TEXAS

PRINCIPAL OFFICERS

DONNA DODGEN ..... Mayor

PENNY FOLLIS ..... Mayor Pro-Tem

CHRIS RANGEL. ..... Councilman

CHRIS AVILES ..... Councilman

MONICA CARTER ..... Councilwoman

MARK HERBOLD. ..... Councilman

SONIA MENDEZ ..... Councilwoman

JOE REA ..... Councilman

JEREMY ROY ..... Councilman

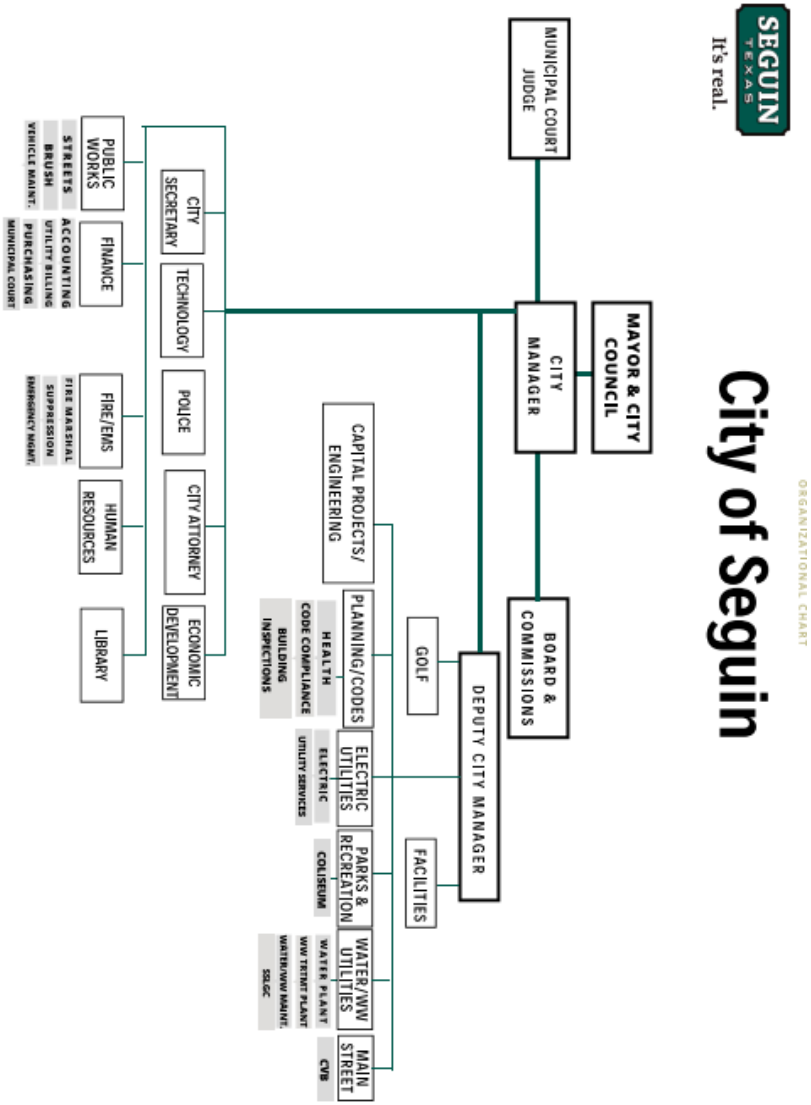
STEVE PARKER
City Manager

STEVE PARKER ..... City Manager

NAOMI MANSKI ..... City Secretary

SUSAN CADDELL ..... Director of Finance

ANDREW QUITTNER ..... City Attorney



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022 on our consideration of the City of Seguin, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Seguin, Texas' internal control over financial reporting and compliance.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.
March 1, 2022

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SEGUIN
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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Seguin, we offer readers of the City of Seguin's financial statements this narrative overview and analysis of the financial activities for the City of Seguin for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and the City's financial statements immediately following this analysis.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Seguin exceeded its liabilities at the close of the fiscal year ending September 30, 2021, by $134,881,363 (net position). Of this amount, $35,392,373 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by $12,381,087 or 10.1% compared to the prior fiscal year.
- As of September 30, 2021 the City of Seguin's governmental funds reported combined ending fund balances of $50,475,659, an increase of $12,333,511.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $13,490,088, or 51% of total General Fund expenses.
- The City's total debt increased by $18,967,733 during the current fiscal year. The City issued 2021 Certificates of Obligation in the amount of $10,970,000, and 2021 Utility Revenue Bonds in the amount of $14,240,000. In addition, golf course equipment was financed through a capital lease in the amount of $35,954.
- During the year, the City's expenses were $4,679,404 less than the $24,125,893 generated in taxes and other revenues for governmental activities before transfers.
- The total cost of the City's governmental activity programs increased by $580,076 from last year, and no new programs were added this year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

1 Governmental Activities – Most of the City's basic services are reported here, such as public safety, public works and general administration. Property taxes, franchise fees and charges for services finance most of these activities.

2 Business-Type Activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's Utility Fund, which include, electric, water and wastewater services, are reported here.

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 - 67 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's general fund budgetary schedule. The City of Seguin adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 68 - 78 of this report.

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

The combining statements referred to earlier in connection with nonmajor governmental and enterprise funds and individual internal service funds are presented immediately following the required supplementary information described in the preceding paragraph. Combining and individual fund statements can be found on pages 79 - 127 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2021, the City of Seguin's assets and deferred outflows of resources exceeded liabilities by $134,881,363. Table A-1 is a condensed version of the City's statement of net position for the years ended September 30, 2021 and 2020, respectively.

The largest portion of the City's total net position (63.8%) is its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Seguin uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The next largest portion of the City's total net position (26.2%) is its unrestricted net position.

Table A-1
City of Seguin's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current assets	$ 50,363,127	$ 31,215,266	$ 43,677,785	$ 43,052,106	$ 94,040,912	$ 74,267,372
Capital assets	102,348,182	102,277,757	109,413,195	102,851,467	211,761,377	205,129,224
Other non current assets	10,267,022	13,596,019	31,846,809	18,019,311	42,113,831	31,615,330
Total assets	162,978,331	147,089,042	184,937,789	163,922,884	347,916,120	311,011,926
Deferred Outflows of Resources	3,580,155	3,054,173	2,853,079	2,609,952	6,433,234	5,664,125
Liabilities						
Current liabilities	7,941,575	4,205,250	8,072,723	5,966,885	16,014,298	10,172,135
Noncurrent liabilities	121,311,858	113,208,066	79,563,441	68,066,425	200,875,299	181,274,491
Total liabilities	129,253,433	117,413,316	87,636,164	74,033,310	216,889,597	191,446,626
Deferred Inflows of Resources	642,609	746,859	1,935,785	1,982,290	2,578,394	2,729,149
Net Position						
Invested in Capital Assets	27,972,543	30,234,045	58,013,629	53,230,216	85,986,172	83,464,261
Restricted	3,783,621	2,936,758	9,719,197	5,374,731	13,502,818	8,311,489
Unrestricted(Deficit)	4,906,280	(1,187,763)	30,486,093	31,912,289	35,392,373	30,724,526
Total Net Position	$ 36,662,444	$ 31,983,040	$ 98,218,919	$ 90,517,236	$ 134,881,363	$ 122,500,276

An additional portion of the City of Seguin's net position (10%) is subject to external restrictions, including bond covenants, on how they must be used. The remaining balance of unrestricted net position of $35,392,373 may be used to meet the government's ongoing obligations to citizens and creditors.

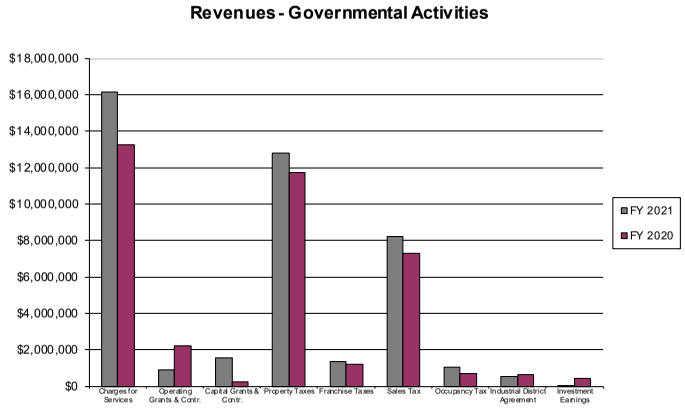
Changes in Net position. The City's total government-wide revenues increased by $9,227,621 or 9.8%. This was largely due to increase in electric, water and sewer revenue along with an increase in property and sales tax revenue, as well as grants. The City's total government-wide expenses increased by $2,047,629 or 2.3%. An increase in salaries and benefits was a major factor in the increase.

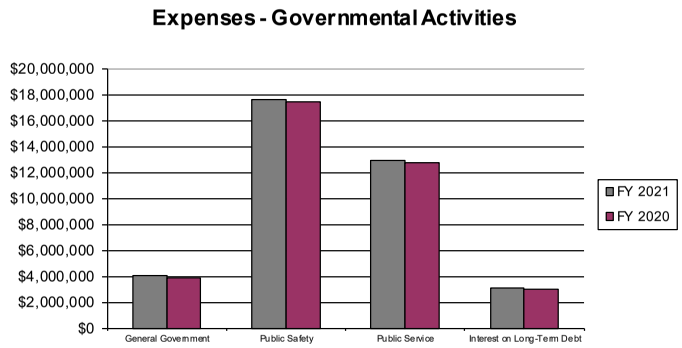
Table A-2
Changes in City of Seguin's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for Services	$ 16,123,887	$ 13,239,577	$ 59,893,148	$ 55,650,708	$ 76,017,035	$ 68,890,285
Operating Grants and Contributions	906,378	2,224,174	-	-	906,378	2,224,174
Capital Grants and Contributions	1,545,026	221,494	591,597	-	2,136,623	221,494
General Revenues						
Property Taxes	12,791,688	11,695,949	-	-	12,791,688	11,695,949
Franchise Taxes	1,344,906	1,212,109	-	-	1,344,906	1,212,109
Sales Tax	8,232,954	7,319,631	-	-	8,232,954	7,319,631
Occupancy Tax	1,039,212	669,563	-	-	1,039,212	669,563
Industrial District Agreement	550,452	645,000	-	-	550,452	645,000
Investment Earnings	44,172	432,386	40,236	529,711	84,408	962,097
Gain (Loss) on Sale of Assets	122,509	222,023	65,358	1,577	187,867	223,600
Total Revenues:	42,701,184	37,881,906	60,590,339	56,181,996	103,291,523	94,063,902
Expenses:						
General Government	4,026,784	3,878,159	-	-	4,026,784	3,878,159
Public Safety	17,638,658	17,476,362	-	-	17,638,658	17,476,362
Public Service	12,883,281	12,718,515	-	-	12,883,281	12,718,515
Interest on Long-Term Debt	3,083,651	2,979,262	-	-	3,083,651	2,979,262
Utility	-	-	53,278,062	51,810,509	53,278,062	51,810,509
Total Expenses	37,632,374	37,052,298	53,278,062	51,810,509	90,910,436	88,862,807
Excess (Deficiency) Before	5,068,810	829,608	7,312,277	4,371,487	12,381,087	5,201,095
Transfers In (Out)	(389,406)	51,490	389,406	(51,490)	-	-
Increase (Decrease) in Net Position	$ 4,679,404	$ 881,098	$ 7,701,683	$ 4,319,997	$ 12,381,087	$ 5,201,095

Governmental activities. The City's total governmental revenues increased by $4,819,278 or 12.7% over the prior year. The City's total governmental expenses increased by $580,327 or 1.6% above last year.

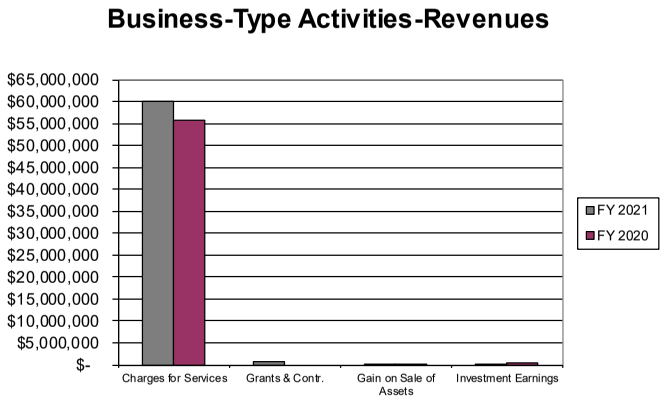
- Charges for Services increased by $2,884,310 or 21.8%. Building Permits increased by $743,602 or 44.9% and ROW User Fees increased by $1,127,204 or 38.8%.
- Property Taxes increased by $1,095,739 or 9.4%. Taxable values increased by over 4%.
- Sales Tax increased by $913,323 or 12.5%.
- Interest Earnings fell by $388,214 or 89.8%. Interest rates continued to fall throughout the year and remained at record lows.
- The most significant governmental expense for the City was in providing public safety, which incurred expenses of $17,638,658. These expenses are offset by revenues collected from a variety of sources, including fines and penalties, EMS revenue and Fire and EMS interlocal agreements with Guadalupe County, the total being $2,470,584. The major components of public safety are policy and fire. Police accounted for $8.4 million in public safety expense while Fire accounted for $7.3 million in public safety expense.

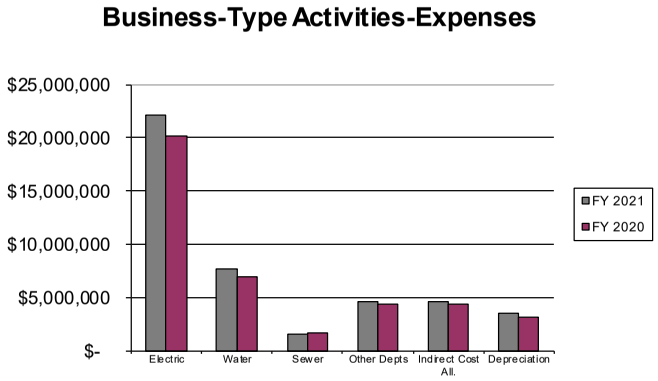




Business-type activities. The City's total business-type revenues increased by $4,408,344 or 7.8%. The City's total business-type expenses increased by $1,507,251 or 2.9%.

- Electric revenues make up $29.9 million of the charges for services. This year electric revenues increased by $508,501.
- Water revenues make up $14.7 million of the charges for services. This year water revenues increased by $260.196.
- Sewer revenues make up $13.6 million of the charges for services. This year sewer revenues increased by $3,277,787. Growth in our service area continues to increase both consumption and sewer impact fees.





FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $50,475,659. This is an increase of $12,333,511. In February 2021, the City issued $10.9 million in Certificates of Obligation Bonds. Of this total amount of fund balance, $13,490,088 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund

balances is as follows: 1) nonspendable fund balance in the amount of $161,761 which are prepaids and inventory, 2) restricted fund balance in the amount of $27,888,071, which are restricted to tourism and economic development, public safety, public service, capital projects or debt service, 3) committed fund balance in the amount of $3,574,931, which is committed to stabilization agreement and aquatic and golf fees, and 4) assigned fund balance in the amount of $5,360,808, which is assigned to capital projects.

The General Fund is the main operating fund of the City of Seguin. At the end of the current fiscal year, unassigned fund balance of the General Fund was $13,490,088, while total fund balance reached $16,811,831. Of this amount, $200,288 is attributable to the balance of a tax exemption settlement agreement. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. With the $200,288 taken out of the equation, unassigned fund balance represents 50.2% of general fund expenditures, while total fund balance represents 62.8% of that same amount.

The General Fund Capital Projects Fund has a total fund balance of $4,369,353, an increase of $316,577. Projects.

At the end of FY20, five bond funds had a total fund balance of $20,573,644. This was an increase of $7,853,319. The City issued Certificate of Obligation Bonds in January 2021 in the amount of $10,970,000 and a premium on the bond of $1.254,991.

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

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

Unrestricted net position of the Utility Fund at the end of the year amounted to $30,486,093. The restricted net position for debt services is $1,614,477, while restricted net position for impact fees is $8,104,720. Net position invested in capital assets amounted to $58,013,629.

GENERAL FUND BUDGETARY HIGHLIGHTS

For FY 2020-21, actual revenues on a budgetary basis were $29,900,683 compared to the final budget of $26,931,994, which is $2,968,689 above budget. Building permits exceeded budget by $1,668,857. Sales tax exceeded budget by $1,054,155 and property tax exceeded budget by $126,289.

For FY 2020-21, actual expenditures on a budgetary basis were $26,469,768 compared to the final budget of $27,470,057, which was $1,000,289 below final budget amounts. Some departments had employee turnover resulting in their personnel services being under budget and savings on other operating expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of 2021, the City had invested $211,761,377, net of depreciation, in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.) This amount represents a net increase (including additions and deductions) of $6,632,153 or 3.2%. The increase was due in part to large bond projects being completed or underway begun during fiscal year 2021. More detailed information about the City's capital assets can be found in Note G, page 46 - 47.

Table A-3
City of Seguin's Capital Assets

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021 - 2020
Land	$ 4,793,057	$ 4,793,057	$ 877,233	$ 877,233	$ 5,670,290	$ 5,670,290	0.0%
Buildings and Improvements	39,776,756	38,129,404	39,332,663	39,242,017	79,109,419	77,371,421	2.2%
Improvements Other than Buildings	94,964,416	91,888,235	122,156,119	114,997,357	217,120,535	206,885,592	4.9%
Transportation and Equipment	20,343,135	21,442,322	11,100,722	10,516,255	31,443,857	31,958,577	-1.6%
Construction in Progess	13,073,972	11,949,746	18,840,319	15,066,009	31,914,291	27,015,755	18.1%
Totals at Historical Cost	172,951,336	168,202,764	192,307,056	180,698,871	365,258,392	348,901,635	4.7%
Total Accumulated Depreciation	(70,603,154)	(65,925,007)	(82,893,861)	(77,847,404)	(153,497,015)	(143,772,411)	6.8%
Net Capital Assets	$ 102,348,182	$ 102,277,757	$ 109,413,195	$ 102,851,467	$ 211,761,377	$ 205,129,224	3.2%

Long-term debt. At year-end, the City had $157,323,646 in bonds, loans and capital leases outstanding as shown in Table A-4. This was an increase of $18,967,733 or 13.7% from 2020. This fiscal year, the City issued $10,970,000 in 2021 Certificates of Obligation Bonds along with $14,240,000 in 2021 Utility Revenue Bonds.

The City's tax-supported debt rating by Fitch is AA with a stable outlook while Standard and Poor rating is AA with a stable outlook. The City's utility system revenue bonds' rating by Fitch is A- with a stable outlook while Standard and Poor rating is A with a stable outlook. The current ratio of net tax-supported debt to assessed value of all taxable property is 4.1%. The pledged revenue coverage for the utility revenue bonds is 2.52.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021 - 2020
Bonds Payable	$ 41,160,000	$ 41,775,000	$ 68,085,000	$ 56,300,000	$ 109,245,000	$ 98,075,000	11.4%
Certificates of Obligation	46,920,000	38,300,000	-	-	46,920,000	38,300,000	22.5%
Tax Anticipation Notes	255,000	661,000	-	-	255,000	661,000	-61.4%
Capital Leases	903,646	1,319,913	-	-	903,646	1,319,913	-31.5%
Total Bonds & Notes Payable	$ 89,238,646	$ 82,055,913	$ 68,085,000	$ 56,300,000	$ 157,323,646	$ 138,355,913	13.7%

Net Pension Liability. The City's net pension liability is determined annually by an actuarial valuation. The City's net pension liability decreased $231,735, from $31,417,877 to $31,186,143.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2021-22, City staff and City Council considered many factors when setting the budget. Staff reviewed all of the fees charged to citizens and customers when using City services. Along with the fees, staff also considered the tax rate. They also reviewed expenditures and how the increases may be held to a minimum. The City set a goal to maintain financial stability, a lean organization, a competitively paid staff and investment in capital outlay. This helped to maintain the City's services with the least affect possible on our citizens through taxes, fees, and utility rates. The projected revenues and expenditures for the General Fund are budgeted to increase by $3,829,349 or 11.48% above the FY21 budget.

- Property tax revenue is budgeted to increase by $1,680,174. This is based on an increase in values and an increase in the debt service contribution.

- The property tax rate of $.5412/$100 remained the same as the prior year. It is higher than the no new revenue rate by $.0165.
- ROW User Fees are budgeted to increase by $276,863. This is based upon increased electric, water and sewer revenues.
- Sales Tax is budgeted to increase by $573,965. This is based upon tax on residential utilities and historical increases.
- Building Permit Fees are budgeted to increase by $780,000. This is based upon the increase in development throughout the City of Seguin.
- Salaries and benefits are budgeted to increase by $2,134,571. This includes a 3% cost of living increase effective January 2022. It also includes the addition of key positions.
- Indigent Health Care is budgeted to increase by $109,523, which represents a 5.5% increase.
- Solid Waste Contract and Recycling is budgeted to increase by $115,000 due to an increase in the number of customers. Revenue is also increasing.
- Gasoline is budgeted to increase by $80,000 due to the rising cost of fuels.

The projected revenues and expenditures for the Utility Fund are budgeted to increase by $2,681,091 or 2.1% above the FY21 budget.

- The projected water revenues are expected to increase by $1,211,554, which is due to the approved rate adjustments from the updated water rate study and the increase in consumption with the new developments. In addition, our wholesale water contract with NBU will increase by $415,824.
- Sewer revenues are projected to increase by $1,732,347 based upon the approved rate adjustments from the updated sewer rate study for FY22 and an increase in the number of customers and increase in water consumption.
- Salaries and benefits are budgeted to increase by $1,142,095. This includes a 3% cost of living increase effective in January 2022. It also includes the addition of key positions.
- Transfers to Utility Capital Projects is budgeted to increase by $966,907 based upon the new projects
- ROW User Fees is budgeted to increase by $276,863, which is based upon increased electric, water and sewer revenues
- Debt service payments are budgeted to increase by $180,034 due to increased debt payment from the issuance of TWDB Bonds

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

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

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

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Unit
ASSETS	Governmental Activities	Business-Type Activities	Total	Seguin Economic Development Corporation
Cash and Cash Equivalents	$ 6,685,584	$ 543,395	$ 7,228,979	$ 14,493
Investments	39,068,581	32,960,102	72,028,683	3,349,758
Receivables (net of allowances for uncollectibles)				
Taxes	2,858,390	-	2,858,390	-
Accounts	1,194,044	7,406,008	8,600,052	3,129
Grants	133,098	-	133,098	-
Miscellaneous	261,669	667,030	928,699	-
Due From Component Unit/ Primary Government	-	30,986	30,986	309,859
Inventories	28,780	1,958,790	1,987,570	-
Prepaids	132,981	111,474	244,455	-
Restricted Assets:				
Cash and Cash Equivalents	72,619	1,619,202	1,691,821	-
Investments	10,194,403	28,530,612	38,725,015	-
Notes Receivable	-	1,411,614	1,411,614	7,775
Net Present Value of Lease Financing	-	285,381	285,381	-
Capital Assets, not depreciated	17,867,029	19,717,552	37,584,581	-
Capital Assets (Net)	84,481,153	89,695,643	174,176,796	2,242,112
Total Assets	162,978,331	184,937,789	347,916,120	5,927,126
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension/OPEB Related Outflows	3,270,094	2,735,155	6,005,249	-
Deferred Charge on Refunding	310,061	117,924	427,985	-
Total Deferred Outflows of Resources	$ 3,580,155	$ 2,853,079	$ 6,433,234	$ -

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2021

	Primary Government			Component Unit
LIABILITIES	Governmental Activities	Business-Type Activities	Total	Seguin Economic Development Corporation
Accounts Payable and Other Current Liabilities	$ 3,865,916	$ 6,111,282	$ 9,977,198	$ 98,640
Unearned Revenue	3,586,740	953,796	4,540,536	-
Accrued Interest Payable	179,060	-	179,060	-
Due to Component Unit/ Primary Government	309,859	-	309,859	30,986
Customer Deposits	-	830,248	830,248	-
Payable from Restricted Assets:				
Accrued Interest Payable	-	177,397	177,397	-
Current Portion of Long-Term Debt	-	3,555,000	3,555,000	-
Noncurrent Liabilities:				
Due within One Year	5,041,580	241,085	5,282,665	250,000
Due in more than One Year:				
Long-term Debt	91,128,069	67,398,325	158,526,394	1,161,614
Net Pension Liability	23,481,742	7,704,401	31,186,143	-
Net OPEB Liabilities	1,660,467	664,630	2,325,097	-
Total Liabilities	129,253,433	87,636,164	216,889,597	1,541,240
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension/OPEB Related Inflows	642,609	1,935,785	2,578,394	-
Total Deferred Inflows of Resources	642,609	1,935,785	2,578,394	-
NET POSITION				
Net Investment in Capital Assets	27,972,543	58,013,629	85,986,172	830,499
Restricted for:				
Tourism & Economic Development	1,707,422	-	1,707,422	-
Public Safety	405,823	-	405,823	-
Public Service	241,775	-	241,775	-
Debt Service	1,428,601	1,614,477	3,043,078	-
Impact Fees	-	8,104,720	8,104,720	-
Unrestricted (Deficit)	4,906,280	30,486,093	35,392,373	3,555,387
Total Net Position	$ 36,662,444	$ 98,218,919	$ 134,881,363	$ 4,385,886

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Expenses		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
						Primary Government			Component Unit
Functions and Programs	Direct	Indirect Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Seguin Economic Development Corporation
Primary Government:									
Governmental Activities:									
General Government	$ 9,655,277	$ (5,628,493)	$ 8,073,314	$ 236,590	$ 5,295	$ 4,288,415	$ -	$ 4,288,415	$ -
Public Safety	17,638,658	-	2,470,584	142,888	-	(15,025,186)	-	(15,025,186)	-
Public Service	12,883,281	-	5,579,989	526,900	1,539,731	(5,236,661)	-	(5,236,661)	-
Interest on Long-term Debt	3,083,651	-	-	-	-	(3,083,651)	-	(3,083,651)	-
Total Governmental Activities	43,260,867	(5,628,493)	16,123,887	906,378	1,545,026	(19,057,083)	-	(19,057,083)	-
Business-Type Activities									
Utility	47,649,569	5,628,493	59,893,148	-	591,597	-	7,206,683	7,206,683	-
Total Business-Type Activities	47,649,569	5,628,493	59,893,148	-	591,597	-	7,206,683	7,206,683	-
Total Primary Government	$ 90,910,436	$ -	$ 76,017,035	$ 906,378	$ 2,136,623	(19,057,083)	7,206,683	(11,850,400)	-
Component Unit:									
Seguin Economic Development Corporation	$ 653,891	$ -	$ -	$ 46,151	$ -	-	-	-	(607,740)
Total Component Unit	$ 653,891	$ -	$ -	$ 46,151	$ -	-	-	-	(607,740)
General Revenues:									
Taxes									
Property Taxes						12,791,688	-	12,791,688	-
Franchise Taxes						1,344,906	-	1,344,906	-
Sales Taxes						8,232,954	-	8,232,954	1,624,265
Occupancy Taxes						1,039,212	-	1,039,212	-
Miscellaneous Revenues						550,452	-	550,452	-
Gain on Sale of Capital Assets						122,509	65,358	187,867	662,801
Interest and Investment Earnings						44,172	40,236	84,408	793
Total General Revenues						24,125,893	105,594	24,231,487	2,287,859
Transfers						(389,406)	389,406	-	-
Change in Net Position						4,679,404	7,701,683	12,381,087	1,680,119
Net Position at Beginning of Year						31,983,040	90,517,236	122,500,276	2,705,767
Net Position at End of Year						$ 36,662,444	$ 98,218,919	$ 134,881,363	$ 4,385,886

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	2021 Certificates of Obligation	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 1,122,609	$ -	$ 19,694	$ 4,946,684	$ 6,088,987
Investments	16,417,684	-	1,389,927	16,330,384	34,137,995
Receivables (net of allowances for uncollectibles):					
Taxes	2,384,664	-	198,040	275,686	2,858,390
Accounts	851,193	-	-	560,739	1,411,932
Grants	101,009	-	-	-	101,009
Miscellaneous	60,935	-	-	-	60,935
Inventories	28,780	-	-	-	28,780
Prepaid Items	128,821	-	-	4,160	132,981
Restricted Assets:					
Cash and Cash Equivalents	-	34,458	-	42,523	76,981
Investments	-	10,716,461	-	3,787,991	14,504,452
Total Assets	$ 21,095,695	$ 10,750,919	$ 1,607,661	$ 25,948,167	$ 59,402,442
LIABILITIES					
Accounts Payable	$ 986,828	445,455	$ -	$ 534,665	$ 1,966,948
Accrued Expenditures	938,433	-	-	39,261	977,694
Due to Component Unit	309,859	-	-	-	309,859
Unearned Revenues	182,614	-	-	3,404,127	3,586,741
Due to Others	875,384	-	-	42,647	918,031
Total Liabilities	3,293,118	445,455	-	4,020,700	7,759,273
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	990,746	-	176,764	-	1,167,510
Total Deferred Inflows of Resources	990,746	-	176,764	-	1,167,510
FUND BALANCE					
Nonspendable:					
Prepaids and Inventory	157,601	-	-	4,160	161,761
Restricted:					
Tourism & Economic Development	-	-	-	1,707,422	1,707,422
Public Safety	16,756	-	-	389,067	405,823
Public Service	5,300	-	-	236,475	241,775
Capital Projects	-	10,305,464	-	13,796,690	24,102,154
Debt Service	-	-	1,430,897	-	1,430,897
Committed:					
Stabilization Arrangement	3,029,936	-	-	-	3,029,936
Aquatic/ Golf Fees	-	-	-	544,995	544,995
Assigned	112,150	-	-	5,248,658	5,360,808
Unassigned	13,490,088	-	-	-	13,490,088
Total Fund Balances	16,811,831	10,305,464	1,430,897	21,927,467	50,475,659
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	$ 21,095,695	$ 10,750,919	$ 1,607,661	$ 25,948,167	$ 59,402,442

See accompanying notes to basic financial statements.

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CITY OF SEGUIN, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 50,475,659
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		102,348,182
Internal service funds are used by management to charge costs related to employee insurance. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		1,224,471
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,167,510
Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and, therefore, not reported in the funds:		
General Bonded Debt	88,335,000	
Unamortized Premiums and Deferred Charges	4,879,501	
Capital Leases	903,646	
Net Other Post Employment Benefit Obligations (Net of Deferred Outflows & Inflows)	1,499,429	
Net Pension Liability (Net of Deferred Outflows & Inflows)	21,015,295	
Compensated Absences	1,741,447	(118,374,318)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.		(179,060)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 36,662,444

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	2021 Certificates of Obligation	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 16,235,079	$ -	$ 6,150,518	$ 1,043,122	$ 23,428,719
Licenses and Permits	2,810,128	-	-	2,080,496	4,890,624
Intergovernmental	1,225,571	-	-	2,112,191	3,337,762
Charges for Services	7,456,842	-	-	1,331,352	8,788,194
Fines and Forfeits	644,301	-	-	120,839	765,140
Interest	13,032	6,454	2,120	21,516	43,122
Miscellaneous	1,515,730	-	-	184,404	1,700,134
Total Revenues	29,900,683	6,454	6,152,638	6,893,920	42,953,695
EXPENDITURES					
Current:					
General Government	4,111,358	-	-	1,796,677	5,908,035
Public Safety	16,691,447	-	-	-	16,691,447
Public Service	6,611,884	-	-	-	6,611,884
Nondepartmental	4,683,572	-	-	394,152	5,077,724
Indirect Cost Allocation (Recovery)	(5,628,493)	-	-	-	(5,628,493)
Capital Projects/Outlay	-	1,700,990	-	4,695,067	6,396,057
Debt Service:					
Principal	-	-	3,027,034	831,207	3,858,241
Interest and Fiscal Charges	-	-	3,266,246	70,509	3,336,755
Bond Issue Costs	-	224,991	50,100	-	275,091
Total Expenditures	26,469,768	1,925,981	6,343,380	7,787,612	42,526,741
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,430,915	(1,919,527)	(190,742)	(893,692)	426,954
OTHER FINANCING SOURCES (USES)					
Transfers In	36,773	-	235,000	1,454,447	1,726,220
Transfers Out	(2,051,510)	-	-	(64,116)	(2,115,626)
Payments to Refunding Escrow Agents	-	-	(2,884,982)	-	(2,884,982)
Issuance of Debt	-	10,970,000	2,920,000	35,954	13,925,954
Premiums on Issuance of Debt	-	1,254,991	-	-	1,254,991
Total Other Financing Sources (Uses)	(2,014,737)	12,224,991	270,018	1,426,285	11,906,557
Net Change in Fund Balance	1,416,178	10,305,464	79,276	532,593	12,333,511
Fund Balances at Beginning of Year	15,395,653	-	1,351,621	21,394,874	38,142,148
Fund Balances at End of Year	$ 16,811,831	$ 10,305,464	$ 1,430,897	$ 21,927,467	$ 50,475,659

See accompanying notes to basic financial statements.

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CITY OF SEGUIN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 12,333,511
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Current Year Additions	6,206,237	
Current Period Depreciation	(6,104,945)	101,292
In the Statement of Activities, only the gain or loss on the disposal of a capital asset is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of disposed assets.		(30,867)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Decrease in Unavailable Revenues		(222,689)
The issuance of long-term-debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Proceeds of New Debt	(13,925,954)	
Premiums on Debt Issues	(1,254,991)	
Principal Payments	6,743,223	
Amortization of Deferred Charges & Premiums	294,446	(8,143,276)
The governmental funds report pension and other postemployment benefit contributions as expenditures when paid. However, in the statement of activities, differences between pension plan and other postemployment benefit contributions and costs for the year are reported as an asset or obligation.		786,772
Some expenses reported in the Statement of Activities (including compensated absences and accrued interest expense) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(34,363)
Internal service funds are used by management to charge the costs of employee insurance to individual funds. The net revenue/(loss) is reported with governmental activities.		(110,976)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ 4,679,404

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
ASSETS		
Current Assets		
Cash and Cash Equivalents:		
Restricted Cash	$ 1,619,202	$ -
Unrestricted Cash	543,395	592,235
Investments:		
Restricted Investments	28,530,612	-
Unrestricted Investments	32,960,102	620,542
Accounts Receivable (Net)	7,406,008	-
Miscellaneous Receivables	667,030	17,027
Due from Component Unit	30,986	-
Current Portion of Note Receivable	250,000	-
Inventories	1,958,790	-
Prepaid Items	111,474	-
Total Current Assets	74,077,599	1,229,804
Noncurrent Assets		
Net Present Value of Lease Financing	285,381	-
Note Receivable (Net of Current)	1,161,614	-
	1,446,995	-
Capital Assets (Net)	109,413,195	-
Total Noncurrent Assets	110,860,190	-
Total Assets	184,937,789	1,229,804
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension and OPEB Related Outflows	2,735,155	-
Deferred Charge on Refundings	117,924	-
Total Deferred Outflows of Resources	$ 2,853,079	$ -

Continued

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2021

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 2,868,918	$ 5,333
Accrued Expenses	3,483,449	-
Unearned Revenue	953,796	-
Customer Deposits	830,248	-
Current Liabilities	8,136,411	5,333
Current Liabilities Payable from Restricted Assets:		
Accrued Interest Payable	177,397	-
Current Portion of Long-term Bonds	3,555,000	-
Current Liabilities Payable from Restricted Assets	3,732,397	-
Total Current Liabilities	11,868,808	5,333
Noncurrent Liabilities:		
Compensated Absences	226,261	-
Total Other Post Employment Benefit Liabilities	664,630	-
Net Pension Liability	7,704,401	-
Revenue & Refunding Bonds Payable	67,172,064	-
Total Noncurrent Liabilities	75,767,356	-
Total Liabilities	87,636,164	5,333
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension and OPEB Related Inflows	1,935,785	-
Total Deferred Inflows of Resources	1,935,785	-
NET POSITION		
Net Investment in Capital Assets	58,013,629	-
Restricted for:		
Debt Service	1,614,477	-
Impact Fees	8,104,720	-
Unrestricted	30,486,093	1,224,471
Total Net Position	$ 98,218,919	$ 1,224,471

See accompanying notes to basic financial statements.

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CITY OF SEGUIN, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
OPERATING REVENUES		
Charges for Utility Service	$ 58,201,666	$ -
Charges for Premiums	-	4,158,846
Miscellaneous Revenues	1,691,482	660
Total Operating Revenues	59,893,148	4,159,506
OPERATING EXPENSES		
Administration	2,089,220	4,271,546
Engineering	608,191	
Operation and Maintenance:		
Electric Distribution	22,540,289	-
Utility Services	1,292,929	-
Water Production	6,773,489	-
Water/Sewer Maintenance	6,163,312	-
Sewer	1,810,317	-
Economic Development	499,827	-
Facilities Maintenance	1,049,239	-
Information Technology	771,397	-
City Attorney	125,726	-
Nondepartmental	1,891,573	-
Indirect Cost Allocation	5,628,493	-
Total Operating Expenses	51,244,002	4,271,546
OPERATING INCOME (LOSS)	8,649,146	(112,040)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	40,236	1,064
Gain (Loss) on Sale of Assets	65,358	-
Interest and Fiscal Charges	(1,723,540)	-
Bond Issue Costs	(310,520)	-
Total Nonoperating Revenues (Expenses)	(1,928,466)	1,064
Net Income (Loss) Before Contributions and Transfers	6,720,680	(110,976)
Capital Contributions	591,597	-
Transfers In (Out)	389,406	-
	981,003	-
Change in Net Position	7,701,683	(110,976)
NET POSITION AT BEGINNING OF YEAR	90,517,236	1,335,447
NET POSITION AT END OF YEAR	$ 98,218,919	$ 1,224,471

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Cash Received From Customers	$ 54,170,337	$ 4,158,552
Cash Paid for Employee Wages & Benefits	(8,187,230)	-
Cash Paid to Suppliers for Goods & Services	(30,136,755)	(4,271,003)
Cash Paid General Fund for Indirect Costs	(5,628,493)	-
Net Cash Provided (Used) by Operating Activities	10,217,859	(112,451)
Cash Flows From Noncapital Financing Activities:		
Transfers From Other Funds	389,406	-
Net Cash Provided (Used) by Noncapital Financing Activities	389,406	-
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Capital Assets	(11,662,029)	-
Proceeds from Revenue and Refunding Bonds	15,480,000	-
Principal Payments on Long-term Bonds	(3,695,000)	-
Interest and Fiscal Charges Paid	(2,082,235)	-
Bond Issue Costs	(310,520)	-
Proceeds from Sale of Capital Assets	65,358	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,204,426)	-
Cash Flows From Investing Activities:		
Sale of Investment Securities	4,864,708	563,346
(Purchase) of Investment Securities	(14,970,000)	(175,000)
Investment Interest Received	40,236	1,064
Lease Financing - Principal Payments Received	40,285	-
Long term Loan to Component Unit	250,000	-
Net Cash Provided (Used) by Investing Activities	(9,774,771)	389,410
Net Increase (Decrease) in Cash and Cash Equivalents	(1,371,932)	276,959
Cash and Equivalents at Beginning of Year:		
Cash and Cash Equivalents	3,494,310	315,276
Restricted Cash and Cash Equivalents	40,219	-
	3,534,529	315,276
Cash and Cash Equivalents at End of Year:		
Cash and Cash Equivalents	543,395	592,235
Restricted Cash and Cash Equivalents	1,619,202	-
	$ 2,162,597	$ 592,235

Continued

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ 8,649,146	$ (112,040)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation:	5,691,898	-
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(6,175,136)	(954)
Inventory/Prepaid Items	165,032	-
Net Deferred Pension/OPEB Related Outflows	(301,091)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(396,024)	543
Accrued Expenses	2,176,615	-
Unearned Revenue	327,018	-
Customer Deposits	125,307	-
Total Other Postemployment Benefit Liability	72,905	-
Net Pension Liability	(71,306)	-
Net Deferred Pension/OPEB Related Inflows	(46,505)	-
	$ 10,217,859	$ (112,451)
Transaction Not Affecting Cash and Cash Equivalents		
Capital Assets Contributed	$ 591,597	$ -

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2021

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	$ 6,057
Investments	265,203
Inventory	359,431
Total Assets	630,691
LIABILITIES	
Accounts Payable/ Due to Others	1,587
Total Liabilities	1,587
NET POSITION	
Restricted for:	
Individuals Organizations and other governments	629,104
Total Net Position	$ 629,104

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Custodial Funds
ADDITIONS	
Interest	$ 223
Total Additions	223
DEDUCTIONS	
Distributions to Participants	33,887
Total Deductions	33,887
Change in Net Position	(33,664)
Net Position, Beginning of Year	662,768
Net Position, End of Year	$ 629,104

See accompanying notes to basic financial statements.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Seguin, Texas ("City") was incorporated in 1853. The City Charter was adopted on December 7, 1971, under the provisions of the Home Rule Charter Act of the State of Texas. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: police and fire protection, health services, maintenance of streets, planning and zoning, parks and recreation, general administrative services, electric, water, and wastewater services.

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

1. REPORTING ENTITY

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

   The Seguin Economic Development Corporation, a nonprofit corporation, was incorporated under the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6, Section 4A. The Corporation is organized exclusively for public purposes of the City of Seguin, and the City Council appoints directors of the Corporation. It receives all proceeds from the 0.25% sales tax adopted in 1994 for economic development in Seguin. The corporation meets the criteria of a discretely presented component unit, described above, and is presented in the government-wide financial statements. Complete financial statements for the Seguin Economic Development Corporation may be obtained at City Hall.

   Joint Ventures
   A joint venture is a legally separate entity that results from a contractual arrangement and that is owned, operated, or governed by two or more participating governments. The following entities meet the criteria as joint ventures:

   The Guadalupe Regional Medical Center is a joint venture between the City of Seguin and Guadalupe County. Each participating government appoints one-half of the board of directors and approves annual budgets. In addition, the participating governments are financially responsible for indigent health care provided by the hospital, and are contingently liable for hospital debts. Separate financial statements of the Guadalupe Regional Medical Center may be obtained by contacting the hospital administrator.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. REPORTING ENTITY (Continued)

Joint Ventures (Continued)
The Schertz/Seguin Local Government Corporation is a public, nonprofit corporation organized to aid, assist, and act on behalf of the cities of Schertz and Seguin in acquiring, constructing, maintaining, and operating a water utility system. The participating governments have an ongoing financial responsibility to fund the operation of the corporation through either purchase of services or by subsidizing the operations. Separate financial statements for the Schertz/Seguin Local Government Corporation may be obtained at City Hall.

Summarized financial data for joint ventures is provided in Note M.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City and its component unit (except for City fiduciary activity). The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The primary government is reported separately from the component unit within the government-wide statements.

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

Separate **fund financial statements** are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, 2021 Certificates of Obligation and Debt Service Fund meet criteria as ***major governmental funds***. Each major fund is reported in separate columns in the fund financial statements. Nonmajor funds include other Special Revenue and Capital Projects Funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented in the Combining Fund Statements and Schedules as "Supplementary Information".

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition. Nondepartmental expenses include insurance costs, professional services and miscellaneous costs that do not benefit any one department, as well as contributions to the Guadalupe Regional Medical Center.

2021 Certificates of Obligation Capital Projects Fund will account for the proceeds of the Certificates of Obligation and the costs of the capital projects to be funded.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Debt Service Fund accounts for ad valorem tax and contributions from the component unit to support city bonded debt.

Nonmajor funds include Special Revenue Funds (other than major projects and grants) and Capital Projects Funds.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Utility Fund (used to account for the provision of electric, water and sewer services to residents) and the Internal Service Funds used to account for the City's group medical insurance program and workers compensation benefits.

Revenues are derived from charges for services for utilities, city contributions, employee and retiree/cobra premiums, and investment of idle funds. Expenses are charges incurred for operating, purchases of electricity and water, premiums and administrative expenses for insurance.

The **Proprietary Funds** are accounted for using the accrual basis of accounting as follows:

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

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

Fiduciary fund level financial statements are used to account for resources held for others. The City's custodial funds hold donations intended for scholarships, Riverside Cemetery, and assets seized and held on behalf of other governments and/or plaintiffs.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAm (or equivalent) rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The City reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost (see Note B).

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 and become due October 1, 2020 and past due after January 31, 2021. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible in the amount of $27,616.

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

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. ACCOUNTS RECEIVABLE (Continued)

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

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

8. INVENTORIES & PREPAID ITEMS

Inventories of consumable supplies are valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Inventories of repair and replacement parts for the utility system are valued at cost, which approximates market, using the moving average cost method.

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

9. RESTRICTED ASSETS

Certain proceeds of General Obligation Bonds, Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Funds are segregated to report those proceeds of revenue bond issuances that are restricted for use in construction. Funds are also segregated to provide for debt service as provided under bond indenture agreements.

10. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, such as equipment, are defined as assets with a cost of $5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. CAPITAL ASSETS (Continued)

Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation, with the exception of works of art and capital assets received in a service concession arrangement. Those assets are reported at acquisition value rather than fair value.

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

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

ASSETS	YEARS
Buildings and improvements	20 to 40 years
Improvements other than buildings	20 to 40 years
Utility system in service	20 to 67 years
Machinery and equipment	5 to 15 years

11. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category: deferred pension and other post employment benefits related costs which will be included in the subsequent actuarial valuation, and deferred charge on refundings reported in the government-wide statement of net position, as well as the Proprietary Fund statement of position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Deferred inflows for pension and other post employment benefits are deferred and will be recognized in a subsequent actuarial valuation. Unavailable revenues from property tax and EMS receivables are deferred and recognized as an inflow of resource in the period the amounts become available.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. COMPENSATED ABSENCES

The City permits employees to accumulate earned but unused vacation pay benefits up to the amount earned in two years. Upon resignation, an employee may receive pay for any unused accrued vacation provided the employee gives two weeks written notice of the resignation and is not subject to discharge for misconduct. Unused sick leave may be accumulated to certain limits. In the event of termination, no reimbursement is made for accumulated sick leave. No liability is reported for unpaid accumulated sick leave. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

13. UNEARNED REVENUE

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

14. LONG-TERM OBLIGATIONS

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

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

15. PENSIONS

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

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. OTHER POST-EMPLOYMENT BENEFITS

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

17. FUND EQUITY

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the city council – the government's highest level of decision making authority. The City Council is the highest level of decision-making authority for the city that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (by adoption of another ordinance) to remove or revise the limitation.

The City Council adopted an ordinance in March 2012 establishing an *emergency fund stabilization arrangement*. The Ordinance requires additions to the fund in the event the fund balance falls below $2,000,000. Additions are to come from interest earnings, direct transfers from the General Fund and/or Utility Fund, or reimbursements from insurance or grants for expenditures incurred by the fund. The stabilization fund may be expended on recovery efforts for public infrastructure damage that occurs as a result of a disaster declared by the federal or state governments.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. FUND EQUITY (Continued)

Assigned fund balance. This classification reflects the amounts constrained by the city's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has designated the City Manager as the responsible agent for assigning fund balances. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

As of September 30, 2021, the City Manager had assigned fund balances for the following:

- Excess recycling fees over expenditures were assigned for future expenditures associated with "green" waste disposal ($1,348), also favorable budget variances for street maintenance were assigned for future street projects ($110,802).
- Funds set aside in nonmajor capital project funds that are not otherwise restricted by bond covenants are assigned for specific capital projects.

Total assigned funds in the General Fund were $112,150. Total assigned balances in nonmajor capital project funds were $5,248,658.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

The City Council has set a General Fund minimum fund balance target at three months of expenditures and recurring transfers. No other fund balance policies exist.

18. NET POSITION

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

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

The City allocates to the Utility (Proprietary) Fund an indirect cost percentage of general government administration expenses that are paid through the General Fund. During the year ended September 30, 2021, the City allocated $5,628,493 as a transfer for such services. The indirect cost allocation is reflected as an operating expense in the Utility Fund, and a reduction of current expenditures in the General Fund, and in a separate column in the Statement of Activities.

20. OPERATING REVENUES AND EXPENSES

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

21. USE OF ESTIMATES

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

22. COMPARATIVE DATA/RECLASSIFICATIONS

Comparative data for the prior year has been provided for the General Fund and Utility Fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operation of these funds. Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation. The reclassifications had no effect on the changes in financial position.

23. CHANGES IN ACCOUNTING POLICIES

As of October 1, 2020, the city adopted Governmental Accounting Standard Board Statement No. 84 related to fiduciary activities. The standard adopted new reporting requirements in fiduciary activities and defined new types of fiduciary funds. For the City, there were no changes to activities reported as fiduciary, however, the City added a Statement of Changes in Fiduciary Net Position to the basic financial statements.

NOTE B -- DEPOSITS AND INVESTMENTS

As of September 30, 2021, the City of Seguin had the following investments:

Investment Type	Fair Value	Input Level	Weighted Average Maturity (Days)	Rating	Agency
Primary Government					
Local Government Investment Pools:					
TexPool	$ 28,899,891	1	53	AAAm	Standard & Poor's
LOGIC	68,204,852	1	55	AAAm	Standard & Poor's
U.S. Treasury Money Market	13,914,159	1	39	AA+	Standard & Poor's
	$ 111,018,902				
Portfolio Weighted Average Maturity			52		
Component Unit					
Local Government Investment Pools:					
TexPool	$ 1,747,171	1	53	AAAm	Standard & Poor's
LOGIC	1,602,587	1	55	AAAm	Standard & Poor's
	$ 3,349,758				
Portfolio Weighted Average Maturity			54		

Investment Rate Risk. The City and component unit manage exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit Risk. The City's investment policy limits investments to obligations of the United States (up to 95% of total invested funds) or its agencies and instrumentalities (maximum 80% of funds); direct obligations of the State of Texas; obligations of states, agencies, contracts, cities, and other political subdivisions rated as to investment quality of not less than AAA by a nationally recognized investment firm. U.S. Government Securities are not considered to have credit risk and do not require disclosure of credit quality.

The City may also invest funds in government investment pools provided the pool maintains a AAA rating, the pool maintains a stable asset value, and the average dollar weighted maturity does not exceed 90 days. As of September 30, 2021, the investments in TexPool and LOGIC were rated AAAm by Standard & Poor's. The City may invest in Money Market Mutual funds that are regulated by the SEC and have a dollar weighted average stated maturity of 90 days or less and maintain a net asset value of $1.00 per share.

The City's and Component Units' investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Both Texpool and Logic Pools operate in a manner consistent with Rule 2a7. Therefore, the investments are reported at $1 per share, which approximates fair value. There was no change in fair value of the investment pools for the year ended September 30, 2021. There are no limitations or restrictions on participant withdrawals.

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2021, the government's deposits were fully collateralized or insured by FDIC.

The Component Unit had deposits that were fully insured by FDIC.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2021, the City and the Component Unit were not exposed to custodial credit risk.

Concentration of Credit Risk – Thirteen percent of the City's investment is held in U.S. Treasury Money Market Fund.

NOTE C -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Guadalupe County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2020, upon which the fiscal 2021 levy was based, was $2,467,061,495 (i.e., market value less exemptions). The estimated market value was $3,470,098,019 making the taxable value 71% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to $2.50 per $100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to $1.50 per $100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2021, was $0.5412 per $100 of assessed value, which means that the City has a tax margin of $1.9588 for each $100 value and could increase its annual tax levy by approximately $48,324,801 based upon the present assessed valuation of $2,467,061,495 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 no new revenue rate increase is more than three and a half percent (3.5%) 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 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.

NOTE D -- INTERFUND RECEIVABLE/PAYABLE

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2021, balances of interfund amounts receivable or payable have been recorded as follows:

	Due From	Due To
Primary Government		
General Fund	$ -	$ 309,859
Enterprise Fund	30,986	-
	30,986	309,859
Component Unit		
General Fund	309,859	-
Enterprise Fund	-	30,986
	309,859	30,986
Totals	$ 340,845	$ 340,845

NOTE E -- NOTES RECEIVABLE

Primary Government

The City loaned money to the Seguin Economic Development Corporation (component unit) to purchase land to be sold and/or developed for economic development in the city. The note receivable, in the amount of $1,411,614, is to be repaid in annual installments of $250,000 each beginning May 1, 2020 thru May 1, 2027. The note is interest free, but carries acceleration clauses and interest at the maximum rate allowed by law in the event of default.

Component Unit

The SEDC (Component Unit) provides incentives in the form of grants and notes receivable to area businesses in conjunction with its function of generating economic development. One note receivable was outstanding at September 30, 2021 and matures in 2026 with a 3% annual interest rate. Future payments on the note is as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 1,737	$ 214	$ 1,951
2023	1,791	160	1,951
2024	1,845	106	1,951
2025	1,901	50	1,951
2026	501	12	513
	$ 7,775	$ 542	$ 8,317

NOTE F -- NET PRESENT VALUE OF LEASE FINANCING

The City has leased property located at 2460 Crossroads Blvd., consisting of a 49,120 square foot building and improvements, to Pure and Gentle Soap Products, Inc. under a sales-type lease agreement. The lease is for an original term of twenty (20) years and transfers property to the lessee for $1 at the end of the lease term (2026), or earlier by paying the remaining base rental payments under the lease, discounted at 5.75%.

The agreement calls for the lessee to operate a business within the premises in order to generate sales tax revenue, property tax and utility revenue. Failure to continue the business would be considered a breach of the contract.

Future minimum lease payments under the lease are as follows:

September 30,	
2022	$ 105,986
2023	105,986
2024	105,986
2025	105,986
2026	26,658
Total Payments	450,602
Less: Amount Representing Interest	(165,221)
Net Present Value of Lease Financing	$ 285,381

NOTE G -- CAPITAL ASSETS

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

Governmental Activities	Balance 10/1/2020	Additions	Disposals	Transfers/ Adjustments	Balance 9/30/2021
Land	$ 4,793,057	$ -	$ -	$ -	$ 4,793,057
Construction in Progress	11,949,746	3,925,586	-	(2,801,360)	13,073,972
Total Assets Not Depreciated	16,742,803	3,925,586	-	(2,801,360)	17,867,029
Buildings and Improvements	38,129,404	1,647,352	-	-	39,776,756
Improvements Other Than Buildings	91,888,235	274,821	-	2,801,360	94,964,416
Transportation and Equipment	21,442,322	358,478	(1,457,665)	-	20,343,135
Totals at Historical Cost	168,202,764	6,206,237	(1,457,665)	-	172,951,336
Less Accumulated Depreciation:					
Buildings and Improvements	(10,577,299)	(724,476)	-	-	(11,301,775)
Improvement Other Than Buildings	(39,705,626)	(3,469,523)	-	-	(43,175,149)
Transportation and Equipment	(15,642,082)	(1,910,946)	1,426,798	-	(16,126,230)
	(65,925,007)	(6,104,945)	1,426,798	-	(70,603,154)
Governmental Capital Assets, Net	$ 102,277,757	$ 101,292	$ (30,867)	$ -	$ 102,348,182

NOTE G -- CAPITAL ASSETS (CONTINUED)

Business-Type Activities	Balance 10/1/2020	Additions	Disposals	Transfers/ Adjustments	Balance 9/30/2021
Land	$ 877,233	$ -	$ -	$ -	$ 877,233
Construction in Progress	15,066,009	9,065,149	-	(5,290,839)	18,840,319
Total Assets Not Depreciated	15,943,242	9,065,149	-	(5,290,839)	19,717,552
Buildings and Improvements	39,242,017	90,646	-	-	39,332,663
Utility System	114,997,357	1,867,923	-	5,290,839	122,156,119
Transportation and Equipment	10,516,255	1,229,908	(645,441)	-	11,100,722
Totals at Historical Cost	180,698,871	12,253,626	(645,441)	-	192,307,056
Less Accumulated Depreciation:					
Buildings and Improvements	(20,572,126)	(538,803)	-	-	(21,110,929)
Improvement Other Than Buildings	(49,226,356)	(4,397,309)	-	-	(53,623,665)
Transportation and Equipment	(8,048,922)	(755,786)	645,441	-	(8,159,267)
	(77,847,404)	(5,691,898)	645,441	-	(82,893,861)
Business-Type Capital Assets, Net	$ 102,851,467	$ 6,561,728	$ -	$ -	$ 109,413,195
Discretely Presented Component Unit					
Land	$ 3,530,803	$ -	$ (1,360,165)	$ -	$ 2,170,638
Buildings and Improvements	89,547	-	-	-	89,547
Accumulated Depreciation	(16,353)	(1,720)	-	-	(18,073)
	$ 3,603,997	$ (1,720)	$ (1,360,165)	$ -	$ 2,242,112

Primary Government

Depreciation Expense was charged to functions as follows:

Governmental Activities:	
General Government	$ 59,507
Public Safety	1,409,436
Public Service	4,138,386
Nondepartmental	497,616
Total Governmental Activities	$ 6,104,945
Business-Type Activities:	
Administration	$ 1,787
Engineering	3,361
Electric	996,040
Water Production	1,135,276
Water Distribution	2,483,466
Sewer Plant	318,644
Other	753,324
Total Business-Type Activities	$ 5,691,898

NOTE H -- CAPITAL LEASES

The City has entered into a lease agreement to finance the acquisition of public safety, public works and golf equipment. The City has also financed the acquisition of the Springs Hill Wastewater Collection System through its Utility Fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired though capital leases are as follows:

Assets:	Governmental Activities
Public Safety Vehicles & Equipment	$ 3,823,532
Golf Course Equipment	124,466
Public Works Equipment	188,800
Less: Accumulated Depreciation	(2,197,793)
Total	$ 1,939,005

Future minimum obligations and the net present value of these minimum lease payments as of September 30, 2021 were as follows:

Year Ending September 30,	Governmental Activities
2022	$ 490,556
2023	271,347
2024	194,369
Total Payments	956,272
Less: Amount Representing Interest	(52,626)
Present Value of Minimum Lease Payments	$ 903,646

NOTE I -- LONG-TERM DEBT

Bonded debt and obligations payable at September 30, 2021, comprise the following individual issues:

General Obligation Bonds:	
$19,785,000 2014 General Obligation Bonds due in annual installments of $200,000 to $4,130,000 through September 1, 2034; interest at 3.0 to 6.0%	$ 17,690,000
$8,465,000 2014 General Obligation Refunding Bonds due in annual installments of $100,000 to $1,170,000 through September 1, 2026; interest at 2.0% - 4%	4,855,000
$9,370,000 2015 General Obligation Refunding Bonds due in annual installments of $100,000 to $1,945,000 through September 1, 2028; interest at 2.0% - 5.0%	7,480,000
$8,370,000 2019 General Obligation Refunding Bonds due in annual installments of $45,000 to $2,585,000 through March 1, 2031; interest at 3.0% - 5.0%	8,265,000
$2,920,000 2021 General Obligation Bonds due in annual installments of $50,000 to $1,225,000 through September 1, 2031; interest at 1%	2,870,000
Total General Obligation Bonds	41,160,000
Certificates of Obligation	
$2,500,000 2013 Certificates of Obligation due in annual installments of $100,000 to $200,000 through September 1, 2028; interest at 2.7%	1,100,000
$12,445,000 2016 Certificates of Obligation due in annual installments of $100,000 to $4,305,000 through September 1, 2036; interest at 3.0% to 5.0%	11,750,000
$8,800,000 2016A Certificates of Obligation due in annual installments of $100,000 to $4,200,000 through September 1, 2037; interest at 3.5% to 5.5%	8,250,000
$6,450,000 2018 Certificates of Obligation due in annual installments of $200,000 to $1,430,000 through September 1, 2038; interest at 3.5% to 5.5%	5,850,000
$9,170,000 2020 Certificates of Obligation due in annual installments of $45,000 to $1,765,000 through September 1, 2040; interest at 3.5% to 5.0%	9,000,000
$10,970,000 2021 Certificates of Obligation due in annual installments of $130,000 to $2,240,000 through September 1, 2040; interest at 2.5% to 5.0%	10,970,000
Total Certificate of Obligations	46,920,000
Tax Anticipation Notes	
$775,000 Tax Notes, Series 2017 due in annual installments of $85,000 to $135,000 through February 2024; interest at 1.785%	255,000
Total Tax Anticipation Notes	255,000
Total Governmental Bonded Debt	$ 88,335,000

NOTE I -- LONG-TERM DEBT (CONTINUED)

Utility Fund Revenue Bonds:	
$21,405,000 Utility System Revenue, Series 2014, due in annual installments of $190,000 to $2,335,000 through February 1, 2037; interest at 3.0% to 5.0%.	$ 19,190,000
$4,430,000 Utility System Revenue, Series 2016, due in annual installments of $100,000 to $345,000 through February 1, 2037; interest at 3.0% to 5.0%.	3,930,000
$8,415,000 Utility System Revenue, Series 2017, due in annual installments of $190,000 to $620,000 through February 1, 2037; interest at 3.0% to 4.0%.	7,645,000
$9,900,000 Utility System Revenue, Series 2018, due in annual installments of $125,000 to $3,380,000 through February 1, 2038; interest at 3.25% to 5.0%.	9,510,000
$3,550,000 Utility System Revenue, Series 2020, due in annual installments of $120,000 to $245,000 through February 1, 2034; interest at 3.25% to 5.0%.	3,305,000
$14,240,000 Utility System Revenue, Series 2021, due in annual installments of $125,000 to $1,100,000 through February 1, 2051; interest at 0.8% to 2.19%.	14,240,000
Total Utility Revenue Bonds	57,820,000
General Obligation Bonds - Utility Portion	
$5,385,000 2015 General Obligation Refunding Bonds due in annual installments of $25,000 to $1,025,000 through September 1, 2026; interest at 2.0% to 5.0%	2,840,000
$6,200,000 2019 General Obligation Refunding Bonds due in annual installments of $5,000 to $980,000 through March 1, 2031; interest at 3.0% to 5.0%	6,185,000
$1,240,000 2021 General Obligation Refunding Bonds due in annual installments of $50,000 to $1,225,000 through September 1, 2031; interest at 1.0%	1,240,000
Total GO Refunding Bonds	10,265,000
Total Business-Type Bonded Debt	$ 68,085,000

The City is required by the revenue bond ordinances to establish certain accounts to maintain and operate the Utility System and to provide for the payment of bond principal and interest. A reserve fund is not required as long as the net revenues for each fiscal year are equal to at least 110% of the average annual debt service requirements of all bonds similarly secured (*Springing Reserve Fund Covenant).* The City is in compliance with the Covenant and, accordingly, a reserve fund is not maintained.

The annual requirements to amortize all bonded debt and obligations outstanding as of September 30, 2021, including interest payments, are as follows:

Year Ending September 30,	Public Offerings			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	$ 3,625,000	$ 3,838,481	$ 2,355,000	$ 2,245,793
2023	3,770,000	3,705,313	2,480,000	2,102,719
2024	3,825,000	3,571,746	2,545,000	2,111,044
2025	3,960,000	3,442,688	2,660,000	2,507,744
2026	4,100,000	3,300,213	2,745,000	2,362,194
2027-2031	23,115,000	18,029,800	15,090,000	9,984,390
2032-2036	27,425,000	6,013,869	18,345,000	3,022,515
2037-2041	18,515,000	1,344,175	7,625,000	252,439
	$ 88,335,000	$ 43,246,285	$ 53,845,000	$ 24,588,838

NOTE I -- LONG-TERM DEBT (CONTINUED)

Year Ending September 30,	Private Placement			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	$ -	$ -	$ 1,200,000	$ 168,241
2023	-	-	150,000	155,919
2024	-	-	200,000	154,519
2025	-	-	200,000	152,919
2026	-	-	200,000	151,319
2027-2031	-	-	1,000,000	732,595
2032-2036	-	-	1,000,000	690,635
2037-2041	-	-	2,605,000	611,716
2042-2046	-	-	3,775,000	395,710
2047-2051	-	-	3,910,000	136,236
	$ -	$ -	$ 14,240,000	$ 3,349,809

Changes in Long-Term Liabilities

Governmental Activities	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021	Due Within One Year
General Obligation Bonds	$ 41,775,000	$ 2,920,000	$ (3,535,000)	$ 41,160,000	$ 2,385,000
Bond Premiums	4,383,655	1,254,991	(449,090)	5,189,556	-
Certificates of Obligation	38,300,000	10,970,000	(2,350,000)	46,920,000	1,155,000
Tax Anticipation Notes	661,000	-	(406,000)	255,000	85,000
Capital Leases	1,319,913	35,954	(452,221)	903,646	460,073
Net Pension Liability	23,642,171	6,056,724	(6,217,153)	23,481,742	-
Net OPEB Liability -SDBF	972,625	240,382	(45,859)	1,167,148	-
Net OPEB Liability -Retiree Health	529,309	21,938	(57,928)	493,319	-
Compensated Absences	1,624,393	967,748	(850,694)	1,741,447	956,507
Total Governmental Activities	113,208,066	22,467,736	(14,363,944)	121,311,858	5,041,580
Business-Type Activities					
Private Placement					
TWDB Utility System Revenue Bonds	-	14,240,000	-	14,240,000	1,200,000
Public Offering					
Revenue Bonds	44,815,000	-	(1,235,000)	43,580,000	1,155,000
General Obligation Refunding Bonds	11,485,000	1,240,000	(2,460,000)	10,265,000	1,200,000
Bond Premiums	2,916,823	-	(274,759)	2,642,064	-
Net Pension Liability	7,775,707	2,018,908	(2,090,214)	7,704,401	-
Net OPEB Liability -SDBF	383,408	80,127	6,332	469,867	-
Net OPEB Liability -Retiree Health	208,317	7,313	(20,867)	194,763	-
Compensated Absences	539,837	298,753	(306,311)	532,279	306,018
Total Business-Type Activities	68,124,092	3,645,101	(6,380,819)	65,388,374	2,661,018
Total Primary Government	$ 181,332,158	$ 26,112,837	$ (20,744,763)	$ 186,700,232	$ 7,702,598

Compensated absences for governmental activities are generally liquidated by the general fund.

NOTE I -- LONG-TERM DEBT (CONTINUED)

Texas combinations Tax and Limited Pledge Revenue Certificates of Obligation, series 2021, were issued in the amount of $10,970,000 to fund various street and bridge improvements and reconstruction, public works facilities and fire station construction and renovation, and technology upgrades for city operations.

Utility System Revenue Bonds, Series 2021, (Private Placement) were issued in the amount of $14,240,000 to fund improvements to the wastewater treatment plant. The bonds are issued pursuant to the Texas Water Development Board – *Clean Water State Revolving Fund*, and as such constitute a private placement.

General Obligation Refunding Bonds, Series 2021, were issued in the amount of $4,160,000 to refund the 2011 Certificates of Obligation in the amount of $1,550,000; the 2013 General Obligation Refunding Bonds in the amount of $1,370,000, both reported in the Governmental Activities, and the remaining $1,240,000 was reported in the Business-type Activities. The refunding issue, Series 2021,resulted in a gross present value debt service savings of $240,617 and a net present value benefit of $169,485 over the remaining term of the old bonds.

Component Unit

The component unit received a loan from the City to fund the purchase of approximately 60 acres to be used or developed for economic development in the City. The note is to be repaid in 7 (6 remaining) annual installments of $250,000 beginning May 1, 2020, and carries no interest (see Note E).

Long-term debt activity for the component unit is summarized as follows:

	Balance Outstanding 10/1/2020	Increases	Decreases	Balance Outstanding 9/30/2021
Notes Payable	$ 2,313,021	$ -	$ (901,407)	$ 1,411,614

Annual requirements to amortize the notes payables as of September 30, 2021 are as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 250,000	$ -	$ 250,000
2023	250,000	-	250,000
2024	250,000	-	250,000
2025	250,000	-	250,000
2026	250,000	-	250,000
Thereafter	161,614	-	161,614
	$ 1,411,614	$ -	$ 1,411,614

NOTE J – SUMMARY OF PENSION AND OPEB LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

	Net Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension	$ 31,186,143	$ 5,692,135	$ 2,503,316
Retiree Health	688,082	-	40,732
TMRS SDBF	1,637,015	313,114	34,346
Total OBEB	$ 33,511,240	$ 6,005,249	$ 2,578,394

NOTE K -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. The TMRS defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available Annual Comprehensive Financial Report (AFCR) that can be obtained at www.tmrs.com.

NOTE K -- EMPLOYEES' RETIREMENT SYSTEMS (CONTINUED)

Texas Municipal Retirement System (Continued)

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

Benefits Provided

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

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

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

	Plan Year 2020	Plan Year 2019
Inactive employees or beneficiaries currently receiving benefits	265	253
Inactive employees entitled to but not yet receiving benefits	228	214
Active employees	412	395
	905	862

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

For the year ending September 30, 2021, 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 22.22% and 22.22% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were $5,584,460, and were equal to the required contributions. The General fund is used to liquidate pension liabilities for governmental activities.

NOTE K -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.5% per year
Salary Increases	3.5% to 11.5%, including inflation
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation study covering 2009 through 2011 and dated December 31 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

NOTE K -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding the expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in the fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.00%
Non-Core fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	7.75%
Private Equity	10.00%	7.75%
	100.00%	

Discount Rate

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

NOTE K -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

Changes in the Net Pension Liability

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018:	$ 120,239,380	$ 88,821,503	$ 31,417,877
Changes for the year:			
Service Cost	4,157,033	-	4,157,033
Interest	8,068,419	-	8,068,419
Change of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	1,421,699	-	1,421,699
Changes of Assumptions	-	-	-
Contributions - Employer	-	5,459,165	(5,459,165)
Contributions - Employee	-	1,719,813	(1,719,813)
Net Investment Income	-	6,745,238	(6,745,238)
Benefit Payments, Including Refunds of Employee Contributions	(5,571,519)	(5,571,519)	-
Administrative Expense	-	(43,626)	43,626
Other Changes	-	(1,705)	1,705
Net Changes	8,075,632	8,307,366	(231,734)
Balance at December 31, 2019:	$ 128,315,012	$ 97,128,869	$ 31,186,143

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

	Discount Rate		
	5.75%	6.75%	7.75%
Net Pension Liability (Asset)	$ 50,419,170	$ 31,186,143	$ 15,580,416

Pension Plan Fiduciary Net Position

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

NOTE K -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

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

For the year ended September 30, 2021, the City recognized pension expense of $4,346,785. 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	$ 1,315,606	$ -
Changes in Actuarial Assumptions	271,111	-
Differences between Projected and Actual Investment Earnings	-	2,503,316
Contributions subsequent to the Measurement Date	4,105,418	-
	$ 5,692,135	$ 2,503,316

Deferred outflows of resources in the amount of $4,105,418 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2021 (subsequent fiscal period). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future years as follows:

For the Plan Year ended December 31,	
2021	$ (275,444)
2022	624,048
2023	(1,115,244)
2024	(149,959)
	$ (916,599)

NOTE L – OTHER POST-EMPLOYMENT BENEFITS

TMRS Supplemental Death Benefits Other Post-Employment Benefit

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

NOTE L – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

TMRS Supplemental Death Benefits Other Post-Employment Benefit (Continued)

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other post-employment benefit," or OPEB. Membership in the plan at December 31, 2020, the valuation and measurement date, consisted of:

	2020
Inactive Employees or Beneficiaries Currently Receiving Benefits	200
Inactive Employees Entitled to but Not Yet Receiving Benefits	52
Active Employees	415
	667

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

	Total SDBF Contribution Rate	Retiree SDBF Contribution Rate
For the Plan Year Ended December 31,		
2021	0.28%	0.06%
2020	0.19%	0.06%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For calculating the OPEB liability and the OPEB contribution rates, the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The assumptions are summarized below.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate *	2.00%
Retiree's share of benefit costs	$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disbled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

NOTE L – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

TMRS Supplemental Death Benefits Other Post-Employment Benefit (Continued)

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

	Total OPEB Liability
Balance at December 31, 2019	$ 1,356,033
Changes for the year:	
Service Cost	68,793
Interest	38,034
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(24,786)
Changes in Assumptions or Other Inputs	213,682
Benefit Payments	(14,741)
Net Changes	280,982
Balance at December 31, 2020	$ 1,637,015

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

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

	Discount Rate 1.00%	Discount Rate 2.00%	Discount Rate 3.00%
Total OPEB Liability	$ 1,996,806	$ 1,637,015	$ 1,360,915

For the year ended September 30, 2021, the City recognized OPEB expense of $157,275. Also as of September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the TMRS OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	$ 296,761	$ -
Differences in Expected and Actual Experience	-	34,346
Contributions After the Measurement Date	16,353	-
	$ 313,114	$ 34,346

NOTE L – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

TMRS Supplemental Death Benefits Other Post-Employment Benefit (Continued)

Deferred outflows of resources in the amount of $16,353 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total TMRS OPEB liability for the plan year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to the TMRS OPEB will be recognized in OPEB expense in future periods as follows:

For the Plan Year Ended December 31,		
2021	$	70,795
2022		67,884
2023		59,501
2024		54,559
2025		9,676
Thereafter		-
	$	262,415

City of Seguin Retiree Health Other Post-Employment Benefit Plan

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

The City provides post-employment benefits for eligible participants enrolled in City-sponsored plans. The benefits are provided in the form of an implicit rate subsidy where the City contributes towards the retiree health premiums before achieving Medicare eligibility. While the Plan offers retiree only rates, a very small implicit liability still exists. Membership in the plan as of September 30, 2020, the measurement date, consisted of:

	2020
Inactive Employees or Beneficiaries Currently Receiving Benefits	15
Inactive Employees Entitled to but Not Yet Receiving Benefits	46
Active Employees	343
	404

NOTE L – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

City of Seguin Retiree Health Other Post-Employment Benefit Plan (Continued)

Current active employees must be eligible for service retirement under the Texas Municipal Retirement System. To attain this eligibility active employees must be at least age 60 with 5 years of service or have at least 20 years of employment with the City. Furthermore, there is a subsidy offered only to employees hired prior to January 2008.

Minimum Years of Continuous Service	Minimum Age	City Contributions
15	57	0%
20	57	50% *
25	57	100% *

* The City Contribution toward retiree coverage is based on a percentage of the City Contribution made for active duty employees. Retiree rates are actuarially established and adopted annually by the City/Employee Benefit Trust. Qualification for 100% contribution entitles the retiree to 100% of the contribution made for an active employee but does not necessarily mean retiree insurance coverage will be at no cost.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.00%
Discount Rate	2.15% (Bond Buyer 20-Bond GO index)
Mortality Rates	PUB 2010 mortality table with generational scale MP-2019 to reflect the Society of Actuaries' recent mortality study.
Health Care Cost Trend Rates	6.5% for 2019, Decreasing 0.5% each year reaching ultimate rate of 4.5%

The City's Retiree Health OPEB Liability (TOL), based on the above actuarial factors, as of September 30, 2021, the measurement and actuarial valuation date was calculated as follows:

	Total OPEB Liability
Balance at September 30, 2019	$ 737,626
Changes for the year:	
Service Cost	11,298
Interest	15,681
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions or Other Inputs	2,271
Benefit Payments	(78,794)
Net Changes	(49,544)
Balance at September 30, 2020	$ 688,082

NOTE L – OTHER POST-EMPLOYMENT BENEFITS (Continued)

City of Seguin Retiree Health Other Post-Employment Benefit Plan (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued):

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement NO. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 2.15% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (1.15%) and 1-percentage point higher (3.15%) than the current rate:

	Discount Rate 1.15%	Discount Rate 2.15%	Discount Rate 3.15%
Total OPEB Liability	$ 651,000	$ 688,082	$ 728,000

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

	1% Decrease	Current Trend	1% Increase
Total OPEB Liability	$ 642,000	$ 6,880,082	$ 738,000

For the year ended September 30, 2021, the City recognized OPEB expense of $76,559. 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 of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 40,732
	$ -	$ 40,732

Amounts reported as deferred outflows and inflows of resources related to the City's Retired Health OPEB will be recognized in OPEB expense as follows:

For the Plan Year ended September 30,	
2022	$ (556)
2023	(556)
2024	(556)
2025	(556)
2026	(556)
Thereafter	(37,952)
	$ (40,732)

The aggregate amount of expense recognized for all OPEB plans for the fiscal year ending September 30, 2021 was $209,646.

NOTE M -- INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2021, were as follows:

Receiving Fund/Activity	Transferring Fund/Activity	Amount	
Nonmajor Capital Projects	Utility Fund	$ 64,974	Contribution to Capital Project
Utility Fund	General Fund	(454,380)	Contribution to Capital Project
Total Transfers		$ (389,406)	

NOTE N -- COMMITMENTS AND CONTINGENCIES

Litigation

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

Grants

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

Construction Commitments

The City has entered into construction and engineering contracts for the improvement of various streets and utility systems, as well as park improvements. Estimated future commitments associated with these contracts as of September 30, 2021 are as follows:

Primary Government	Total Commitments	Incurred Thru September 2020	Estimated Future Commitments
General Government			
Bldgs, Streets & Drainage	$ 11,082,903	$ 6,239,177	$ 4,843,726
Professional Services	854,780	275,817	578,963
	11,937,683	6,514,994	5,422,689
Utility System			
Utility System Improvements	11,145,544	9,067,863	2,077,681
Professional Services (Engineering)	2,244,080	1,923,948	320,132
	13,389,624	10,991,811	2,397,813
Total Primary Government Commitments	$ 25,327,307	$ 17,506,805	$ 7,820,502
Component Unit			
Professional Services	$ 11,700	$ 3,375	$ 8,325
	$ 11,700	$ 3,375	$ 8,325

NOTE N -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

Economic Development Agreements

WDW Development, LP Agreement

The City entered into a Chapter 380 Agreement with WBW Land Investments, LP (WBW) which provides that the City shall reimburse WBW for certain public infrastructure improvements out of 50% of the increased tax received from home sales in the residential development project known as the Meadows at Nolte Farms over a period of ten years, beginning one year immediately after the date of initial completion, at a cost not to exceed $500,000. The City estimates the increase in assessed value on the project over the base year to be $15,000,000. Reimbursements to WBW began March 2017. Reimbursement for the year ended September 30, 2021 was $164,929. This agreement has been completed.

Perry Homes, LLC

The City entered into a Chapter 380 Agreement with Perry Homes, LLC ("developer") to reimburse the developer 75% of the 1% unrestricted sales taxes collected on materials that are purchased to construct homes in Seguin. The agreement period begins February 2018. Total reimbursements for 2021 were $23,407.

Power Purchase Agreements

On December 17, 2015, the City entered into a fifteen (15) year agreement with the City of Garland to purchase energy produced by a solar-power facility, along with associated Environmental Attributes. The terms of the agreement began on the Commercial Operation Date (March 17, 2017) and ends on the day preceding the 15th anniversary of the agreement. In addition, the City entered into a separate twenty (20) year agreement with the City of Garland to purchase energy produced by a wind energy facility, along with associated Environmental Attributes. The terms of the agreement began on the Commercial Operation Date (November 13, 2016) and ends on the day preceding the 20th anniversary of the agreement. Both agreements carry performance guarantees for all parties, as well as mutual security provisions.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be re-appropriated and honored during the subsequent year. Therefore, there were no outstanding encumbrances as of September 30, 2021.

NOTE N -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

Guadalupe Regional Medical Center

The City of Seguin is contingently liable for 50% of operating deficits produced by Guadalupe Regional Medical Center (GRMC), if any, with Guadalupe County contingently responsible for the remainder. As of September 30, 2020, long-term debt of GRMC consisted of Revenue Bonds in the amount of $109,590,000, and capital lease obligations in the amount of $4,656,214.

Following is a summary of financial data as reported in the Guadalupe Regional Medical Center's most recent audited financial statements for the year ended September 30, 2020:

Assets:	
Current Assets	$ 90,895,618
Other Assets	23,833,972
Capital Assets (Net)	108,297,326
Other Long Term Assets	16,866,396
Deferred Outflows of Resources	5,270,250
Total Assets and Deferred Outflows	245,163,562
Liabilities & Net Assets:	
Current Liabilities	38,845,684
Other Liabilities	111,571,385
Total Liabilities	150,417,069
Deferred Inflows of Resources	9,066,508
Net Position	$ 85,679,985
Operating Revenues:	
Net Revenues from Patient Services	$ 131,790,197
Other Operating Revenues	126,745,513
Total Operating Revenues	258,535,710
Operating Expenses:	242,246,503
Total Net Operating Income	16,289,207
Nonoperating Revenues and (Expenses)	8,415,030
Increase (Decrease) in Net Position	$ 24,704,237

NOTE N -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

Schertz/Seguin Local Government Corporation

The City of Seguin is jointly liable, together with the City of Schertz, for operating deficits and long-term debt of the Schertz/Seguin Local Government Corporation (See Note A1). Following is a summary of financial data as reported in the Corporation's most recent audited financial statements dated September 30, 2020:

Assets:		
Current Assets	$	16,135,798
Restricted Cash and Cash Equivalents		74,306,769
Property, Plant & Equipment		98,152,548
Total Assets & Deferred Charges		188,595,115
Deferred outflows of resources related to Pension		2,781,377
Liabilities & Net Position:		
Current Liabilities		5,588,251
Revenue Bonds (Less Current Maturities and Unamortized Discounts)		154,226,349
Total Liabilities		159,814,600
Net Position:		
Net Investment in Capital Assets		6,117,596
Restricted		7,815,465
Unrestricted		17,628,831
Total Net Position	$	31,561,892

The Corporation had revenue bonds outstanding in the amount of $143,245,000 (as of September 30, 2020) to provide funds to build, improve, extend, enlarge and repair the Corporation's utility system, fund a reserve, and pay the costs of bond issuance. The bond resolution pledges intergovernmental contract revenues from the cities of Schertz and Seguin (the participating governments) to bond holders. Under the intergovernmental water supply contract, the participating governments are unconditionally obligated to pay their respective shares of annual contract revenue bond debt service from the operation of their respective utility systems.

NOTE O -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2021 were $457,731 for property and casualty and $185,852 for workers' compensation coverage.

NOTE P – TAX ABATEMENT DISCLOSURES

The City of Seguin negotiates property tax abatement agreements on a case-by-case basis. The agreements freeze property tax revenues received from the paying entity at current levels and deprives the City of a percentage of future increases in ad valorem property tax revenues that otherwise would have resulted from increases in assessed valuation in such areas until the tax abatement period terminates. The Texas Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code authorizes taxing jurisdictions to provide property tax abatement for a limited period of time as inducement for the development or redevelopment of property.

The City of Seguin Tax Abatement Guidelines (the "Guidelines"), adopted and effective on January 1, 2017, allow abatements to be granted only for the additional value of real or personal property improvements. No abatement will be approved that exceeds 100% of the new appraised value of capital improvements and/or personal property, or that will reduce current ad valorem revenue, and will be effective for no more than ten years. In the event that a facility that has been granted a tax abatement discontinues producing goods or services, fails to commence or complete the required capital investment, or fails to comply with any other provisions of the tax abatement agreement, the abatement agreement may be terminated by the City and all taxes previously abated will be recaptured and paid within 60 days of the termination. The Guidelines also include three abatement schedules that identify maximum allowable percentages based on the amount of real and personal property investment. These schedules serve as a guide for staff in determining a recommended abatement for a specific project.

As of September 30, 2021, the City has active tax abatement agreements with three entities. The gross amount of property tax abated during 2021 was $474,254.

Caterpillar, Inc.: Personal Property Tax Abatement Agreement is for a period of ten years beginning January 1, 2010 and expiring December 31, 2020, for manufacturing machinery and equipment used in the operation of a diesel engine manufacturing facility with a current appraised value of $84,272,125.

Tractor Supply Co. of Texas, LP: Real Property Tax Abatement Agreement for a period of five years beginning January 1, 2016 and expiring January 1, 2021 for the construction and operation of a distribution facility with a current appraised value of $4,256,900.

Minigrip: Personal Property Tax Abatement Agreement for a period of five years beginning January 1, 2019 and expiring January 1, 2024, for the installation of manufacturing machinery and equipment with a current appraised value of $4,236,414.

NOTE Q – SUBSEQUENT EVENTS

Primary Government
The City issued $705,000 in tax notes, series 2021 in December 2021 to purchase equipment.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Defined Benefit Plan - Net Pension Liability and Related Ratios
- Schedule of City Contributions – Defined Benefit Plan
- Schedule of Funding Progress – Other Postemployment Benefits

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Budgeted Amounts			Variance With Final Budget -	
REVENUES	Original	Final	**2021 Actual**	Positive (Negative)	2020 Actual
Taxes	$ 14,862,602	$ 15,264,756	**$ 16,235,079**	$ 970,323	$ 14,511,305
Licenses and Permits	922,000	922,000	**2,810,128**	1,888,128	1,976,301
Intergovernmental	995,600	1,440,005	**1,225,571**	(214,434)	2,804,324
Charges for Services	7,347,170	7,347,170	**7,456,842**	109,672	6,139,753
Fines and Forfeits	1,036,900	1,036,900	**644,301**	(392,599)	630,226
Interest	96,000	117,700	**13,032**	(104,668)	159,687
Miscellaneous	748,140	803,463	**1,515,730**	712,267	1,585,288
Total Revenues	26,008,412	26,931,994	**29,900,683**	2,968,689	27,806,884
EXPENDITURES					
GENERAL GOVERNMENT:					
Administration:					
Personnel Services	56,694	57,135	**57,135**	-	57,001
Contracted Services	600	600	**600**	-	600
Supplies	625	5,615	**5,466**	149	447
Other Services and Charges	21,000	15,569	**5,021**	10,548	5,995
Total Administration	78,919	78,919	**68,222**	10,697	64,043
Financial Administration:					
Personnel Services	412,164	412,164	**408,557**	3,607	384,095
Contracted Services	206,310	213,515	**201,446**	12,069	195,976
Supplies	8,500	37,000	**33,844**	3,156	15,918
Other Services and Charges	10,315	10,315	**2,574**	7,741	3,424
Total Financial Administration	637,289	672,994	**646,421**	26,573	599,413
City Manager:					
Personnel Services	249,261	252,039	**245,944**	6,095	256,877
Contracted Services	1,356	1,356	**1,128**	228	1,237
Supplies	2,600	2,600	**1,462**	1,138	1,724
Other Services and Charges	16,200	13,422	**11,473**	1,949	7,687
Total City Manager	269,417	269,417	**260,007**	9,410	267,525
Human Resources:					
Personnel Services	243,097	243,097	**241,528**	1,569	218,891
Contracted Services	51,050	51,050	**49,840**	1,210	36,017
Supplies	6,400	6,400	**4,669**	1,731	3,130
Other Services and Charges	75,680	75,680	**31,332**	44,348	18,177
Total Human Resources	$ 376,227	$ 376,227	**$ 327,369**	$ 48,858	$ 276,215

Continued

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Budgeted Amounts			Variance With Final Budget -	
General Government (Cont.):	Original	Final	**2021 Actual**	Positive (Negative)	2020 Actual
Planning and Zoning Office:					
Personnel Services	$ 1,298,189	$ 1,340,158	**$ 1,320,810**	$ 19,348	$ 1,135,441
Contracted Services	196,299	192,301	**156,584**	35,717	80,013
Supplies	22,820	26,449	**26,330**	119	18,111
Other Services and Charges	25,850	25,850	**5,000**	20,850	10,450
Total Planning and Zoning Office	1,543,158	1,584,758	**1,508,724**	76,034	1,244,015
City Secretary's Office:					
Personnel Services	59,012	59,012	**57,570**	1,442	54,253
Contracted Services	4,000	5,820	**2,884**	2,936	2,641
Supplies	3,050	3,050	**1,746**	1,304	2,767
Other Services and Charges	33,550	31,730	**28,935**	2,795	9,451
Total City Secretary's Office	99,612	99,612	**91,135**	8,477	69,112
Information Technology					
Personnel Services	426,728	430,727	**416,097**	14,630	367,817
Contracted Services	399,465	399,464	**366,507**	32,957	310,691
Supplies	2,850	2,850	**2,618**	232	1,670
Other Services and Charges	9,350	9,350	**2,070**	7,280	6,663
Total Information Technology	838,393	842,391	**787,292**	55,099	686,841
City Attorney:					
Personal Services	117,381	117,381	**114,098**	3,283	109,135
Contracted Services	17,950	17,950	**4,581**	13,369	16,767
Supplies	130	130	**35**	95	52
Other Services and Charges	2,890	2,890	**979**	1,911	1,007
Total City Attorney:	138,351	138,351	**119,693**	18,658	126,961
Facilities and Grounds:					
Personnel Services	200,599	200,599	**194,683**	5,916	175,737
Contracted Services	117,856	128,856	**100,413**	28,443	121,801
Supplies	8,800	8,800	**4,508**	4,292	4,143
Other Services and Charges	2,200	3,045	**2,891**	154	1,807
Total Facilities and Grounds	329,455	341,300	**302,495**	38,805	303,488
Total General Government	$ 4,310,821	$ 4,403,969	**$ 4,111,358**	$ 292,611	$ 3,637,613

Continued

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Budgeted Amounts			Variance With Final Budget -	
Public Safety:	Original	Final	**2021 Actual**	Positive (Negative)	2020 Actual
Police:					
Personnel Services	$ 8,131,950	$ 8,178,180	**$ 7,950,678**	$ 227,502	$ 7,481,850
Contracted Services	125,877	125,877	**112,963**	12,914	124,329
Supplies	112,763	135,239	**124,339**	10,900	107,150
Other Services and Charges	251,800	266,370	**260,554**	5,816	180,499
Total Police	8,622,390	8,705,666	**8,448,534**	257,132	7,893,828
Fire/EMS:					
Personnel Services	6,553,430	6,775,886	**6,698,865**	77,021	6,010,234
Contracted Services	234,125	212,989	**208,688**	4,301	211,254
Supplies	217,000	238,551	**239,140**	(589)	203,400
Other Services and Charges	111,800	122,674	**117,554**	5,120	79,589
Total Fire/EMS	7,116,355	7,350,100	**7,264,247**	85,853	6,504,477
Municipal Court:					
Personnel Services	357,826	360,106	**358,054**	2,052	335,942
Contracted Services	64,260	65,031	**63,606**	1,425	59,886
Supplies	10,500	7,449	**4,999**	2,450	4,990
Other Services and Charges	7,900	7,900	**2,705**	5,195	1,116
Total Municipal Court	440,486	440,486	**429,364**	11,122	401,934
Animal Control:					
Personnel Services	483,279	483,279	**447,475**	35,804	434,962
Contracted Services	77,518	77,518	**65,493**	12,025	59,878
Supplies	53,500	46,500	**31,176**	15,324	32,979
Other Services and Charges	10,800	10,800	**5,158**	5,642	7,350
Total Animal Control	625,097	618,097	**549,302**	68,795	535,169
Total Public Safety	16,804,328	17,114,349	**16,691,447**	422,902	15,335,408
Public Service:					
Public Works:					
Personnel Services	1,553,613	1,553,613	**1,415,467**	138,146	1,255,317
Contracted Services	317,387	314,283	**215,564**	98,719	1,854,001
Supplies	26,800	26,800	**25,791**	1,009	25,027
Other Services and Charges	138,800	145,654	**132,051**	13,603	102,914
Total Public Works	$ 2,036,600	$ 2,040,350	**$ 1,788,873**	$ 251,477	$ 3,237,259

Continued

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Budgeted Amounts			Variance With Final Budget -	
Public Service: (Cont.)	Original	Final	**2021 Actual**	Positive (Negative)	2020 Actual
Brush Department					
Personnel Services	$ 451,531	$ 451,531	**$ 385,475**	$ 66,056	$ 399,655
Contracted Services	4,168	4,168	**3,924**	244	3,838
Supplies	26,300	26,300	**19,206**	7,094	13,089
Other Services and Charges	31,300	31,300	**26,486**	4,814	22,418
Total Brush Department	513,299	513,299	**435,091**	78,208	439,000
Vehicle Maintenance:					
Personnel Services	$ 160,969	$ 161,183	**$ 160,519**	$ 664	$ 141,471
Contracted Services	281,372	414,572	**413,048**	1,524	293,490
Supplies	13,200	13,200	**11,234**	1,966	11,821
Other Services and Charges	4,450	4,236	**1,917**	2,319	2,362
Total Vehicle Maintenance	459,991	593,191	**586,718**	6,473	449,144
Engineering/ Capital Projects					
Personnel Services	395,114	395,114	**337,318**	57,796	319,352
Contracted Services	29,517	29,517	**16,348**	13,169	20,595
Supplies	4,540	4,540	**2,065**	2,475	2,123
Other Services and Charges	12,375	12,375	**6,554**	5,821	3,276
Total Engineering/ Cap Proj	441,546	441,546	**362,285**	79,261	345,346
Library:					
Personnel Services	1,210,347	1,210,347	**1,113,111**	97,236	1,010,931
Contracted Services	99,540	98,135	**86,500**	11,635	85,932
Supplies	107,300	210,955	**206,596**	4,359	139,144
Other Services and Charges	8,155	7,985	**6,811**	1,174	7,718
Total Library	1,425,342	1,527,422	**1,413,018**	114,404	1,243,725
Parks and Recreation:					
Personnel Services	1,535,889	1,523,768	**1,470,848**	52,920	1,314,139
Contracted Services	240,173	247,173	**231,728**	15,445	195,427
Supplies	81,800	84,800	**78,484**	6,316	64,773
Other Services and Charges	36,358	38,479	**36,595**	1,884	24,641
Total Parks and Recreation	1,894,220	1,894,220	**1,817,655**	76,565	1,598,980
Downtown & Main St. Programs:					
Personnel Services	161,779	170,509	**170,060**	449	156,736
Contracted Services	6,800	6,838	**6,388**	450	2,044
Supplies	1,200	1,200	**588**	612	917
Other Services and Charges	29,770	36,012	**31,208**	4,804	19,434
Total Downtown & Main St. Programs	199,549	214,559	**208,244**	6,315	179,131
Total Public Service	$ 6,970,547	$ 7,224,587	**$ 6,611,884**	$ 612,703	$ 7,492,585

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Budgeted Amounts			Variance With Final Budget -	
	Original	Final	**2021 Actual**	Positive (Negative)	2020 Actual
Nondepartmental:					
Contracted Services	$ 1,685,675	$ 1,685,797	**$ 1,757,623**	$ (71,826)	$ 113,702
Building and Auto Insurance	225,000	225,000	**207,893**	17,107	180,053
Unemployment Insurance	15,000	15,000	**8,844**	6,156	44,235
Contributions - Civic Organizations	2,113,417	2,113,417	**2,113,417**	-	2,017,859
Other Services and Charges	228,062	587,938	**595,795**	(7,857)	433,514
Total Nondepartmental	4,267,154	4,627,152	**4,683,572**	(56,420)	2,789,363
Capital Outlay	-	-	**-**	-	-
Indirect Cost Recovery - Utility Fund	(5,900,000)	(5,900,000)	**(5,628,493)**	(271,507)	(5,256,011)
Total Expenditures	26,452,850	27,470,057	**26,469,768**	1,000,289	23,998,958
Excess (Deficiency) of Revenues Over (Under) Expenditures	(444,438)	(538,063)	**3,430,915**	3,968,978	3,807,926
OTHER FINANCING SOURCES (USES)					
Transfers In	38,837	38,837	**36,773**	(2,064)	88,422
Transfers (Out)	(400,000)	(2,453,664)	**(2,051,510)**	402,154	(1,841,974)
Total Other Financing Sources (Uses)	(361,163)	(2,414,827)	**(2,014,737)**	400,090	(1,753,552)
Net Change in Fund Balance	(805,601)	(2,952,890)	**1,416,178**	4,369,068	2,054,374
Fund Balance at Beginning of Year	15,395,653	15,395,653	**15,395,653**	-	13,341,279
Fund Balance at End of Year	$ 14,590,052	$ 12,442,763	**$ 16,811,831**	$ 4,369,068	$ 15,395,653

CITY OF SEGUIN, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
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 provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are funds which have legally adopted annual budgets: General Fund, Debt Service Fund, Occupancy Tax (Special Revenue) Fund, Coliseum (Special Revenue) Fund, Aquatic Center (Special Revenue) Fund, Municipal Court Security Fund (Special Revenue), Municipal Court Technology Fund (Special Revenue), Forfeiture & Seizure Fund (Special Revenue), Golf Course (Special Revenue) Fund, DARE Program Fund (Special Revenue), Juvenile Case Manager (Special Revenue), Convention & Visitor's Bureau (Special Revenue Fund), Convention & Visitor's Building Fund (Special Revenue), Sebastopol House (Special Revenue) Fund, Police Donations (Special Revenue) Fund, PEG Capital Fees (Special Revenue) Fund, Library Development (Special Revenue) Fund, Seguin Events Complex (Special Revenue) Fund and Seguin Arts Commission (Special Revenue) Fund. Project – length financial plans are adopted for the Capital Projects Funds.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be re-appropriated and honored during the subsequent year.

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

	2015	2016	2017	2018	2019	2020
Service Cost	$ 3,015,806	$ 3,288,440	$ 3,528,748	$ 3,662,307	$ 3,740,028	$ 4,157,033
Interest (on the Total Pension Liability)	6,178,108	6,345,379	6,745,276	7,168,895	7,580,148	8,068,419
Changes of Benefit Terms	-	-	-	-	-	-
Difference between Expected and Actual Experience	(179,540)	124,086	422,264	59,508	384,172	1,421,699
Change of Assumptions	289,698	-	-	-	528,089	-
Benefit Payments, Including Refunds of Employee Contributions	(3,623,283)	(3,763,653)	(4,143,663)	(4,830,794)	(4,843,065)	(5,571,519)
Net Change in Total Pension Liability	5,680,789	5,994,252	6,552,625	6,059,916	7,389,372	8,075,632
Total Pension Liability - Beginning	88,562,426	94,243,215	100,237,467	106,790,092	112,850,008	120,239,380
Total Pension Liability - Ending	$ 94,243,215	$ 100,237,467	$ 106,790,092	$ 112,850,008	$ 120,239,380	$ 128,315,012
Contributions - Employer	$ 2,722,654	$ 3,457,964	$ 4,008,013	$ 4,344,789	$ 4,775,463	$ 5,459,165
Contributions - Employee	1,228,792	1,315,376	1,415,544	1,469,963	1,503,745	1,719,813
Net Investment Income	90,246	4,157,561	9,238,393	(2,310,563)	11,715,246	6,745,238
Benefit Payments, Including Refunds of Employee Contributions	(3,623,283)	(3,763,653)	(4,143,663)	(4,830,794)	(4,843,065)	(5,571,519)
Administrative Expense	(54,973)	(46,960)	(47,868)	(44,642)	(66,161)	(43,626)
Other	(2,716)	(2,530)	(2,426)	(2,332)	(1,987)	(1,705)
Net Change in Plan Fiduciary Net Position	360,720	5,117,758	10,467,993	(1,373,579)	13,083,241	8,307,366
Plan Fiduciary Net Position - Beginning	61,165,370	61,526,090	66,643,848	77,111,841	75,738,262	88,821,503
Plan Fiduciary Net position - Ending	$ 61,526,090	$ 66,643,848	$ 77,111,841	$ 75,738,262	$ 88,821,503	$ 97,128,869
Net Pension Liability (Asset) - Ending	$ 32,717,125	$ 33,593,619	$ 29,678,251	$ 37,111,746	$ 31,417,877	$ 31,186,143
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	65.28%	66.49%	72.21%	67.11%	73.87%	75.70%
Covered Payroll	$ 17,554,166	$ 18,791,085	$ 20,222,051	$ 20,999,466	$ 21,482,071	$ 24,568,755
Net Pension Liability as a Percentage of Covered Payroll	186.38%	178.77%	146.76%	176.73%	146.25%	126.93%

GASB 68 Pension Information is being applied prospectively. 10-year historical trend information will be developed beginning with 2014

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
LAST SIX FISCAL YEARS

Schedule of Contributions:	2016	2017	2018	2019	2020	2021
Actuarially Determined Contribution	$ 2,732,499	$ 3,151,764	$ 3,287,335	$ 3,242,555	$ 4,774,365	$ 5,584,460
Contributions in Relation to the Actuarially Determined Contribution	3,451,731	3,826,130	4,287,815	4,628,145	5,138,648	5,584,460
Contribution Deficiency (Excess)	$ (719,232)	$ (674,366)	$ (1,000,480)	$ (1,385,590)	$ (364,283)	$ -
Covered Payroll	$ 18,313,373	$ 19,869,160	$ 20,926,536	$ 21,157,950	$ 23,123,902	$ 25,150,921
Contribution as a Percentage of Covered Payroll	18.85%	19.26%	20.49%	21.87%	22.22%	22.20%

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 Years
Asset Valuation Method	10 Year Smoothed Market, 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50 to 11.5%
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Notes	There were no benefit changes during the year.

GASB 68 Pension Information is being applied prospectively. 10-year historical trend information will be developed beginning with 2015

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – TMRS OTHER POST-EMPLOYMENT BENEFIT LIABILITY
AND RELATED RATIOS
LAST THREE CALENDAR YEARS

	Total TMRS OPEB Liability		
	2019	2020	2021
Service Cost	$ 44,099	$ 38,668	$ 68,793
Interest	37,359	40,815	38,034
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(17,970)	(8,771)	(24,786)
Changes in Assumptions or Other Inputs	(76,558)	210,961	213,682
Benefit Payments	(12,600)	(12,889)	(14,741)
Net Change in Total OPEB Liability	(25,670)	268,784	280,982
Total OPEB Liability - Beginning	1,112,919	1,087,249	1,356,033
Total OPEB Liability - Ending	$ 1,087,249	$ 1,356,033	$ 1,637,015
Covered Payroll	$ 20,999,466	$ 21,482,071	$ 24,568,755
Total TMRS OPEB Liability as a Percentage of Covered Payroll	5.18%	6.31%	6.66%

Methods and Assumptions

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate *	2.00%
Retirees' share of benefit costs	$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality tables. The rates are projected on a fully generational basis with scale UMP. 2019
Mortality Rates - Disabled Retirees	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.

* The discount rate was based on the fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Notes to Schedule

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.

Trust:

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

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

CITY OF SEGUIN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – CITY RETIREE HEALTH OTHER POST-EMPLOYMENT BENEFIT
LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

	Total OPEB Liability		
	2019	2020	2021
Service Cost	$ 14,232	$ 20,506	$ 11,298
Interest	33,354	22,364	15,681
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	-	(61,276)	-
Changes in Assumptions or Other Inputs	61,514	(29,327)	2,271
Benefit Payments	(103,980)	(69,785)	(78,794)
Net Change in Total OPEB Liability	5,120	(117,518)	(49,544)
Total OPEB Liability - Beginning	850,024	855,144	737,626
Total OPEB Liability - Ending	$ 855,144	$ 737,626	$ 688,082
Covered Payroll	$ 19,493,000	$ 22,041,910	$ 22,703,000
Total Retiree Insurance OPEB Liability as a Percentage of Covered Payroll	4.39%	3.35%	3.03%

Methods and Assumptions

Inflation	2.50%
Salary Increases	3.00%
Discount Rate	2.15% (Bond Buyer 20-Bond GO Index)
Mortality Rates	Pub-2010 mortality table with generational scale MP-2019
Health Care Cost Trend Rates	6.0% for 2020, Decreasing 0.5% each year reaching ultimate rate of 4.5%

Notes to Schedule

Changes in Benefit Terms: None

Trust:

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

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

SEGUIN TEXAS

It's real.

SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Statements – General Fund
- Statement of Revenues, Expenditures & Changes in Fund Balance – Budget and Actual – Debt Service Fund
- Combining Statements – Nonmajor Governmental Funds
    - *Combining Statements – Nonmajor Special Revenue Funds*
    - *Combining Statements – Nonmajor Capital Projects Funds*
    - *Budgetary Statements*
- Comparative Statements – Enterprise (Utility) Fund
- Combining Statements – Internal Service (Insurance) Funds
- Combining Statements – Fiduciary (Custodial) Funds

SEGUIN TEXAS

It's real.

CITY OF SEGUIN, TEXAS
COMPARATIVE BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	**$ 1,122,609**	$ 592,183
Investments	**16,417,684**	14,036,491
Receivables:		
Taxes	**2,384,664**	1,946,517
Accounts	**851,193**	1,054,647
Grants	**101,009**	1,423,748
Miscellaneous	**60,935**	99,834
Inventory of Supplies	**28,780**	23,205
Prepaid Items	**128,821**	150,194
Total Assets	**$ 21,095,695**	$ 19,326,819
LIABILITIES		
Accounts Payable	**$ 986,828**	$ 890,537
Accrued Expenditures	**938,433**	692,941
Due to Component Unit	**309,859**	238,385
Unearned Revenue	**182,614**	318,802
Due to Others	**875,384**	588,845
Total Liabilities	**3,293,118**	2,729,510
Deferred Inflows of Resources		
Unavailable Revenue	**990,746**	1,201,656
Total Deferred Inflows of Resources	**990,746**	1,201,656
Fund Balance:		
Nonspendable	**157,601**	173,399
Restricted	**22,056**	16,813
Committed - Stabilization Arrangement	**3,029,936**	2,008,348
Assigned	**112,150**	210,949
Unassigned	**13,490,088**	12,986,144
Total Fund Balance	**16,811,831**	15,395,653
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	**$ 21,095,695**	$ 19,326,819

CITY OF SEGUIN, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

REVENUES	2021	2020
Taxes	**$ 16,235,079**	$ 14,511,305
Licenses and Permits	**2,810,128**	1,976,301
Intergovernmental	**1,225,571**	2,804,324
Charges for Services	**7,456,842**	6,139,753
Fines and Forfeits	**644,301**	630,226
Interest	**13,032**	159,687
Miscellaneous	**1,515,730**	1,585,288
Total Revenues	**29,900,683**	27,806,884
EXPENDITURES		
Current:		
General Government	**4,111,358**	3,637,613
Public Safety	**16,691,447**	15,335,408
Public Service	**6,611,884**	7,492,585
Nondepartmental	**4,683,572**	2,789,363
Indirect Cost Allocation (Recovery)	**(5,628,493)**	(5,256,011)
Total Expenditures	**26,469,768**	23,998,958
Excess (Deficiency) of Revenues Over (Under) Expenditures	**3,430,915**	3,807,926
OTHER FINANCING SOURCES (USES)		
Transfers In	**36,773**	88,422
Transfers (Out)	**(2,051,510)**	(1,841,974)
Total Other Financing Sources (Uses)	**(2,014,737)**	(1,753,552)
Net Change in Fund Balance	**1,416,178**	2,054,374
Fund Balance at Beginning of Year	**15,395,653**	13,341,279
Fund Balance at End of Year	**$ 16,811,831**	$ 15,395,653

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(with Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Taxes	$ 5,873,160	**$ 6,150,518**	$ 277,358	$ 5,753,512
Intergovernmental	-	**-**	-	207,000
Interest	25,000	**2,120**	(22,880)	34,398
Miscellaneous	-	**-**	-	-
Total Revenues	5,898,160	**6,152,638**	254,478	5,994,910
EXPENDITURES				
Debt Service:				
Principal	3,042,020	**3,027,034**	14,986	3,067,005
Interest and Fiscal Charges	3,283,808	**3,266,246**	17,562	2,993,151
Bond Issue Costs	-	**50,100**	(50,100)	-
Total Expenditures	6,325,828	**6,343,380**	(17,552)	6,060,156
Excess (Deficiency) of Revenues Over (Under) Expenditures	(427,668)	**(190,742)**	236,926	(65,246)
OTHER FINANCING SOURCES (USES)				
Transfers In	235,000	**235,000**	-	120,000
Payments to Refunding Escrow Agents	-	**(2,884,982)**	(2,884,982)	-
Issuance of Debt	-	**2,920,000**	2,920,000	-
Total Other Financing Sources (Uses)	235,000	**270,018**	35,018	120,000
Net Change in Fund Balance	(192,668)	**79,276**	271,944	54,754
FUND BALANCE, OCTOBER 1	1,351,621	**1,351,621**	-	1,296,867
FUND BALANCE, SEPTEMBER 30	$ 1,158,953	**$ 1,430,897**	$ 271,944	$ 1,351,621

SEGUIN
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SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Occupancy Tax Fund – To account for the Occupancy Tax revenues paid the City and restricted by State Law. The revenues provide for contributions to various civic organizations. In addition, certain occupancy tax proceeds are designated for specific uses and are reflected in separate special revenue funds.

Coliseum Fund – To account for occupancy tax and revenues earned by the coliseum that provide for the operations and maintenance of the coliseum.

Aquatic Center Fund – To account for the revenues earned by the Aquatic Center committed for the operations and maintenance of the Aquatic Center.

Municipal Court Security – To account for revenues from court fines restricted to improving municipal court security.

Municipal Court Technology – To account for revenues from court fines restricted to improving court technology.

Forfeiture & Seizure Fund – Account for revenues under federal, state and civil cases that allow confiscation of money and property. All forfeited proceeds are to be spent on law enforcement.

Golf Course Fund – To account for the operations of the golf course and related pro shop. Revenues are committed for the operations of the golf course facilities.

D.A.R.E. Fund – Established in fiscal 1995 to account for donations received for the D.A.R.E. program.

Juvenile Case Manager Fund – To account for fees assessed and restricted to support a case manager for juvenile offenders.

Convention & Visitors Bureau – To account for occupancy tax revenues restricted for specific purposes by state law.

CVB Building Fund – Established to receive a portion of the Occupancy Tax Revenue to support a future building site for the Convention and Visitors Bureau.

Sebastopol House – To account for occupancy tax revenues restricted for specific purposes by state law. The Sebastopol House is a registered historic landmark.

Police Department Donations – To account for contributions restricted to the City Police Department.

PEG Capital Fees – To account for fees collected and remitted to the city with cable franchise fees to support government-access cable broadcasting.

Library Development Fund – To account for contributions restricted to library enhancement.

SPECIAL REVENUE FUNDS (continued)

Seguin Events Complex – To account for occupancy tax and charges for use of the Complex restricted to supporting the operations of the Complex

Seguin Arts Commission – To track donations received specific to enhancement of downtown Seguin

American Rescue Plan Fund – To receive and track funds disbursed from the federal government to defray costs associated with the Corona Virus

CAPITAL PROJECTS FUNDS

The Capital Projects funds are used to account for proceeds from bond issues and other resources specifically assigned for capital expenditures.

CITY OF SEGUIN, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2021

	Combined Special Revenue	Combined Capital Projects	Total
ASSETS			
Cash and Cash Equivalents	$ 3,234,372	$ 1,712,312	$ 4,946,684
Investments	2,693,674	13,636,710	16,330,384
Receivables (net of allowances for uncollectibles):			
Taxes	275,686	-	275,686
Accounts	2,770	557,969	560,739
Prepaid Items	4,160	-	4,160
Restricted Assets:			
Cash and Cash Equivalents	-	42,523	42,523
Investments	-	3,787,991	3,787,991
Total Assets	$ 6,210,662	$ 19,737,505	$ 25,948,167
LIABILITES AND FUND BALANCE			
Liabilities:			
Accounts Payable	$ 70,696	$ 463,969	$ 534,665
Accrued Expenditures	39,261	-	39,261
Unearned Revenues	3,175,939	228,188	3,404,127
Due to Others	42,647	-	42,647
Total Liabilities	3,328,543	692,157	4,020,700
Fund Balance:			
Nonspendable:			
Prepaids	4,160	-	4,160
Restricted			
Tourism & Economic Development	1,707,422	-	1,707,422
Public Safety	389,067	-	389,067
Public Service	236,475	-	236,475
Capital Projects	-	13,796,690	13,796,690
Committed	544,995	-	544,995
Assigned	-	5,248,658	5,248,658
Total Fund Balance	2,882,119	19,045,348	21,927,467
TOTAL LIABILITIES AND FUND BALANCE	$ 6,210,662	$ 19,737,505	$ 25,948,167

CITY OF SEGUIN, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2021

	Combined Special Revenue	Combined Capital Projects	Total
REVENUES			
Taxes	$ 1,043,122	$ -	$ 1,043,122
Licenses and Permits	-	2,080,496	2,080,496
Intergovernmental	600,971	1,511,220	2,112,191
Charges for Services	1,076,461	254,891	1,331,352
Fines and Forfeits	120,839	-	120,839
Interest	1,737	19,779	21,516
Miscellaneous	23,190	161,214	184,404
Total Revenues	2,866,320	4,027,600	6,893,920
EXPENDITURES			
Current:			
General Government	1,557,014	239,663	1,796,677
Public Service	-	-	-
Nondepartmental	394,152	-	394,152
Capital Outlay	-	4,695,067	4,695,067
Debt Service:			
Principal	-	831,207	831,207
Interest & Fiscal Charges	-	70,509	70,509
Bond Issue Costs	-	-	-
Total Expenditures	1,951,166	5,836,446	7,787,612
Excess (Deficiency) of Revenue Over (Under) Expenditures	915,154	(1,808,846)	(893,692)
OTHER FINANCING SOURCES (USES)			
Transfers In	21,343	1,433,104	1,454,447
Transfers Out	(64,116)	-	(64,116)
Issuance of Debt	-	35,954	35,954
Total Other Financing Sources (Uses)	(42,773)	1,469,058	1,426,285
Net Change in Fund Balances	872,381	(339,788)	532,593
FUND BALANCE, OCTOBER 1	2,009,738	19,385,136	21,394,874
FUND BALANCE, SEPTEMBER 30	$ 2,882,119	$ 19,045,348	$ 21,927,467

CITY OF SEGUIN, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2021

	Occupancy Tax Fund	Coliseum Fund	Acquatic Center Fund	Municipal Court Security Fund	Municipal Court Technology	Forfeiture & Seizure Fund	Golf Course Fund	DARE Program Fund	Juvenile Case Manager
ASSETS									
Cash and Cash Equivalents	$ 259,148	$ 86,737	$ 263	$ 1,296	$ 6,777	$ 45,150	$ 64,715	$ 4,373	$ 8
Investments	419,580	194,896	88,748	21,593	14,379	218,804	427,856	53,847	-
Receivables (net of allowances for uncollectibles):									
Accounts	-	-	-	-	-	-	5,210	-	-
Taxes	264,291	-	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	4,160		-	-	-
Total Assets	$ 943,019	$ 281,633	$ 89,011	$ 22,889	$ 25,316	$ 263,954	497,781	$ 58,220	$ 8
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts Payable	$ 1,833	$ 11,196	$ 40	$ -	$ -	550	11,230	$ 4,056	$ -
Accrued Expenditures	-	2,229	-	1,067	-	-	24,312	-	-
Due to Others	-	42,647	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	6,215	-	-
Total Liabilities	1,833	56,072	40	1,067	-	550	41,757	4,056	-
Fund Balance:									
Nonspendable									
Prepaids	-	-	-	-	4,160	-	-	-	-
Restricted									
Promoting Tourism & Economic Development	941,186	225,561	-	-	-	-	-	-	-
Public Safety	-	-	-	21,822	21,156	263,404	-	54,164	8
Public Service	-	-	-	-	-	-	-	-	-
Committed	-	-	88,971	-	-	-	456,024	-	-
Total Fund Balance	941,186	225,561	88,971	21,822	25,316	263,404	456,024	54,164	8
TOTAL LIABILITIES AND FUND BALANCE	$ 943,019	$ 281,633	$ 89,011	$ 22,889	$ 25,316	$ 263,954	$ 497,781	$ 58,220	$ 8

CITY OF SEGUIN, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
SEPTEMBER 30, 2021

	Convention & Visitors Bureau Fund	CVB Building Fund	Sebastopol House	Police Department Donations	PEG Capital Fees	Library Development Fund	Seguin Events Complex	Seguin Arts Commission	American Rescue Plan Fund	**Totals**
ASSETS										
Cash and Cash Equivalents	$ 22,477	$ 891	$ 822	$ 3,105	$ 11,600	$ 1,128	$ 3,971	$ 5,920	2,715,991	**$ 3,234,372**
Investments	463,164	34,137	50,244	40,207	69,758	72,811	92,242	11,802	419,606	**2,693,674**
Receivables (net of allowances for uncollectibles):										
Accounts	-	-	-	-	-	-	(2,440)	-	-	**2,770**
Taxes	-	-	-	-	11,395	-	-	-	-	**275,686**
Prepaid Items	-	-	-	-	-	-	-	-	-	**4,160**
Total Assets	$ 485,641	$ 35,028	$ 51,066	$ 43,312	$ 92,753	$ 73,939	$ 93,773	$ 17,722	$ 3,135,597	**$ 6,210,662**
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts Payable	$ 12,661	$ 5,750	$ 2,230	$ -	$ 3,232	$ -	$ 16,699	$ 1,219	-	**$ 70,696**
Accrued Expenditures	7,090	-	1,579	-	-	-	2,984	-	-	**39,261**
Due to Others	-	-	-	-	-	-	-	-	-	**42,647**
Unearned Revenue	-	-	1,750	14,799	-	-	17,771	-	3,135,404	**3,175,939**
Total Liabilities	19,751	5,750	5,559	14,799	3,232	-	37,454	1,219	3,135,404	**3,328,543**
Fund Balance:										
Nonspendable										
Prepaids	-	-	-	-	-	-	-	-	-	**4,160**
Restricted										
Promoting Tourism & Economic Development	465,890	29,278	45,507	-	-	-	-	-	-	**1,707,422**
Public Safety	-	-	-	28,513	-	-	-	-	-	**389,067**
Public Service	-	-	-	-	89,521	73,939	56,319	16,503	193	**236,475**
Committed	-	-	-	-	-	-	-	-	-	**544,995**
Total Fund Balance	465,890	29,278	45,507	28,513	89,521	73,939	56,319	16,503	193	**2,882,119**
TOTAL LIABILITIES AND FUND BALANCE	$ 485,641	$ 35,028	$ 51,066	$ 43,312	$ 92,753	$ 73,939	$ 93,773	$ 17,722	$ 3,135,597	**6,210,662**

CITY OF SEGUIN, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Occupancy Tax Fund	Coliseum Fund	Aquatic Center Fund	Municipal Court Security Fund	Municipal Court Technology	Forfeiture & Seizure Fund	Golf Course Fund	DARE Program Fund	Juvenile Case Manager
REVENUES									
Taxes	$ 532,808	$ 147,175	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	181,326	129,287	87,636	7,752	14,033	-	-	19,425	-
Charges for Services	-	15,075	-	-	-	-	1,034,975	-	-
Fines and Forfeits	-	-	-	14,808	13,950	74,150	-	-	17,931
Interest	242	98	(5)	16	-	149	359	34	-
Miscellaneous	-	265	-	-	-	14,170	-	-	-
Total Revenues	714,376	291,900	87,631	22,576	27,983	88,469	1,035,334	19,459	17,931
EXPENDITURES									
Current:									
General Government	36,518	264,550	5,863	-					
Economic Development	-	-	-	-	27,237	28,606	935,582	11,741	-
Nondepartmental	-	-	-	28,461	-	-	-	-	-
Total Expenditures	36,518	264,550	5,863	28,461	2,634	-	-	-	-
					29,871	28,606	935,582	11,741	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	677,858	27,350	81,768	(5,885)	(1,888)	59,863	99,752	7,718	17,931
OTHER FINANCING SOURCES (USES)									
Transfers In (Out)	-	-	-	-					
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	(18,837)	(17,936)
Net Change in Fund Balances	677,858	27,350	81,768	(5,885)	-	-	-	(18,837)	(17,936)
FUND BALANCE, OCTOBER 1	263,328	198,211	7,203	27,707	(1,888)	59,863	99,752	(11,119)	(5)
FUND BALANCE, SEPTEMBER 30	$ 941,186	$ 225,561	$ 88,971	$ 21,822	27,204	203,541	356,272	65,283	13
					$ 25,316	$ 263,404	$ 456,024	$ 54,164	$ 8

CITY OF SEGUIN, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

REVENUES	Convention & Visitors Bureau Fund	CVB Building Fund	Sebastopol House	Police Department Donations	PEG Capital Fees	Library Development Fund	Seguin Events Complex	Seguin Arts Commission	American Rescue Plan Fund	**Totals**
Taxes	$ 228,375	$ -	$ 53,882	$ -	$ 44,987	$ -	$ 35,895	$ -	$ -	**$ 1,043,122**
Intergovernmental	102,726	-	29,705	-	-	-	29,081	-	-	**600,971**
Charges for Services	-	-	-	-	-	-	26,411	-	-	**1,076,461**
Fines and Forfeits	-	-	-	-	-	-	-	-	-	**120,839**
Interest	394	32	11	21	47	64	74	8	193	**1,737**
Miscellaneous	2,210	-	-	1,250	-	-	-	5,295	-	**23,190**
Total Revenues	333,705	32	83,598	1,271	45,034	64	91,461	5,303	193	**2,866,320**
EXPENDITURES										
Current:										
General Government	-	-	68,275	1,917	40,468	9,020	123,763	3,474	-	**1,557,014**
Economic Development	357,307	5,750	-	-	-	-	-	-	-	**363,057**
Nondepartmental	-	-	-	-	-	-	-	-	-	**31,095**
Total Expenditures	357,307	5,750	68,275	1,917	40,468	9,020	123,763	3,474	-	**1,951,166**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,602)	(5,718)	15,323	(646)	4,566	(8,956)	(32,302)	1,829	193	**915,154**
OTHER FINANCING SOURCES (USES)										
Transfers In (Out)	(6,000)	-	-	-	-	-	-	-	-	**(42,773)**
Total Other Financing Sources (Uses)	(6,000)	-	-	-	-	-	-	-	-	**(42,773)**
Net Change in Fund Balances	(29,602)	(5,718)	15,323	(646)	4,566	(8,956)	(32,302)	1,829	193	**872,381**
FUND BALANCE, OCTOBER 1	495,492	34,996	30,184	29,159	84,955	82,895	88,621	14,674	-	**2,009,738**
FUND BALANCE, SEPTEMBER 30	$ 465,890	$ 29,278	$ 45,507	$ 28,513	$ 89,521	$ 73,939	$ 56,319	$ 16,503	$ 193	**$ 2,882,119**

CITY OF SEGUIN, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2021

ASSETS	General Fund Capital Projects	Golf Course Capital Projects	2020 Certificates of Obligation	2016 Certificates of Obligation	2016-A Certificates of Obligation	2018 Certificates of Obligation	Miscellaneous Projects Fund	**Total**
Cash and Cash Equivalents	$ 314,483	$ 133,124	30,096	$ -	$ -	$ -	$ 1,234,609	**$ 1,712,312**
Investments	3,937,408	501,101	6,406,414	-	-	-	2,791,787	**13,636,710**
Receivables, Net	352,155	-	-	-	-	-	205,814	**557,969**
Restricted Cash and Equivalents	-	-	-	4,114	15,055	23,354	-	**42,523**
Restricted Investments	-	-	-	664,427	578,735	2,544,829	-	**3,787,991**
Total Assets	$ 4,604,046	$ 634,225	$ 6,436,510	$ 668,541	$ 593,790	$ 2,568,183	$ 4,232,210	**$ 19,737,505**
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts Payable	$ 234,693	$ 5,527	158,578	$ -	$ -	$ 35,255	$ 29,916	**$ 463,969**
Unearned Revenue	-	500	-	-	-	-	227,688	**228,188**
Total Liabilities	234,693	6,027	158,578	-	-	35,255	257,604	**692,157**
Fund Balances:								
Restricted for Capital Projects	-	-	6,277,932	668,541	593,790	2,532,928	3,723,499	**13,796,690**
Assigned to Capital Projects	4,369,353	628,198	-	-	-	-	251,107	**5,248,658**
Total Fund Balance	4,369,353	628,198	6,277,932	668,541	593,790	2,532,928	3,974,606	**19,045,348**
TOTAL LIABILITIES AND FUND BALANCE	$ 4,604,046	$ 634,225	$ 6,436,510	$ 668,541	$ 593,790	$ 2,568,183	$ 4,232,210	**$ 19,737,505**

CITY OF SEGUIN, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

REVENUES	General Fund Capital Projects	Golf Course Capital Projects	2020 Certificates of Obligation	2016 Certificates of Obligation	2016-A Certificates of Obligation	2018 Certificates of Obligation	Miscellaneous Projects Fund	**Total**
Intergovernmental	$ 1,511,220	$ -	$ -	$ -	$ -	$ -	$ -	**$ 1,511,220**
Licenses and Permits	-	-	-	-	-	-	2,080,496	**2,080,496**
Charges for Services	-	254,891	-	-	-	-	-	**254,891**
Interest	3,812	375	5,934	715	591	2,844	5,508	**19,779**
Miscellaneous	130,801	30,413	-	-	-	-	-	**161,214**
Total Revenues	1,645,833	285,679	5,934	715	591	2,844	2,086,004	**4,027,600**
EXPENDITURES								
General Government	239,663	-	-	-	-	-	-	**239,663**
Public Service	-	-	-	-	-	-	-	**-**
Capital Outlay	1,698,169	129,308	1,678,643	130,631	166,665	571,045	320,606	**4,695,067**
Debt Service:								
Principal	758,773	72,434	-	-	-	-	-	**831,207**
Interest & Fiscal Charges	65,755	4,754	-	-	-	-	-	**70,509**
Total Expenditures	2,762,360	206,496	1,678,643	130,631	166,665	571,045	320,606	**5,836,446**
Excess (Deficiency) of Revenues Over (Under Expenditures	(1,116,527)	79,183	(1,672,709)	(129,916)	(166,074)	(568,201)	1,765,398	**(1,808,846)**
OTHER FINANCING SOURCES (USES)								
Transfers In (Out)	1,433,104	-	-	-	-	-	-	**1,433,104**
Issuance of Lease Financing	-	35,954	-	-	-	-	-	**35,954**
Total Other Financing Sources (Uses)	1,433,104	35,954	-	-	-	-	-	**1,469,058**
Net Change in Fund Balance	316,577	115,137	(1,672,709)	(129,916)	(166,074)	(568,201)	1,765,398	**(339,788)**
FUND BALANCE, OCTOBER 1	4,052,776	513,061	7,950,641	798,457	759,864	3,101,129	2,209,208	**19,385,136**
FUND BALANCE, SEPTEMBER 30	$ 4,369,353	$ 628,198	$ 6,277,932	$ 668,541	$ 593,790	$ 2,532,928	$ 3,974,606	**$ 19,045,348**

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
OCCUPANCY TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Occupancy Tax	$ 42,173	**$ 532,808**	$ 490,635	$ -
Intergovernmental	181,326	**181,326**	-	-
Interest	1,750	**242**	(1,508)	581
Total Revenues	225,249	**714,376**	489,127	581
EXPENDITURES				
Current:				
General Government:				
Contributions to Local Organizations	54,289	**36,518**	17,771	103,557
Total Expenditures	54,289	**36,518**	17,771	103,557
Excess (Deficiency) of Revenues Over (Under) Expenditures	170,960	**677,858**	506,898	(102,976)
OTHER FINANCING SOURCES (USES)				
Transfers Out	2,644	**-**	(2,644)	(17,012)
Total Other Financing Sources (Uses)	2,644	**-**	(2,644)	(17,012)
Net Change in Fund Balance	173,604	**677,858**	504,254	(119,988)
FUND BALANCE, OCTOBER 1	263,328	**263,328**	-	383,316
FUND BALANCE, SEPTEMBER 30	$ 436,932	**$ 941,186**	$ 504,254	$ 263,328

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
COLISEUM FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Occupancy Tax	$ 147,175	**$ 147,175**	$ -	$ 198,012
Intergovernmental	129,287	**129,287**	-	-
Charges for Services	20,000	**15,075**	(4,925)	48,988
Interest	2,000	**98**	(1,902)	2,558
Miscellaneous	-	**265**	265	-
Total Revenues	298,462	**291,900**	(6,562)	249,558
EXPENDITURES				
General Government/Facilities & Grounds:				
Personnel Services	65,330	**64,379**	951	60,258
Contracted Services	207,901	**86,361**	121,540	182,200
Supplies	19,574	**18,518**	1,056	18,215
Other Services and Charges	101,153	**95,292**	5,861	17,360
Total Expenditures	393,958	**264,550**	129,408	278,033
Net Change in Fund Balance	(95,496)	**27,350**	122,846	(28,475)
FUND BALANCE, OCTOBER 1	198,211	**198,211**	-	226,686
FUND BALANCE, SEPTEMBER 30	$ 102,715	**$ 225,561**	$ 122,846	$ 198,211

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
AQUATIC CENTER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	2021	Variance Favorable (Unfavorable)	2020
REVENUES				
Intergoveernmental	$ 87,636	**$ 87,636**	$ -	$ -
Charges for Services	5,864	**-**	(5,864)	-
Interest	-	**(5)**	(5)	95
Total Revenues	93,500	**87,631**	(5,869)	95
EXPENDITURES				
Current:				
General Government/ Parks & Recreation				
Personnel Services	48,234	**-**	48,234	-
Contracted Services	27,835	**5,863**	21,972	6,325
Supplies	16,400	**-**	16,400	297
Total Expenditures	92,469	**5,863**	86,606	6,622
Net Change in Fund Balance	1,031	**81,768**	80,737	(6,527)
FUND BALANCE, OCTOBER 1	7,203	**7,203**	-	13,730
FUND BALANCE, SEPTEMBER 30	$ 8,234	**$ 88,971**	$ 80,737	$ 7,203

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
MUNICIPAL COURT SECURITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	2021	Variance Favorable (Unfavorable)	2020
REVENUES				
Intergovernmental	$ 7,752	**$ 7,752**	$ -	$ -
Fines and Forfeits	14,270	**14,808**	538	11,292
Miscellaneous	100	**16**	(84)	251
Total Revenues	22,122	**22,576**	454	11,543
EXPENDITURES				
Current:				
Non-Departmental				
Personnel Services	32,469	**28,461**	4,008	17,136
Total Expenditures	32,469	**28,461**	4,008	17,136
Net Change in Fund Balance	(10,347)	**(5,885)**	4,462	(5,593)
FUND BALANCE, OCTOBER 1	27,707	**27,707**	-	33,300
FUND BALANCE, SEPTEMBER 30	$ 17,360	**$ 21,822**	$ 4,462	$ 27,707

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Intergovernmental	$ 14,033	**$ 14,033**	$ -	$ -
Interest	13,425	**13,950**	525	13,384
Miscellaneous	200	**-**	(200)	209
Total Revenues	27,658	**27,983**	325	13,593
EXPENDITURES				
Current:				
General Government/Non-Departmental				
Supplies	38,760	**29,871**	8,889	48,210
Total Expenditures	38,760	**29,871**	8,889	48,210
Net Change in Fund Balance	(11,102)	**(1,888)**	9,214	(34,617)
FUND BALANCE, OCTOBER 1	27,204	**27,204**	-	61,821
FUND BALANCE, SEPTEMBER 30	$ 16,102	**$ 25,316**	$ 9,214	$ 27,204

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FORFEITURE AND SEIZURE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Fines and Forfeitures	$ -	**$ 74,150**	$ 74,150	$ 52,875
Interest	2,300	**149**	(2,151)	3,491
Miscellaneous	-	**14,170**	14,170	-
Total Revenues	2,300	**88,469**	86,169	56,366
EXPENDITURES				
Current:				
General Government				
Supplies	47,703	**28,606**	19,097	11,632
Miscellaneous	-	**-**	-	5,000
Capital Outlay	-	**-**	-	199,950
Total Expenditures	47,703	**28,606**	19,097	216,582
Net Change in Fund Balance	(45,403)	**59,863**	105,266	(160,216)
FUND BALANCE, OCTOBER 1	203,541	**203,541**	-	363,757
FUND BALANCE, SEPTEMBER 30	$ 158,138	**$ 263,404**	$ 105,266	$ 203,541

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GOLF COURSE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Charges for Services	$ 846,300	**$ 1,034,975**	$ 188,675	$ 823,034
Interest	3,050	**359**	(2,691)	4,762
Total Revenues	849,350	**1,035,334**	185,984	827,796
EXPENDITURES				
Current:				
General Government	1,045,190	**935,582**	109,608	868,823
Total Expenditures	1,045,190	**935,582**	109,608	868,823
Excess (Deficiency) of Revenues Over (Under) Expenditures	(195,840)	**99,752**	295,592	(41,027)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	**-**	-	21,343
Total Other Financing Sources (Uses)	-	**-**	-	21,343
Net Change in Fund Balances	(195,840)	**99,752**	295,592	(19,684)
FUND BALANCE, OCTOBER 1	356,272	**356,272**	-	375,956
FUND BALANCE, SEPTEMBER 30	$ 160,432	**$ 456,024**	$ 295,592	$ 356,272

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
DARE PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Intergovernmental	$ 17,425	**$ 19,425**	$ 2,000	$ 22,106
Interest	750	**34**	(716)	744
Total Revenues	18,175	**19,459**	1,284	22,850
EXPENDITURES				
Current:				
General Government				
Supplies	9,530	**9,530**	-	25,885
Transfer to Scholarship Fund	2,250	**2,211**	39	
Total Expenditures	11,780	**11,741**	39	25,885
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,395	**7,718**	1,323	(3,035)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(18,837)	**(18,837)**	-	(69,970)
Total Other Financing Sources (Uses)	(18,837)	**(18,837)**	-	(69,970)
Net Change in Fund Balance	(12,442)	**(11,119)**	1,323	(73,005)
FUND BALANCE, OCTOBER 1	65,283	**65,283**	-	138,288
FUND BALANCE, SEPTEMBER 30	$ 52,841	**$ 54,164**	$ 1,323	$ 65,283

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
JUVENILE CASE MANAGER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Fines and Forfeitures	$ 20,000	**$ 17,931**	$ (2,069)	$ 18,460
Interest	-	**-**	-	5
Total Revenues	20,000	**17,931**	(2,069)	18,465
EXPENDITURES				
Current:				
Non-Departmental				
Personnel Services	-	**-**	-	-
Total Expenditures	-	**-**	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,000	**17,931**	(2,069)	18,465
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(20,000)	**(17,936)**	2,064	(18,452)
Total Other Financing Sources (Uses)	(20,000)	**(17,936)**	2,064	(18,452)
Net Change in Fund Balance	-	**(5)**	(5)	13
FUND BALANCE, OCTOBER 1	13	**13**	-	-
FUND BALANCE, SEPTEMBER 30	$ 13	**$ 8**	$ (5)	$ 13

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
CONVENTION & VISITORS BUREAU FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Occupancy Tax	$ 228,375	**$ 228,375**	$ -	$ 334,313
Governmental	102,726	**102,726**	-	-
Interest	4,000	**393**	(3,607)	5,218
Miscellaneous	2,500	**2,210**	(290)	2,161
Total Revenues	337,601	**333,704**	(3,897)	341,692
EXPENDITURES				
Current:				
Economic Development	369,907	**357,307**	12,600	310,104
Total Expenditures	369,907	**357,307**	12,600	310,104
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,306)	**(23,603)**	8,703	- 31,588
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(6,000)	**(6,000)**	-	13,914
Total Other Financing Sources (Uses)	(6,000)	**(6,000)**	-	13,914
Net Change in Fund Balances	(38,306)	**(29,603)**	8,703	45,502
FUND BALANCE, OCTOBER 1	495,492	**495,492**	-	449,990
FUND BALANCE, SEPTEMBER 30	$ 457,186	**$ 465,889**	$ 8,703	$ 495,492

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
CVB BUILDING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	2021	Variance Favorable (Unfavorable)	2020
REVENUES				
Interest	$ 100	**$ 32**	$ (68)	$ 658
Total Revenues	100	**32**	(68)	658
EXPENDITURES				
Current:				
Economic Development				
Miscellaneous - Hot Rebates	5,750	**5,750**	-	25,500
Total Expenditures	5,750	**5,750**	-	25,500
Net Change in Fund Balance	(5,650)	**(5,718)**	(68)	(24,842)
FUND BALANCE, OCTOBER 1	34,996	**34,996**	-	59,838
FUND BALANCE, SEPTEMBER 30	$ 29,346	**$ 29,278**	$ (68)	$ 34,996

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
SEBASTOPOL HOUSE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	2021	Variance Favorable (Unfavorable)	2020
REVENUES				
Occupancy Tax	$ 53,882	**$ 53,882**	$ -	$ 63,432
Intergovernmental	30,053	**29,705**	(348)	1,520
Interest	200	**11**	(189)	182
Total Revenues	84,135	**83,598**	(537)	65,134
EXPENDITURES				
Current:				
General Government	75,311	**68,275**	7,036	65,901
Total Expenditures	75,311	**68,275**	7,036	65,901
Net Change in Fund Balance	8,824	**15,323**	6,499	(767)
FUND BALANCE, OCTOBER 1	30,184	**30,184**	-	30,951
FUND BALANCE, SEPTEMBER 30	$ 39,008	**$ 45,507**	$ 6,499	$ 30,184

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
POLICE DEPARTMENT DONATIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Interest	$ 100	**$ 21**	$ (79)	$ 315
Miscellaneous	-	**1,250**	1,250	1,264
Total Revenues	100	**1,271**	1,171	1,579
EXPENDITURES				
Current:				
General Government:				
Capital Outlay	10,000	**1,917**	8,083	697
Total Expenditures	10,000	**1,917**	8,083	697
Net Change in Fund Balance	(9,900)	**(646)**	9,254	882
FUND BALANCE, OCTOBER 1	29,159	**29,159**	-	28,277
FUND BALANCE, SEPTEMBER 30	$ 19,259	**$ 28,513**	$ 9,254	$ 29,159

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
PEG CAPITAL FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Franchise Tax	$ 33,000	**$ 44,987**	$ 11,987	$ 45,009
Interest	500	**47**	(453)	758
Total Revenues	33,500	**45,034**	11,534	45,767
EXPENDITURES				
Current:				
General Government:				
Contracted Services	40,000	**40,468**	(468)	41,574
Total Expenditures	40,000	**40,468**	(468)	41,574
Net Change in Fund Balance	(6,500)	**4,566**	11,066	4,193
FUND BALANCE, OCTOBER 1	84,955	**84,955**	-	80,762
FUND BALANCE, SEPTEMBER 30	$ 78,455	**$ 89,521**	$ 11,066	$ 84,955

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
LIBRARY DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Interest	$ 500	**$ 64**	$ (436)	$ 893
Total Revenues	500	**64**	(436)	893
EXPENDITURES				
Current:				
General Government:				
Contracted Services	10,000	**9,020**	980	40,388
Total Expenditures	10,000	**9,020**	980	40,388
Net Change in Fund Balance	(9,500)	**(8,956)**	544	(39,495)
FUND BALANCE, OCTOBER 1	82,895	**82,895**	-	122,390
FUND BALANCE, SEPTEMBER 30	$ 73,395	**$ 73,939**	$ 544	$ 82,895

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
SEGUIN EVENTS COMPLEX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Taxes	$ 35,895	**$ 35,895**	$ -	$ 61,465
Intergovernmental	29,081	**29,081**	-	-
Charges for Services	28,919	**26,411**	(2,508)	42,083
Interest	1,100	**74**	(1,026)	948
Total Revenues	94,995	**91,461**	(3,534)	104,496
EXPENDITURES				
Current:				
General Government:				
Personal Services	89,214	**87,143**	2,071	75,398
Contracted Services	30,501	**29,442**	1,059	23,136
Supplies	10,000	**7,178**	2,822	7,985
Total Expenditures	129,715	**123,763**	5,952	106,519
Net Change in Fund Balance	(34,720)	**(32,302)**	2,418	(2,023)
FUND BALANCE, OCTOBER 1	88,621	**88,621**	-	90,644
FUND BALANCE, SEPTEMBER 30	$ 53,901	**$ 56,319**	$ 2,418	$ 88,621

CITY OF SEGUIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
SEGUIN ARTS COMMISSION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Actual Amounts for 2020)

	Final Budgeted Amounts	**2021**	Variance Favorable (Unfavorable)	2020
REVENUES				
Interest	$ 100	**$ 8**	$ (92)	$ 129
Miscellaneous	10,000	**5,295**	(4,705)	5,829
Total Revenues	10,100	**5,303**	(4,797)	5,958
EXPENDITURES				
Current:				
Economic Development				
Personnel Services	14,500	**3,474**	11,026	826
Total Expenditures	14,500	**3,474**	11,026	826
Net Change in Fund Balance	(4,400)	**1,829**	6,229	5,132
FUND BALANCE, OCTOBER 1	14,674	**14,674**	-	9,542
FUND BALANCE, SEPTEMBER 30	$ 10,274	**$ 16,503**	$ 6,229	$ 14,674

CITY OF SEGUIN, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
UTILITY FUND
SEPTEMBER 30, 2021 AND 2020

ASSETS	**2021**	2020
Current Assets:		
Cash and Cash Equivalents		
Restricted Cash	**$ 1,619,202**	40,219
Unrestricted Cash	**543,395**	3,494,310
Investments		
Restricted Investments	**28,530,612**	15,991,812
Unrestricted Investments	**32,960,102**	30,074,658
Accounts Receivable (Net)	**7,406,008**	6,572,967
Miscellaneous Receivables	**667,030**	651,037
Due from Component Unit	**30,986**	23,838
Current Portion of Note Receivable	**250,000**	250,000
Inventories	**1,958,790**	2,124,524
Prepaid Items	**111,474**	110,772
Total Current Assets	**74,077,599**	59,334,137
Net Present Value of Lease Financing	**285,381**	325,666
Note Receivable (Net of Current)	**1,161,614**	1,411,614
Capital Assets	**192,307,056**	180,698,871
Accumulated Depreciation	**(82,893,861)**	(77,847,404)
Total Assets	**184,937,789**	163,922,884
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension/ OPEB Related Outflows	**2,735,155**	2,434,064
Deferred Charge on Refundings	**117,924**	175,888
Total Deferred Outflows of Resources	**$ 2,853,079**	$ 2,609,952

Continued

CITY OF SEGUIN, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)
UTILITY FUND
SEPTEMBER 30, 2021 AND 2020

LIABILITIES	**2021**	2020
Current Liabilities:		
Accounts Payable	**$ 2,868,918**	$ 3,264,942
Accrued Expenses	**3,483,449**	1,292,010
Unearned Revenue	**953,796**	626,778
Customer Deposits	**830,248**	704,941
Payable from Restricted Assets:		
Accrued Interest Payable	**177,397**	319,299
Revenue Bonds Due Within One Year	**3,555,000**	2,405,000
Total Current Liabilities	**11,868,808**	8,612,970
Compensated Absences	**226,261**	241,085
Net Other Post Employment Benefit Obligation	**664,630**	591,725
Net Pension Liability	**7,704,401**	7,775,707
Revenue Bonds Payable (Net of Current Maturities)	**67,172,064**	56,811,823
Total Noncurrent Liabilities	**75,767,356**	65,420,340
Total Liabilities	**87,636,164**	74,033,310
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension/ OPEB Related Inflows	**1,935,785**	1,982,290
Total Deferred Inflows of Resources	**1,935,785**	1,982,290
NET POSITION		
Net Investment in Capital Assets	**58,013,629**	53,230,216
Restricted for:		
Debt Service	**1,614,477**	459,458
Impact Fees	**8,104,720**	4,915,273
Unrestricted	**30,486,093**	31,912,289
Total Net Position	**$ 98,218,919**	$ 90,517,236

CITY OF SEGUIN, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
UTILITY FUND
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Charges for Services:		
Electric	$ 29,942,258	$ 29,433,757
Water	14,687,340	14,426,424
Sewer	13,572,068	10,294,281
Miscellaneous Revenues	1,691,482	1,496,246
Total Operating Revenues	59,893,148	55,650,708
OPERATING EXPENSES		
Administration	2,089,220	1,952,051
Engineering	608,191	586,489
Operation and Maintenance:		
Electric Distribution	22,540,289	22,173,891
Utility Services	1,292,929	1,349,526
Water Production	6,773,489	6,855,075
Water/Sewer Maintenance	6,163,312	6,258,966
Sewer Plant	1,810,317	1,715,717
Economic Development	499,827	417,872
Facilities Maintenance	1,049,239	933,870
Information Technology	771,397	667,065
City Attorney	125,726	153,500
Nondepartmental	1,891,573	1,500,470
Indirect Cost Allocation	5,628,493	5,256,011
Total Operating Expenses	51,244,002	49,820,503
Operating Income (Loss)	8,649,146	5,830,205
NONOPERATING REVENUES (EXPENSES)		
Interest Income	40,236	529,711
Gain (Loss) on Sale of Assets	65,358	1,577
Interest and Fiscal Charges	(1,723,540)	(1,879,029)
Bond Issue Costs	(310,520)	(110,977)
Total Nonoperating Revenues (Expenses)	(1,928,466)	(1,458,718)
Net Income (Loss) before Contributions and Transfers	6,720,680	4,371,487
Capital Contributions	591,597	-
Transfers In (Out)	389,406	(51,490)
	981,003	(51,490)
Change in Net Position	7,701,683	4,319,997
Net Position at Beginning of Year	90,517,236	86,197,239
Net Position at End of Year	$ 98,218,919	$ 90,517,236

CITY OF SEGUIN, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
UTILITY FUND
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities:		
Cash Received From Customers	$ 54,170,337	$ 56,367,015
Cash Paid for Employee Wages and Benefits	(8,187,230)	(8,856,290)
Cash Paid to Suppliers for Goods and Services	(30,136,755)	(30,223,663)
Cash Paid General Fund for Indirect Costs	(5,628,493)	(5,256,011)
Net Cash Provided (Used) by Operating Activities	10,217,859	12,031,051
Cash Flows From Noncapital Financing Activities:		
Transfers From (To) Other Funds	389,406	(51,490)
Net Cash Provided (Used) by Noncapital Financing Activities	389,406	(51,490)
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Capital Assets	(11,662,029)	(9,235,661)
Proceeds from Revenue and Refunding Bonds	15,480,000	3,550,000
Premiums Received on Bonds	-	462,440
Principal Payments on Long-Term Bonds	(3,695,000)	(2,033,084)
Interest and Fiscal Charges Paid	(2,082,235)	(2,105,736)
Bond Issue Costs	(310,520)	(110,977)
Proceeds from Sale of Capital Assets	65,358	1,577
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,204,426)	(9,471,441)
Cash Flows From Investing Activities:		
Sale of Investment Securities	4,864,708	(1,320,263)
(Purchase) of Investment Securities	(14,970,000)	-
Investment Interest Received	40,236	529,711
Lease Financing - Principal Payments Received	40,285	48,844
Payments Received on Long-term Loan to CU	250,000	250,000
Net Cash Provided (Used) by Investing Activities	(9,774,771)	(491,708)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,371,932)	2,016,412
Cash and Equivalents at Beginning of Year:		
Cash and Cash Equivalents	3,494,310	1,504,051
Restricted Cash and Cash Equivalents	40,219	14,066
	3,534,529	1,518,117
Cash and Equivalents at End of Year:		
Cash and Cash Equivalents	543,395	3,494,310
Restricted Cash and Cash Equivalents	1,619,202	40,219
	$ 2,162,597	$ 3,534,529

CITY OF SEGUIN, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
UTILITY FUND
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	**$ 8,649,146**	$ 5,830,205
Adjustments to reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	**5,691,898**	5,585,347
(Increase) Decrease in Operating Assets:		
Accounts Receivable	**(6,175,136)**	238,890
Inventory/Prepaid Items	**165,032**	(105,682)
Deferred Pension Related Outflows	**(301,091)**	(303,527)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	**(396,024)**	(567,015)
Accrued Expenses	**2,176,615**	527,106
Unearned Revenue	**327,018**	366,464
Customer Deposits	**125,307**	110,956
Net Other Postemployment Benefit Obligation	**72,905**	48,103
Net Pension Liability	**(71,306)**	(1,675,628)
Deferred Pension/OPEB Related Inflows	**(46,505)**	1,975,832
Net Cash Provided (Used) by Operating Activities	**$ 10,217,859**	$ 12,031,051
Transactions Not Affecting Cash and Cash Equivalents:		
Capital and Related Financing Activities:		
Developer Contributions - Capital Assets	**$ 591,597**	$ -

CITY OF SEGUIN, TEXAS
COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
UTILITY FUND
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Administration:		
Personnel Services	**1,853,837**	$ 1,727,245
Contracted Services	**128,645**	112,122
Supplies and Materials	**83,831**	83,369
Other Charges	**21,120**	23,765
Depreciation	**1,787**	5,550
Total Administration	**2,089,220**	1,952,051
Engineering		
Personnel Services	**561,850**	562,890
Contracted Services	**34,776**	16,266
Supplies and Materials	**6,709**	7,333
Other Charges	**1,495**	-
Depreciation	**3,361**	-
Total Electric Production and Distribution	**608,191**	586,489
Electric Production and Distribution:		
Personnel Services	**1,757,032**	1,492,569
Contracted Services	**2,296,623**	1,948,865
Supplies and Materials	**17,391,561**	17,775,760
Other Charges	**99,033**	52,281
Depreciation	**996,040**	904,416
Total Electric Production and Distribution	**22,540,289**	22,173,891
Utility Services		
Personnel Services	**1,135,843**	1,195,917
Contracted Services	**104,814**	103,629
Supplies and Materials	**26,905**	27,085
Other Charges	**25,367**	22,895
Total Utility Services	**1,292,929**	1,349,526
Water Production:		
Personnel Services	**814,613**	815,370
Contracted Services	**4,689,708**	4,713,013
Supplies and Materials	**129,719**	124,605
Other Charges	**4,173**	3,257
Depreciation	**1,135,276**	1,198,830
Total Water Production	**6,773,489**	6,855,075
Water/Sewer Maintenance:		
Personnel Services	**1,309,479**	1,305,796
Contracted Services	**2,393,582**	1,831,770
Supplies and Materials	**95,973**	92,016
Other Charges	**(119,188)**	552,859
Depreciation	**2,483,466**	2,476,525
Total Water/Sewer Maintenance	**$ 6,163,312**	$ 6,258,966

CITY OF SEGUIN, TEXAS
COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT (CONTINUED)
UTILITY FUND
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Sewer Plant:		
Personnel Services	**$ 743,614**	$ 667,407
Contracted Services	**652,756**	706,232
Supplies and Materials	**89,566**	78,293
Other Charges	**5,737**	3,428
Depreciation	**318,644**	260,357
Total Sewer Plant	**1,810,317**	1,715,717
Economic Development:		
Personnel Services	**410,660**	373,419
Contracted Services	**83,189**	32,769
Supplies and Materials	**1,264**	1,910
Other Charges	**4,714**	9,774
Total Economic Development	**499,827**	417,872
Facilities Maintenance:		
Personnel Services	**900,838**	797,723
Contracted Services	**87,739**	87,101
Supplies and Materials	**44,180**	36,880
Other Charges	**949**	235
Depreciation	**15,533**	11,931
Total Facilities Maintenance	**1,049,239**	933,870
Information Technology:		
Personnel Services	**416,286**	376,765
Contracted Services	**350,530**	282,004
Supplies and Materials	**2,448**	1,848
Other Charges	**2,133**	6,448
Total Information Technology	**771,397**	667,065
City Attorney:		
Personnel Services	**113,796**	113,075
Contracted Services	**10,975**	39,320
Supplies and Materials	**26**	73
Other Charges	**929**	1,032
Total City Attorney	**125,726**	153,500
Nondepartmental:		
Contracted Services	**404,734**	252,561
Supplies and Materials	**6,440**	(57,546)
Other Charges	**742,608**	577,717
Depreciation	**737,791**	727,738
Total Nondepartmental	**1,891,573**	1,500,470
Indirect Cost Allocation	**5,628,493**	5,256,011
Total Operating Expenses	**$ 51,244,002**	$ 49,820,503

CITY OF SEGUIN, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2021
(With Comparative Amounts for 2020)

	Internal Insurance Fund	Retirees Insurance Fund	Workers Compensation Fund	Totals 2021	Totals 2020
ASSETS					
Cash and Cash Equivalents	$ 376,401	$ 137,750	$ 78,084	**$ 592,235**	$ 315,276
Investments	26,170	594,362	10	**620,542**	1,008,890
Miscellaneous Receivables	708	16,319	-	**17,027**	16,071
Total Assets	403,279	748,431	78,094	**1,229,804**	1,340,237
LIABILITIES					
Accounts Payable	5,333	-	-	**5,333**	4,790
Total Liabilities	5,333	-	-	**5,333**	4,790
NET POSITION					
Unrestricted	397,946	748,431	78,094	**1,224,471**	1,335,447
Total Net Position	$ 397,946	$ 748,431	$ 78,094	**$1,224,471**	$ 1,335,447

CITY OF SEGUIN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Amounts for 2020)

	Internal Insurance Fund	Retirees Insurance Fund	Workers Compensation Fund	Totals 2021	Totals 2020
OPERATING REVENUES					
Charges for Premiums	$ 3,806,217	$ 156,640	$ 195,989	**$4,158,846**	$ 3,522,845
Miscellaneous Revenues	660	-	-	**660**	8,689
Total Operating Revenues	3,806,877	156,640	195,989	**4,159,506**	3,531,534
OPERATING EXPENSES					
Premiums	3,912,774	135,358	183,414	**4,231,546**	3,764,398
Administration	40,000	-	-	**40,000**	43,000
Total Operating Expenses	3,952,774	135,358	183,414	**4,271,546**	3,807,398
OPERATING INCOME (LOSS)	(145,897)	21,282	12,575	**(112,040)**	(275,864)
NONOPERATING REVENUES (EXPENSES)					
Interest Income	443	638	(17)	**1,064**	9,134
Total Nonoperating Revenues (Expenses)	443	638	(17)	**1,064**	9,134
Net Income (Loss) Before Contributions and Transfers	(145,454)	21,920	12,558	**(110,976)**	(266,730)
Transfers In (Out)	-	-	-	**-**	372,050
Change in Net Position	(145,454)	21,920	12,558	**(110,976)**	105,320
Net Position At Beginning of Year	543,400	726,511	65,536	**1,335,447**	1,230,127
Net Position at End of Year	$ 397,946	$ 748,431	$ 78,094	**$1,224,471**	1,335,447

CITY OF SEGUIN, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Amounts for 2020)

	Internal Insurance Fund	Retirees Insurance Fund	Workers Compensation Fund	Totals 2021	Totals 2020
Cash Flows From Operating Activities:					
Cash Received from Interfund Services	$ 2,898,370	$ 156,392	$ 195,989	**$ 3,250,751**	$ 2,666,285
Cash Paid from Users	907,801	-	-	**907,801**	858,781
Cash Paid for Employee Benefits	(3,952,231)	(135,358)	(183,414)	**(4,271,003)**	(3,798,182)
Net Cash Provided (Used) by Operating Activities	(146,060)	21,034	12,575	**(112,451)**	(273,116)
Cash Flows From Noncapital Financing Activities:					
Operating Transfers from/to Other Funds	-	-	-	**-**	372,050
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	-	**-**	372,050
Cash Flows From Investing Activities:					
Sale of Investments	379,580	133,336	50,430	**563,346**	-
(Purchase) of Investments	(125,000)	(50,000)	-	**(175,000)**	(94,949)
Investment Interest Received	443	638	(17)	**1,064**	9,134
Net Cash Provided (Used) by Investing Activities	255,023	83,974	50,413	**389,410**	(85,815)
Net Increase (Decrease) in Cash and Cash Equivalents	108,963	105,008	62,988	**276,959**	13,119
Cash and Equivalents at Beg of Year	267,438	32,742	15,096	**315,276**	302,157
Cash and Equivalents at End of Year	$ 376,401	$ 137,750	$ 78,084	**$ 592,235**	$ 315,276
Reconciliation of Operating Income to Net Cash Provided (Used by) Operating Activities:					
Operating Income (Loss)	$ (145,897)	$ 21,282	$ 12,575	**$ (112,040)**	$ (275,864)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
(Increase) Decrease in Miscellaneous Receivables	(706)	(248)	-	**(954)**	1,576
Increase (Decrease) in Accounts Payable	543	-	-	**543**	1,172
Net Cash Provided (Used by Operating Activities	$ (146,060)	$ 21,034	$ 12,575	**$ (112,451)**	$ (273,116)

CITY OF SEGUIN, TEXAS
COMBINING STATEMENT OF NET POSITION
FIDUCIARY (CUSTODIAL) FUNDS
SEPTEMBER 30, 2021

	Riverside Cemetery Fund	Industrial Development Fund	DARE Scholarship Fund	Police Abandonment Fund
ASSETS				
Cash and Cash Equivalents	$ -	$ 3,423	$ 61	$ 2,573
Investments	10,433	230,478	805	23,487
Inventory	-	359,431	-	-
Total Assets	10,433	593,332	866	26,060
LIABILITIES				
Due to Others	-	1,587	-	-
Total Liabilities	-	1,587	-	-
Net Position Held in Trust	$ 10,433	$ 591,745	$ 866	$ 26,060

CITY OF SEGUIN, TEXAS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY (CUSTODIAL) FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Riverside Cemetery Fund	Industrial Development Fund	DARE Scholarship Fund	Police Abandonment Fund
ADDITIONS				
Interest	$ 8	$ 245	$ 1	$ (31)
Scholarships	-	-	-	-
Total Additions	8	245	1	(31)
DEDUCTIONS				
Distribution to Participants	-	33,287	600	-
Total Deductions	-	33,287	600	-
Change in Net Position	8	(33,042)	(599)	(31)
Net Position, Beginning of Year	10,425	624,787	1,465	26,091
Net Position, End of Year	$ 10,433	$ 591,745	$ 866	$ 26,060

SEGUIN
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CITY OF SEGUIN, TEXAS
STATISTICAL SECTION
SEPTEMBER 30, 2021

This part of the City of Seguin's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Seguin's overall financial health.

Financial Trends

Net Position by Component
Changes in Net Position
Fund Balances, Governmental Funds
Changes in Fund Balances, Governmental Funds

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

Tax Revenues by Source, Governmental Funds
Assessed Value and Actual Value of Property
Direct and Overlapping Property Tax Rates
Principal Property Taxpayers
Property Tax Levies and Collections

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales tax.

Debt Capacity

Ratios of Outstanding Debt by Type
Ratios of General Bonded Debt Outstanding
Direct and Overlapping Governmental Activities Debt
Legal Debt Margin
Pledged Revenue Coverage

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

Demographic and Economic Statistics
Principal Employers

These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

Operating Indicators by Function
Capital Asset Statistics by Function
Full-time Equivalent City Government Employees by Function

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

CITY OF SEGUIN, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

TABLE 1

	Fiscal Year									
	2012	2013	2014*	2015	2016	2017	2018^	2019	2020	2021
Governmental Activities:										
Net Investment in Capital Assets	$ 21,979,540	$ 21,518,984	$ 21,780,455	$ 25,657,965	$ 28,065,213	$ 30,491,009	$ 28,797,978	$ 30,433,349	$ 30,234,045	$ 27,972,543
Restricted	2,793,614	3,323,527	3,352,071	3,306,292	2,912,376	2,806,714	3,098,632	3,325,349	2,936,758	3,783,621
Unrestricted	24,998,610	26,172,941	24,028,627	2,882,554	(1,309,424)	(3,141,355)	(367,714)	(2,656,756)	(1,187,763)	4,906,280
Total Governmental Activities Net Position	$ 49,771,764	$ 51,015,452	$ 49,161,153	$ 31,846,811	$ 29,668,165	$ 30,156,368	$ 31,528,896	$ 31,101,942	$ 31,983,040	$ 36,662,444
Business-Type Activities:										
Net Investment in Capital Assets	$ 27,668,999	$ 29,869,105	$ 36,385,747	$ 39,946,492	$ 44,783,121	$ 49,099,409	$ 50,116,822	$ 50,781,852	$ 53,230,216	$ 58,013,629
Restricted	3,239,558	3,594,942	3,558,479	3,651,700	2,713,233	2,975,869	3,053,820	3,347,620	5,374,731	9,719,197
Unrestricted	30,740,418	30,205,790	32,360,850	22,809,054	24,439,018	26,265,507	31,053,353	32,067,867	31,912,289	30,486,093
Total Business-Type Activities Net Position	$ 61,648,975	$ 63,669,837	$ 72,305,076	$ 66,407,246	$ 71,935,372	$ 78,340,785	$ 84,223,995	$ 86,197,339	$ 90,517,236	$ 98,218,919
Primary Government:										
Net Investment in Capital Assets	$ 49,648,539	$ 51,388,089	$ 58,166,202	$ 65,604,457	$ 72,848,334	$ 79,590,418	$ 78,914,800	$ 81,215,101	$ 83,464,261	$ 85,986,172
Restricted	6,033,172	6,918,469	6,910,550	6,957,992	5,625,609	5,782,583	6,152,452	6,672,969	8,311,489	13,502,818
Unrestricted	55,739,028	56,378,731	56,389,477	25,691,608	23,129,594	23,124,152	30,685,639	29,411,111	30,724,526	35,392,373
Total Primary Government Net Position	$ 111,420,739	$ 114,685,289	$ 121,466,229	$ 98,254,057	$ 101,603,537	$ 108,497,153	$ 115,752,891	$ 117,299,181	$ 122,500,276	$ 134,881,363

** Change in Accounting Principle pursuant to GASB 68 applied prospectively effective October 1, 2014.*
^ Change in Accounting Principle pursuant to GASB 75 applied prospectively effective October 1, 2018.
Comparative information has not been restated.

CITY OF SEGUIN, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

TABLE 2

	Fiscal Year									
Expenses	2012	2013	2014*	2015	2016	2017	2018^	2019	2020	2021
Governmental Activities:										
General Government	$ 1,482,333	$ 1,617,167	$ 5,739,986	$ 6,354,347	$ 7,500,656	$ 8,757,882	$ 7,973,726	$ 8,799,350	$ 9,134,170	$ 9,655,277
Public Safety	10,617,994	11,147,424	11,757,015	13,399,458	14,279,914	15,578,523	15,581,434	16,703,296	17,476,362	17,638,658
Public Service	7,849,643	8,269,202	8,464,114	8,043,970	10,077,096	9,644,071	11,044,845	11,603,192	12,718,515	12,883,281
Interest on Long-Term Debt	1,778,567	1,685,881	2,516,964	2,343,340	2,560,726	2,864,443	2,871,456	2,850,813	2,979,262	3,083,651
Indirect Cost Allocation	-	-	(3,848,566)	(4,190,324)	(4,352,992)	(4,641,289)	(4,819,725)	(4,968,672)	(5,256,011)	(5,628,493)
Total Governmental Activities	21,728,537	22,719,674	24,629,513	25,950,791	30,065,400	32,203,630	32,651,736	34,987,979	37,052,298	37,632,374
Business-Type Activities:										
Utility	39,484,763	39,212,917	33,052,220	38,627,413	37,882,970	41,090,227	41,828,470	47,630,285	46,554,498	47,649,569
Indirect Cost Allocation	-	-	3,848,566	4,190,324	4,352,992	4,641,289	4,819,725	4,968,672	5,256,011	5,628,493
Total Business-Type Activities	39,484,763	39,212,917	36,900,786	42,817,737	42,235,962	45,731,516	46,648,195	52,598,957	51,810,509	53,278,062
Total Primary Government Expenses	$ 61,213,300	$ 61,932,591	$ 61,530,299	$ 68,768,528	$ 72,301,362	$ 77,935,146	$ 79,299,931	$ 87,586,936	$ 88,862,807	$ 90,910,436
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	$ 2,617,386	$ 2,616,261	$ 2,888,748	$ 3,381,353	$ 3,209,656	$ 3,647,445	$ 3,306,325	$ 4,907,833	$ 6,229,572	$ 8,073,314
Public Safety	2,940,217	3,053,799	3,524,917	3,641,594	3,515,320	3,478,473	3,897,134	3,123,547	2,560,566	2,470,584
Public Service	2,464,152	2,435,778	3,081,696	3,005,082	3,072,719	3,493,086	3,883,079	3,969,566	4,449,439	5,579,989
Operating Grants and Contributions	985,512	658,404	841,529	801,179	546,156	618,406	760,164	589,086	2,224,174	906,378
Capital Grants and Contributions	221,193	140,973	197,027	2,014,336	656,203	2,868,007	2,952,449	228,219	221,494	1,545,026
Total Governmental Activities	9,228,460	8,905,215	10,533,917	12,843,544	11,000,054	14,105,417	14,799,151	12,818,251	15,685,245	18,575,291
Business-Type Activities:										
Charges for Services	41,463,853	40,827,258	42,017,948	42,645,590	46,502,423	49,979,572	52,260,672	53,459,811	55,650,708	59,893,148
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	40,454	215,212	2,961,261	749,579	975,222	1,845,532	-	69,004	-	591,597
Total Business-Type Activities	41,504,307	41,042,470	44,979,209	43,395,169	47,477,645	51,825,104	52,260,672	53,528,815	55,650,708	60,484,745
Total Primary Government Program Revenues	$ 50,732,767	$ 49,947,685	$ 55,513,126	$ 56,238,713	$ 58,477,699	$ 65,930,521	$ 67,059,823	$ 66,347,066	$ 71,335,953	$ 79,060,036

** Change in Accounting Principle pursuant to GASB 68 applied prospectively effective October 1, 2014.*

^ Change in Accounting Principle pursuant to GASB 75 applied prospectively effective October 1, 2018.

CITY OF SEGUIN, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (CONTINUED)
(Accrual Basis of Accounting)

TABLE 2 (CONT.)

	Fiscal Year									
	2012	2013	2014*	2015	2016	2017	2018^	2019	2020	2021
Net (Expense)/Revenue										
Governmental Activities	$ (12,500,077)	$ (13,814,459)	$ (14,095,596)	$ (13,107,247)	$ (19,065,346)	$ (18,098,213)	$ (17,852,585)	$ (22,169,728)	$ (21,367,053)	$ (19,057,083)
Business-Type Activities	2,019,544	1,829,553	8,078,423	577,432	5,241,683	6,093,588	5,612,477	929,858	3,840,199	7,206,683
Total Primary Government Net (Expense)	$ (10,480,533)	$ (11,984,906)	$ (6,017,173)	$ (12,529,815)	$ (13,823,663)	$ (12,004,625)	$ (12,240,108)	$ (21,239,870)	$ (17,526,854)	$ (11,850,400)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
General Property Taxes	$ 7,032,068	$ 7,123,720	$ 6,952,798	$ 7,516,954	$ 7,922,023	$ 9,362,955	$ 10,126,201	$ 11,037,342	$ 11,695,949	$ 12,791,688
Franchise Taxes	853,330	897,556	913,296	986,176	1,252,005	1,096,104	1,187,699	1,273,009	1,212,109	1,344,906
Sales Taxes	5,512,435	5,833,464	5,841,830	6,089,793	6,232,146	6,271,333	6,729,041	6,760,360	7,319,631	8,232,954
Occupancy Taxes	869,409	762,465	726,361	825,433	830,356	842,217	861,218	833,720	669,563	1,039,212
Interest and Investment Earnings	63,548	49,726	36,602	40,371	183,931	400,790	678,954	930,252	432,386	44,172
Miscellaneous	505,000	510,000	515,000	520,000	546,645	531,294	535,000	740,000	645,000	550,452
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-	-	-	222,023	122,509
Special Items	9,585,200	-	(2,209,258)	-	-	-	-	-	-	-
Transfers	(83,258)	(118,784)	(535,332)	(100,149)	(80,406)	81,723	101,297	168,091	51,490	(389,406)
Total Governmental Activities	24,337,732	15,058,147	12,241,297	15,878,578	16,886,700	18,586,416	20,219,410	21,742,774	22,248,151	23,736,487
Business-Type Activities Charges for Services:										
Interest and Investment Earnings	67,211	39,696	20,456	34,353	191,925	389,947	764,923	1,202,045	529,711	40,236
Gain (Loss) on Sale of Capital Assets	(6,483)	32,829	1,028	483	14,112	3,601	660	9,432	1,577	65,358
Special Items	-	-	-	-	-	-	-	-	-	-
Transfers	83,258	118,784	535,332	100,149	80,406	(81,723)	(101,297)	(168,091)	(51,490)	389,406
Total Business-Type Activities	143,986	191,309	556,816	134,985	286,443	311,825	664,286	1,043,386	479,798	495,000
Total Primary Government	$ 24,481,718	$ 15,249,456	$ 12,798,113	$ 16,013,563	$ 17,173,143	$ 18,898,241	$ 20,883,696	$ 22,786,160	$ 22,727,949	$ 24,231,487
Change in Net Position										
Governmental Activities	$ 11,837,655	$ 1,243,688	$ (1,854,299)	$ 2,771,331	$ (2,178,646)	$ 488,203	$ 2,366,825	$ (426,954)	$ 881,098	$ 4,679,404
Business-Type Activities	2,163,530	2,020,862	8,635,239	712,417	5,528,126	6,405,413	6,276,763	1,973,244	4,319,997	7,701,683
Total Primary Government	$ 14,001,185	$ 3,264,550	$ 6,780,940	$ 3,483,748	$ 3,349,480	$ 6,893,616	$ 8,643,588	$ 1,546,290	$ 5,201,095	$ 12,381,087

** Change in Accounting Principle pursuant to GASB 68 applied prospectively effective October 1, 2014. Comparative information has not been restated.*

CITY OF SEGUIN, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 3

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund:										
Nonspendable	$ 66,104	$ 2,037,347	$ 70,386	$ 98,698	$ 107,383	$ 120,838	$ 135,453	$ 154,001	$ 173,399	$ 157,601
Restricted	22,800	20,100	20,100	25,300	5,300	7,905	5,300	28,154	16,813	22,056
Committed	2,208,762	2,163,385	2,165,441	2,167,774	2,018,494	1,536,104	2,202,612	2,151,739	2,008,348	3,029,936
Assigned	-	157,464	151,582	126,887	52,312	3,440	129,946	210,949	223,709	112,150
Unassigned	17,454,678	15,568,700	16,586,852	15,571,620	12,974,522	11,505,167	10,529,800	10,796,436	12,973,384	13,490,088
Total General Fund	$ 19,752,344	$ 19,946,996	$ 18,994,361	$ 17,990,279	$ 15,158,011	$ 13,173,454	$ 13,003,111	$ 13,341,279	$ 15,395,653	$ 16,811,831
All other Governmental Funds:										
Nonspendable	$ 22,852	$ 12,803	$ 5,874	$ 15,570	$ 1,163	$ 43,326	$ 17,869	$ 3,476	$ 4,722	$ 4,160
Restricted - Special Revenue	1,701,526	1,748,490	1,752,872	1,854,260	1,942,693	1,915,334	2,066,025	2,076,086	1,641,541	2,332,964
Restricted - Capital Projects	14,004,274	13,155,149	30,155,607	17,309,757	11,643,846	15,335,309	12,857,421	8,979,338	14,558,885	24,102,154
Restricted - Debt Service	1,019,857	1,510,096	1,645,809	1,467,186	982,371	893,141	1,093,814	1,296,867	1,351,621	1,430,897
Committed - Special Revenue	11,113	10,726	24,192	24,208	24,237	214,185	299,414	389,686	363,475	544,995
Assigned - Capital Projects	2,183,206	2,860,482	3,220,890	4,067,387	5,045,454	4,763,452	6,686,974	5,794,947	4,826,251	5,248,658
Total Other Governmental Funds	$ 18,942,828	$ 19,297,746	$ 36,805,244	$ 24,738,368	$ 19,639,764	$ 23,164,747	$ 23,021,517	$ 18,540,400	$ 22,746,495	$ 33,663,828

CITY OF SEGUIN, TEXAS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 4

	Fiscal Year				Fiscal Year					
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	$ 14,250,325	$ 14,653,908	$ 14,396,360	$ 15,437,258	$ 16,237,296	$ 17,492,007	$ 19,006,626	$ 19,871,923	$ 20,967,048	$ 23,428,719
Licenses and Permits	404,953	384,153	688,637	1,242,939	740,076	1,062,336	766,525	869,052	3,335,672	4,890,624
Intergovernmental	1,842,006	1,062,026	1,692,199	3,397,057	1,891,931	2,151,733	4,507,057	1,614,031	3,250,615	3,337,762
Charges for Services	5,375,293	5,364,318	5,724,792	5,846,015	6,047,893	6,852,536	7,008,229	7,665,838	7,268,772	8,788,194
Fines and Forfeits	1,422,147	1,446,373	1,894,219	1,899,976	1,695,053	1,909,706	1,819,248	1,362,160	726,237	765,140
Interest	63,074	378,958	36,579	40,290	181,889	394,487	664,608	905,661	423,257	43,122
Miscellaneous	721,692	778,174	1,080,418	979,661	958,334	920,641	994,103	2,071,301	1,949,215	1,700,134
Total Revenues	24,079,490	24,067,910	25,513,204	28,843,196	27,752,472	30,783,446	34,766,396	34,359,966	37,920,816	42,953,695
Expenditures										
General Government	2,970,433	2,995,289	3,291,439	3,469,890	4,029,991	5,002,392	4,955,952	5,553,483	5,725,712	5,908,035
Public Safety	9,946,852	10,421,044	11,099,683	11,847,542	12,595,423	13,497,928	13,917,286	13,982,502	15,335,408	16,691,447
Public Service	5,877,185	5,996,218	6,087,470	6,523,397	7,075,027	7,191,996	7,242,165	7,525,058	7,517,771	6,611,884
Nondepartmental	1,620,181	1,949,011	2,202,136	2,047,626	2,251,191	2,726,158	2,377,784	2,735,975	3,158,123	5,077,724
Indirect Cost Allocation (Recovery)	(3,430,197)	(3,674,342)	(3,848,566)	(4,190,324)	(4,352,992)	(4,641,289)	(4,819,725)	(4,968,672)	(5,256,011)	(5,628,493)
Capital Projects/ Outlay	2,702,978	2,305,774	5,466,886	17,192,358	21,967,537	10,730,592	13,490,692	7,603,803	8,574,767	6,396,057
Debt Service:										
Principal	1,973,707	1,977,394	2,370,179	2,680,967	2,602,766	2,860,858	3,466,099	3,859,954	3,875,751	3,858,241
Interest and Fiscal Charges	1,686,787	1,628,268	2,011,346	2,164,212	2,249,581	2,705,449	2,785,378	2,848,546	3,055,756	3,336,755
Bond Issue Costs	146,006	45,636	363,655	193,604	379,187	216,893	159,158	118,964	171,472	275,091
Total Expenditures	23,493,932	23,644,292	29,044,228	41,929,272	48,797,711	40,290,977	43,574,789	39,259,613	42,158,749	42,526,741
Excess of Revenues Over (Under) Expenditures	585,558	423,618	(3,531,024)	(13,086,076)	(21,045,239)	(9,507,531)	(8,808,393)	(4,899,647)	(4,237,933)	426,954
Other Financing Sources (Uses)										
Transfers In	1,264,924	2,496,336	3,536,891	4,178,395	4,668,304	3,377,486	3,299,109	2,429,216	1,612,934	1,726,220
Transfers Out	(1,435,973)	(2,615,120)	(4,185,763)	(4,356,879)	(4,820,473)	(3,304,663)	(3,197,812)	(2,352,657)	(1,933,494)	(2,115,626)
Issuance of Debt	6,455,635	4,549,100	22,944,017	8,817,821	23,070,779	10,975,135	8,393,523	10,689,209	10,818,962	15,180,945
Payments to Refunding Bond Escrow Agent	(2,975,988)	(4,304,364)	-	(8,624,217)	(9,804,242)	-	-	(10,009,070)	-	(2,884,982)
Total Other Financing Sources (Uses)	3,308,598	125,952	22,295,145	15,120	13,114,368	11,047,958	8,494,820	756,698	10,498,402	11,906,557
Special Items	9,585,200	-	(2,209,258)	-	-	-	-	-	-	-
Net Change in Fund Balance	$ 13,479,356	$ 549,570	$ 16,554,863	$ (13,070,956)	$ (7,930,871)	$ 1,540,427	$ (313,573)	$ (4,142,949)	$ 6,260,469	$ 12,333,511
Debt Service as a percentage of Noncapital Expenditures	17.5%	17.4%	18.1%	19.4%	17.1%	18.6%	21.0%	20.6%	20.6%	18.4%

CITY OF SEGUIN, TEXAS
TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year	Property	Sales & Use	Occupancy	Franchise	Total
2012	$ 7,015,151	$ 5,512,435	$ 869,409	$ 853,330	$ 14,250,325
2013	7,160,423	5,833,464	762,465	897,556	14,653,908
2014	6,914,873	5,841,830	726,361	913,296	14,396,360
2015	7,646,433	6,011,867	832,550	946,409	15,437,259
2016	8,030,337	6,158,250	835,858	1,212,852	16,237,297
2017	9,390,960	6,195,774	849,390	1,055,883	17,492,007
2018	10,350,375	6,642,080	869,556	1,144,614	19,006,625
2019	11,160,168	6,641,759	842,537	1,227,458	19,871,922
2020	11,919,570	7,178,147	702,230	1,167,100	20,967,047
2021	12,811,646	8,274,032	1,043,122	1,299,919	23,428,719

CITY OF SEGUIN, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 6

Fiscal Year	Residential Property	Commercial Property	Industrial Property	All Other Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2021	$ 1,472,383,603	$ 546,314,174	$ 992,641,562	$ 203,507,432	$ 747,785,276	$ 2,467,061,495	0.5412
2020	1,266,911,717	602,701,862	824,158,632	609,523,918	1,053,060,493	2,250,235,636	0.5412
2019	1,269,529,902	620,853,680	824,985,758	611,708,756	1,209,666,922	2,117,411,174	0.5412
2018	1,058,414,772	575,324,394	767,956,086	514,783,933	958,991,679	1,957,487,506	0.5412
2017	952,385,968	557,472,552	760,165,027	523,305,180	994,770,018	1,798,558,709	0.5412
2016	862,290,556	596,741,553	629,614,703	512,418,847	1,046,255,963	1,554,809,696	0.5256
2015	810,622,634	523,445,251	587,892,017	467,583,800	917,780,167	1,471,763,535	0.5244
2014	738,143,976	489,211,189	576,499,288	466,741,069	900,867,581	1,369,727,941	0.5173
2013	738,982,849	465,714,399	785,423,174	214,404,237	775,841,743	1,428,682,916	0.5073
2012	723,441,220	431,521,993	550,501,805	150,003,452	467,115,554	1,388,352,916	0.5073

Source: Guadalupe County Appraisal District
Tax rates are per $100 of assessed value.
Total Taxable Assessed Value is not adjusted for enacted freeze on property values for certain taxpayers, which became effective January 1, 2006.
The freeze adjusted taxable value for the 2020 tax roll was $2,110,349,751.

CITY OF SEGUIN, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 7

Fiscal Year	City Direct Rates: General M&O	City Direct Rates: Debt Service	City Direct Rates: Total Direct	Overlapping Rates: School District	Overlapping Rates: Guadalupe County
2012	$ 0.2693	$ 0.2380	$ 0.5073	$ 1.2598	$ 0.4036
2013	0.2698	0.2375	0.5073	1.2770	0.4036
2014	0.2942	0.2231	0.5173	1.2800	0.3999
2015	0.3000	0.2244	0.5244	1.3150	0.3941
2016	0.3126	0.2130	0.5256	1.4100	0.3851
2017	0.3104	0.2308	0.5412	1.4200	0.3851
2018	0.2879	0.2533	0.5412	1.4200	0.3799
2019	0.2763	0.2649	0.5412	1.4200	0.3819
2020	0.2767	0.2645	0.5412	1.3750	0.3819
2021	0.2811	0.2601	0.5412	1.3614	0.3854

CITY OF SEGUIN, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

TABLE 8

Taxpayer	Fiscal Year 2021 (2020 Tax Levy): Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Fiscal Year 2012 (2011 Tax Levy): Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Vitesco Technologies	$ 183,754,557	1	6.53%	$ 55,329,953	2	3.93%
Caterpillar Inc.	138,393,559	2	4.92%	-		-
Niagara Bottling LLC	74,919,309	3	2.66%	-		-
Helmerich & Payne International Drillin	46,126,469	4	1.64%	-		-
8th Street Properties	32,108,647	5	1.14%	-		-
Cargill Inc.	16,845,700	6	0.60%	-		-
Ameritex Pipe & Products LLC	14,943,397	7	0.53%	8,711,787	6	0.62%
Ranch @ SH123 Loop	13,747,000	8	0.49%	11,216,728	5	0.80%
Hexcel Corporation	12,787,208	9	0.45%	16,456,463	3	1.17%
ET Seguin Dist LLC	12,726,000	10	0.45%	-		-
Rio Nogales Power Project LP	-		-	75,251,008	1	5.34%
Tyson Foods, Inc	-		-	11,373,324	4	0.81%
Walmart Store	-		-	8,013,447	7	0.57%
ITW MiniGrip Inc.	-		-	7,924,101	8	0.56%
Wal-Mart Real Estate Business Trust	-		-	7,168,593	9	0.51%
PDR 2011 LLC & Anny LLC	-		-	6,621,105	10	0.47%
Total	$ 546,351,846		19.42%	$ 208,066,509		14.78%

Source: Guadalupe County Appraisal District

CITY OF SEGUIN, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 9

Fiscal Year Ended September 30	Taxes Levied for the Fiscal Year	Collected Within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2012	$ 6,766,524	$ 6,577,230	97.2%	$ 179,712	$ 6,756,942	99.9%
2013	6,971,685	6,842,125	98.1%	118,054	6,960,179	99.8%
2014	6,676,209	6,529,859	97.8%	128,111	6,657,970	99.7%
2015	7,438,963	7,320,383	98.4%	94,153	7,414,536	99.7%
2016	7,811,018	7,649,611	97.9%	136,231	7,785,842	99.7%
2017	9,263,759	8,999,501	97.1%	234,418	9,233,919	99.7%
2018	10,054,136	9,893,628	98.4%	118,593	10,012,221	99.6%
2019	10,721,440	10,663,320	99.5%	21,938	10,685,258	99.7%
2020	11,384,723	11,215,830	98.5%	98,240	11,314,070	99.4%
2021	12,647,900	12,509,376	98.9%	-	12,509,376	98.9%

Amount collected includes discounts

CITY OF SEGUIN, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 10

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Actual Taxable Value of Property	Percentage of Taxable Value of Property	Per* Capita	Percentage of Personal Income
	Bonds^	Tax Anticipation Notes	Capital Leases	Revenue and GO Bonds^	Capital Leases					
2012	$ 41,831,415	$ 930,000	$ 211,860	$ 21,816,105	$ 122,815	$ 64,912,195	$ 1,388,352,916	4.7%	$ 2,502	15.9%
2013	40,604,177	565,000	310,476	20,980,197	101,857	62,561,707	1,428,682,800	4.4%	2,408	15.2%
2014	61,417,631	185,000	406,658	19,914,665	70,339	81,994,293	1,369,727,941	6.0%	3,076	16.3%
2015	59,514,639	-	238,572	40,328,318	52,801	100,134,330	1,471,763,535	6.8%	3,424	18.1%
2016	70,287,498	-	126,386	43,811,398	36,120	114,261,402	1,554,809,696	7.3%	3,808	19.3%
2017	76,828,222	-	1,517,298	51,152,402	36,120	129,534,042	1,798,558,709	7.2%	4,317	21.7%
2018	80,483,441	1,138,000	1,455,224	57,826,332	-	140,902,997	1,957,487,506	7.2%	4,649	21.4%
2019	77,492,864	1,054,000	1,293,253	57,512,227	-	137,352,344	2,117,411,174	6.5%	4,487	21.8%
2020	84,458,655	661,000	1,319,913	59,216,823	-	145,656,391	2,250,235,636	6.5%	4,641	19.7%
2021	93,234,556	255,000	903,646	70,761,164	-	165,154,366	2,467,061,495	6.7%	4,985	21.4%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^ Bonded debt includes unamortized premiums
** Population and Personal Income data can be found on Table 15.*

CITY OF SEGUIN, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 11

Fiscal Year	General Bonded Debt: Bonds	General Bonded Debt: Tax Anticipation Notes	Available in Debt Service Funds	Total	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita*
2012	$ 43,132,078	$ 930,000	$ (1,019,857)	$ 43,042,221	$ 1,388,352,916	3.1%	1,659
2013	46,521,750	565,000	(1,510,096)	45,576,654	1,428,682,800	3.2%	1,754
2014	66,797,490	185,000	(1,645,809)	65,336,681	1,369,727,941	4.8%	2,451
2015	64,347,379	-	(1,467,186)	62,880,193	1,471,763,535	4.3%	2,150
2016	79,923,468	-	(982,371)	78,941,097	1,554,809,696	5.1%	2,631
2017	85,412,933	-	(893,141)	84,519,792	1,798,558,709	4.7%	2,817
2018	85,884,999	1,138,000	(1,093,814)	85,929,185	1,957,487,506	4.4%	2,835
2019	90,110,949	1,054,000	(1,296,867)	89,868,082	2,117,411,174	4.2%	2,936
2020	95,943,655	661,000	(1,351,621)	95,253,034	2,250,235,636	4.2%	3,035
2021	103,534,556	255,000	(1,430,897)	102,358,659	2,467,061,495	4.1%	3,090

Note: Details about the City's outstanding debt can be found in the notes to the financial statements.
Bonds include GO Bonds being serviced by the Utility Fund.
**Population data can be found on Table 15.*

CITY OF SEGUIN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2021
(Unaudited)

TABLE 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Guadalupe County	$ 15,625,000	18.96%	$ 2,962,500
Seguin Independent School District	178,457,373	51.49%	91,887,701
Subtotal, Overlapping Debt			94,850,201
Seguin Direct Debt			102,358,659
Total Direct and Overlapping Debt			$ 197,208,860

Source: Municipal Advisory Council of Texas.

Note: Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Seguin, Texas. This process recognizes that, when considering the City of Seguin's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF SEGUIN, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 13

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed Value	$ 2,467,061,495
* Debt limit (10% of assessed value)	246,706,150
Outstanding Debt [1]	103,789,556
Less amount set aside for repayment of general obligation debt	(1,430,897)
Total net debt applicable to limit	102,358,659
Economic Debt Margin	$ 144,347,491

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt Limit	$ 138,835,292	$ 142,868,280	$ 136,972,794	$ 147,173,357	$ 155,480,970
Total net debt applicable to limit	(41,289,480)	(39,242,331)	(59,956,822)	(58,047,453)	(69,305,127)
Economic Debt Margin	$ 97,545,812	$ 103,625,949	$ 77,015,972	$ 89,125,904	$ 86,175,843

	Fiscal Year				
	2017	2018	2019	2020	2021
Debt Limit	$ 179,855,871	$ 195,746,751	$ 211,741,117	$ 290,212,717	$ 246,706,150
Total net debt applicable to limit	(75,935,081)	(79,873,076)	(78,543,250)	(95,253,034)	(102,358,659)
Economic Debt Margin	$ 103,920,790	$ 115,873,675	$ 133,197,867	$ 194,959,683	$ 144,347,491

[1] *Texas does not have a legal debt margin for cities. The only limit on taxation is $2.50 per $100 of assessed value. Good financial integrity calls for 10% of assessed value to be used for debt limit.*

CITY OF SEGUIN, TEXAS
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 14

Fiscal Year	Utility Service Charges	Less: Operating Expenses*	Net Available Revenue	Debt Service Principal	Interest	Coverage
2012	$ 41,463,853	$ (35,728,904)	$ 5,734,949	$ 904,521	$ 944,857	3.10
2013	40,827,258	(35,513,981)	5,313,277	839,048	734,437	3.38
2014	42,017,948	(33,121,499)	8,896,449	1,079,232	703,016	4.99
2015	42,645,590	(37,931,959)	4,713,631	1,077,119	1,253,491	2.02
2016	46,502,423	(37,473,784)	9,028,639	1,326,771	1,382,137	3.33
2017	49,979,571	(40,706,005)	9,273,566	1,471,259	1,636,004	2.98
2018	52,260,671	(39,777,807)	12,482,864	1,773,378	1,822,007	3.47
2019	53,459,811	(45,797,030)	7,662,781	2,003,248	1,985,646	1.92
2020	55,650,708	(44,235,156)	11,415,552	2,033,084	2,123,205	2.75
2021	59,893,148	(45,552,104)	14,341,044	3,695,000	1,959,114	2.54

** All operating expenses exclusive of depreciation*

CITY OF SEGUIN, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(Unaudited)

TABLE 15

Year	Census Population	Population Estimate	Median Family Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2012	25,175	25,943	38,060	15,730	32.4	7,440	6.8
2013	25,175	25,981	38,060	15,730	32.4	7,556	5.4
2014	25,175	26,660	38,526	18,901	35.3	7,529	4.2
2015	25,175	29,241	41,835	18,933	36.2	7,400	3.4
2016	25,175	30,006	41,835	19,754	37.2	7,459	3.4
2017	25,175	30,006	36,755	19,853	37.2	7,461	3.6
2018	25,175	30,306	38,714	21,757	35.0	7,492	3.0
2019	25,175	30,609	40,909	20,612	36.3	7,427	3.2
2020	25,175	31,386	48,782	23,601	35.1	7,343	7.3
2021	31,072	33,129	52,509	23,284	35.7	6,889	3.6

Sources: Population, median family income, per capita personal income, and median age information provided by the United States Census Bureau and the Texas State Data Center and are the most recent available for the city. Population estimates are based on addition of annexed areas. School enrollment information provided by Seguin Independent School District. Unemployment rate is for Guadalupe County and is provided by the Texas Workforce Commission and the U.S. Dept. of Labor. Unemployment data is not available for the City.

CITY OF SEGUIN, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

TABLE 16

	2021			2012		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Vitesco (Continental AG)	1,750	1	9.94%	1,374	1	12.18%
Texas Power Systems/CAT	1,500	2	8.52%	853	4	7.56%
Seguin Independent School District	1,103	3	6.27%	1,206	2	10.69%
CMC Steel	853	4	4.85%	1,129	3	10.01%
Tyson Foods	750	5	4.26%	850	5	7.54%
Guadalupe Regional Medical Center	835	6	4.74%	695	6	6.16%
Guadalupe County	600	7	3.41%	586	7	5.20%
City of Seguin	462	8	2.62%	400	8	3.55%
HEB	437	9	2.48%	310	10	2.75%
Wal-Mart Super Center	309	10	1.76%	-		-
Texas Lutheran University	-		-	333	9	2.95%
Total	8,599		48.84%	7,736		68.60%

Source: Seguin Area Chamber of Commerce, Texas Workforce Commission, and Seguin Economic Development Corporation.

CITY OF SEGUIN, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 17

Function	Fiscal Year 2021	2020	2019	2018	2017	Fiscal Year 2016	2015	2014	2013	2012
Police										
Physical arrests	911	1,101	1,084	1,072	1,755	2,328	1,798	1,605	1,138	1,509
Traffic citations	2,681	3,814	6,632	12,616	12,206	11,068	12,740	15,988	8,911	12,349
Parking citations	342	324	919	1,249	1,324	70	265	308	291	176
Fire/EMS										
Emergency responses	5,840	5,520	4,506	4,308	3,842	4,130	3,682	3,748	3,903	3,162
Non-emergency response/Service Calls	990	318	1,239	1,279	1,424	1,366	1,126	804	588	1,837
Inspections	738	563	787	1,334	1,252	1,467	1,065	379	482	831
Refuse collection (by private contractor)										
# of customers	8,191	8,296	8,162	9,025	8,796	8,623	8,400	8,079	7,945	7,850
Parks and Recreation										
Park and sport facility rentals	474	178	701	575	732	763	701	639	622	624
Sport league participants	3,265	1,227	-	-	3,614	3,352	2,358	740	2,251	2,815
Program participants	313	319	3,441	3,517	3,359	3,769	4,539	4,640	3,509	5,172
Wave Pool admissions	-	-	14,301	12,436	11,430	12,801	13,447	13,077	13,126	13,126
Library										
Volumes in collection	78,591	78,478	76,559	76,490	73,137	69,055	56,276	64,366	62,220	69,563
Total volumes borrowed	238,272	232,572	308,802	260,766	269,824	168,429	183,771	197,204	205,281	210,820
Electric										
# of customers	8,662	8,555	8,541	8,549	8,538	8,438	8,500	8,314	8,293	8,191
Sales (millions of $)	29	29.4	30.1	30.5	29.7	27.3	28.5	25.7	25.3	25.8
Water										
# of customers	7,770	7,549	7,518	7,516	7,393	7,298	7,250	7,120	7,116	7,088
Average daily production (millions of gal.)										
Surface water	5	4.80	4.08	3.81	3.20	3.73	2.84	2.69	2.35	2.77
Well water	3	3.04	2.98	3.22	3.06	2.71	2.92	3.04	3.01	3.17
Total	8	7.84	7.06	7.03	6.26	6.44	5.76	5.73	5.36	5.94
Water main repairs (main sizes from 3/4" to 16")	114	129	178	133	175	126	455	403	127	74
Wastewater										
Average daily sewage treatment (millions of gal.)	4.33	4.05	4.33	4.65	5.40	4.57	4.05	3.29	3.74	4.13

Sources: City departments

Notes: Fire/EMS statistics are on a calendar basis. Program participants under Parks and Recreation include day camp, after-school, softball, & swimming lessons. Sales of electricity are of purchased power; the City does not generate electric power.

CITY OF SEGUIN, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 18

Function	Fiscal Year 2021	2020	2019	2018	2017	Fiscal Year 2016	2015	2014	2013	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	87	87	87	87	84	73	70	67	66	62
Fire stations	3	3	3	3	3	3	3	3	3	3
Public works										
Streets (miles of paved)	321.15	180.22	171.17	168.26	165.81	164.73	197.55	178.48	178.48	178.48
Parks and Recreation										
Number of parks	12	12	12	12	12	12	12	11	11	11
Acreage	346.91	346.91	346.91	346.91	346.91	346.91	346.91	299.91	299.91	299.91
Water										
Water mains (miles)	216.30	218.80	165.73	165.73	165.73	164.00	164.00	161.00	161.00	117.00
Fire hydrants	1,213	1,110	1,317	1,311	1,306	1,293	1,284	1,100	1,085	1,081
Storage capacity (millions of gallons)	9.07	9.01	8.64	8.64	8.64	8.64	8.64	7.79	7.79	7.79
Wastewater										
Sanitary sewers (miles)	201.92	201.92	179.88	179.88	179.88	178.00	178.00	175.00	152.00	118.00

CITY OF SEGUIN, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 19

Function	Fiscal Year 2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government										
Financial Administration	8	8	8	8	8	8	8	8	8	8
City Manager	2	3	3	3	3	4	4	4	3	3
Human Resources	7	6	6	6	6	6	5	5	5	5
Planning and Zoning	21	17	13	13	12	12	11	11	11	10
City Secretary	2	1	1	1	1	1	1	1	1	1
Information Systems	11	9	8	7	6	5	5	4	3	3
Facilities and Grounds	5	5	5	5	4	4	4	4	3	3
Public Safety										
Police	87	85	81	81	81	79	78	76	72	72
Fire/EMS	67	63	62	62	58	57	56	56	53	51
Legal & Judicial	6	6	6	6	6	6	5	5	5	5
Animal Control	7	7	7	7	7	5	5	4	4	4
Public Service										
Public Works	41	39	40	33	34	32	29	27	26	28
Vehicle Maintenance	5	4	3	3	3	3	3	3	3	3
Library	16	15	13	13	14	13	8	8	8	8
Parks and Recreation	20	21	21	19	19	19	19	16	18	17
Golf Course	8	8	8	8	8	9	9	9	9	9
DownTown & Main St. Program	3	2	2	2	2	2	2	2	2	2
Coliseum	1	2	2	2	2	2	1	1	1	1
Utility Fund										
Administration	2	2	2	3	3	3	3	2	2	2
Electric Production/Distribution	17	18	15	15	15	15	15	11	10	10
Utility Services	14	15	14	13	12	12	10	10	10	10
Water Production	11	11	11	11	11	11	11	11	10	11
Water/Sewer Maintenance	19	19	17	16	16	15	11	10	10	11
Sewer Plant	10	10	10	9	9	8	8	8	7	8
Economic Development	4	4	3	3	4	4	4	4	4	3
Facilities Maintenance	19	19	13	13	13	11	8	14	13	13
Utility Billing	6	6	6	6	6	6	5	6	5	6
CVB	3	2	3	3	3	3	3	3	2	1
Total	422	407	383	371	366	355	331	323	308	308

Source: City Human Resources Department

COMPLIANCE SECTION

Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seguin, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Seguin, Texas, basic financial statements and have issued our report thereon dated March 1, 2022. The financial statements of the discretely-presented component unit, Seguin Economic Development Corporation, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Seguin, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Seguin, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Seguin, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the city's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Seguin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

March 1, 2022

Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

The Honorable Mayor and City Council
City of Seguin, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Seguin, Texas' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of City of Seguin Texas' major federal programs for the year ended September 30, 2021. City of Seguin Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Seguin, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Seguin, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Seguin Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Seguin, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

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Report on Internal Control Over Compliance

Management of City of Seguin, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Seguin, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Seguin, Texas' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Armstrong, Vaughan & Associates, P.C.

March 1, 2022

CITY OF SEGUIN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified ____ Yes _X_ No
One or more significant deficiencies identified that are not considered to be material weaknesses? ____ Yes _X_ None Reported

Noncompliance material to financial Statements noted? ____ Yes _X_ No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified ____ Yes _X_ No
One or more significant deficiencies identified that are not considered to be material weaknesses? ____ Yes _X_ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR Part 200 of the Uniform Guidance? ____ Yes _X_ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and type B Programs: $750,000

Auditee qualified as low-risk auditee? ____Yes _X_No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF SEGUIN, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Explanation Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Not Applicable		

CITY OF SEGUIN, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Texas State Library and Archives Commission			
Grants to States - Cares Act	45.310	CAR2-21019	$ 24,040
Grants to States - Interlibrary	45.310	902375	3,064
U.S. DEPARTMENT OF COMMERCE			
Economic Devolopment Administration			
Economic Adjustment Assistance	11.307	08-79-05445	32,088
U.S. DEPARTMENT OF HOMELAND SECURITY			
Related Disaster and Related Determinations/FEMA	97.030	187-66644-00	60,599
U.S. DEPARTMENT OF HOUSING AND URBAN DEV			
Passed Through Texas Dept. of Agriculture			
CDBG-State Program Grant	14.228	84-850-9402	14,400
U.S. DEPARTMENT OF JUSTICE			
Direct Award			-
Bullet Proof Vests	16.607	BA-2000S-SX02	5,764
SW Border Rural Law Enforcement	16.738	2019-MU-BX-K002	86,868
Criminal and Juvenile Justice and Mental Health Collabc	16.745	2020-MO-BX-0023	28,311
National Association of VOCA Assistance Administratc	16.582	CAP21-432	1,869
Passed Through Office of the Governor			
Victim's of Crime Act Formula Grant Program	16.575	3245403	7,865
U.S. DEPARTMENT OF TREASURY			
American Rescue Plan Act	21.027	187-66644-00	580,394
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Texas Department of Transportation	20.205	0915-46-046	1,371,550
Highway Planning and Construction			
TOTAL FEDERAL AWARD EXPENDED			$ 2,216,812

CITY OF SEGUIN, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City, and is presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 – INDIRECT COSTS

The City has negotiated an indirect cost rate with grantors and has elected not to draw the 10% de minimis indirect cost rate allowed in the Uniform Guidance, Section 414.

SEGUIN
TEXAS

It's real.

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APPENDIX E

General Purpose Financial Statements for the
Schertz/Seguin Local Government Corporation
For the Fiscal Year Ended September 30, 2021

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SCHERTZ/SEGUIN
LOCAL GOVERNMENT CORPORATION

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021 and 2020

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

CORPORATE OFFICIALS

SEPTEMBER 30, 2021

PRESIDENT ..... DUDLEY WAIT

VICE-PRESIDENT ..... DAVID REILEY

SECRETARY ..... ROBIN DWYER

ASSISTANT SECRETARY ..... RICHARD DZIEWIT

TREASURER ..... JACK HAMLETT

GENERAL MANAGER ..... AMBER BRIGGS BEARD

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2021

INTRODUCTORY SECTION

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Comparative Statements of Cash Flows 12

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Schertz/Seguin Local Government Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Schertz/Seguin Local Government Corporation as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Schertz/Seguin Local Government Corporation's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schertz/Seguin Local Government Corporation, as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

February 11, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Schertz/Seguin Local Government Corporation's financial performance provide an overview of the Corporation's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the Corporation's financial statements.

HIGHLIGHTS

Financial Highlights

- The Corporation's net position was $34.8 million at September 30, 2021.
- Total operating revenues were $19.6 million, while total operating expenses were $11.7 million.

Corporation Highlights

- The Corporation currently owns approximately 4,361 acres of land and leases water rights to another 15,147 acres in Gonzales County where the wells and treatment plant are located. SSLGC is permitted to produce 19,362 acre-feet of water per year from twelve wells.
- The Corporation currently owns approximately 1,494 acres of land and leases water rights to another 12,511 acres in Guadalupe County. SSLGC is permitted to produce for a total of 4,032.52 acre feet of water per year from the Carrizo aquifer and 1,290.4 acre feet from the Wilcox aquifer.

USING THIS ANNUAL REPORT

This annual report consists of two parts: Management's Discussion and Analysis and Financial Statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required financial statements

The Financial Statements of the Corporation report information about the Corporation using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the Corporation's assets, deferred outflows of resources, deferred inflows of resources, and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Corporation and assessing the liquidity and financial flexibility of the Corporation. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Corporation's operations over the past year and can be used to determine whether the Corporation has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Corporation's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations as "from where did the cash come? "for what was cash used?' and "what was the change in cash balance during the reporting period?'

FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE

One of the most important questions asked about the Corporation's finances is "Is the Corporation, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Corporation's activities in a way that will help answer this question. These two statements report the net position of the Corporation and changes in them. You can think of the Corporation's net position—the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the Corporation's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

The Corporation's total net position is $34.8 million. Our analysis below focuses on the Corporation's net position (Table 1) and changes in net position (Table 2) during the year.

Table 1
Schertz-Seguin Local Government Corporation's
Net Position

	2021	2020	2019
Current Assets	$ 22,861,110	$ 16,135,798	$ 17,028,729
Restricted Assets	60,687,769	74,306,769	75,252,982
Net Property, Plant & Equipment	108,086,938	98,152,548	94,845,220
TOTAL ASSETS	191,635,817	188,595,115	187,126,931
Deferred Charge on Refunding	2,608,516	2,781,377	2,712,824
TOTAL DEFERRED OUTFLOWS	2,608,516	2,781,377	2,712,824
Current Liabilities	9,433,330	5,588,251	5,468,711
Revenue Bonds Payable	150,094,421	154,226,349	157,992,682
TOTAL LIABILITIES	159,527,751	159,814,600	163,461,393
Net Investment in Capital Assets	9,044,360	6,117,596	175,297
Restricted	7,634,597	7,815,465	8,318,209
Unrestricted	18,037,625	17,628,831	17,884,856
TOTAL NET POSITION	$ 34,716,582	$ 31,561,892	$ 26,378,362

Changes in the Corporation's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Changes in Net Position for the year.

Table 2
Changes in Schertz-Seguin Local Government Corporation's
Net Position

	2021	2020	2019
Total Operating Revenues	$ 19,617,505	$ 19,499,178	$ 18,485,988
Interest Income	32,848	810,812	1,960,714
TOTAL REVENUES	19,650,353	20,309,990	20,446,702
Total Operating Expenses	11,659,831	10,110,686	9,996,177
Interest Expense & Fiscal Agent Fees	4,850,727	4,658,091	4,713,034
Other Nonoperating (Income) Expenses	(14,895)	357,683	323,017
TOTAL EXPENSES	16,495,663	15,126,460	15,032,228
Change in Net Position	3,154,690	5,183,530	5,414,474
Net Position at Beginning of Year	31,561,892	26,378,362	20,963,888
TOTAL NET POSITION	$ 34,716,582	$ 31,561,892	$ 26,378,362

Change in Net Position was $3.2 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal year 2021, the Corporation had $108.1 million, net of depreciation, invested in capital assets, including water treatment plants, water transmission and distribution mains, water storage facilities, pump stations as well as land. This is an increase of $9.9 million due to current additions in excess of current depreciation. Several projects are still ongoing resulting in a balance of Projects in Progress of $16.3 million. Accumulated Depreciation increased by $2.8 million.

Table 3
Schertz-Seguin Local Government Corporation's Assets

	2021	2020	2019
Land	$ 19,254,028	$ 19,248,307	$ 16,828,592
Water Distribution System	100,351,880	100,041,108	92,691,058
Buildings and Improvements	1,703,377	1,703,377	943,377
Equipment and Vehicles	690,214	649,954	618,807
Accumulated Depreciation	(30,212,794)	(27,458,980)	(24,927,525)
	91,786,705	94,183,766	86,154,309
Projects in Progress	16,300,233	3,968,782	8,690,911
Net Property, Plant & Equipment	$ 108,086,938	$ 98,152,548	$ 94,845,220

Long Term Debt

At year-end, the Corporation had a total of $149.5 million bonds outstanding as compared to $153.2 million the previous year. No new bonds were issued during the current year.

Table 4
Schertz-Seguin Local Government Corporation's
Long-Term Debt

	2021	2020	2019
Bonds Payable	$ 149,455,000	$ 153,235,000	$ 159,140,000
Total Bonds Payable	$ 149,455,000	$ 153,235,000	$ 159,140,000

Bond Ratings

The Corporation's bonds presently carry "AAA" ratings with underlying ratings as follows: Fitch "A-" and Standard & Poors "A ".

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Corporation has secured SWIFT funding in the amount of $66,500,000 for its current expansion project that includes the Guadalupe Project and a Parallel Pipeline from the booster pump station in Seguin to the terminus in Schertz. The Corporation owns property in Guadalupe County that includes well sites, a treatment plant site and one existing Carrizo well. Permits for production of groundwater from the Carrizo-Wilcox aquifer have been issued by the local groundwater conservation district. The Guadalupe Project consists of drilling new groundwater production wells, roads and pipelines for the new wells and a new water treatment facility. Construction of the Guadalupe Project began in 2021 and is estimated to be completed in 2023. Construction of the Parallel Pipeline Project began in 2021 and is estimated to be completed in 2022.

- Design is complete on the Guadalupe River Bridge Crossing Rehabilitation Project. This project includes replacement of the temporary Guadalupe River interconnection between SSLGC and the City of Seguin attached to the HWY 123 Bridge. Estimated costs of this project are approximately $550,000 and the Repair and Replacement fund is being utilized for this project. The Construction of the Guadalupe River Bridge Crossing Rehabilitation Project is expected to begin and be completed in 2022.

- Starting in 2022, SSLGC will begin the Rehabilitation of Existing Pressure Filters in Water Treatment Plant #1. This project includes the sand blasting and painting of the interiors and exteriors of the pressure filters (required every 10-12 years). All filter media must be removed and replaced during this process. The estimated total project cost if $4,883,000 and the Repair/Replacement fund will be utilized for this project. SSLGC will break this project down into 3 filters per year over the next five years.

- Starting in 2022, SSLGC will begin a multi-year well lowering project for Gonzales Wells 1-6, with 1 well being completed per year. Well pumps and motors will be lowered and replaced with higher capacity equipment and SCADA upgrades will be completed at each well site. Estimated project cost for 2022 is $512,400.

- SSLGC is currently working on an Emergency Preparedness Plan per Senate Bill 3 Requirements. The system is currently being assessed to meet SB 3 requirements and analysis is being performed regarding system looped electric feeds and/or the installation of generators throughout the water system. The plan is due March 1, 2022 to TCEQ.

- SSLGC has completed a Water Model of the water system in 2021. SSLGC is currently assessing the projects recommended by the water model as they relate to water demand projections.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Schertz-Seguin Local Government Corporation, General Manager, P. O. Box 833, Seguin, Texas 78156-0833.

BASIC FINANCIAL STATEMENTS

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF NET POSITION
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	**$ 21,368,136**	$ 14,103,879
Accounts Receivable	**1,405,369**	1,871,176
Other Receivables	**6,625**	79,763
Inventory	**80,980**	80,980
Total Current Assets	**22,861,110**	16,135,798
Restricted Assets:		
Cash and Cash Equivalents	**60,687,769**	74,306,769
Total Restricted Assets	**60,687,769**	74,306,769
Property, Plant & Equipment:		
Land	**19,254,028**	19,248,307
Water Distribution System	**100,351,880**	100,041,108
Buildings & Improvements	**1,703,377**	1,703,377
Equipment & Vehicles	**690,214**	649,954
Projects in Progress	**16,300,233**	3,968,782
Accumulated Depreciation	**(30,212,794)**	(27,458,980)
Net Property, Plant & Equipment	**108,086,938**	98,152,548
Total Assets	**191,635,817**	188,595,115
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	**2,608,516**	2,781,377
Total Deferred Outflows of Resources	**$ 2,608,516**	$ 2,781,377

The accompanying notes are an integral part of these statements.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2021 AND 2020

LIABILITIES	**2021**	2020
Current Liabilities:		
Accounts Payable - Trade	**$ 497,547**	$ 588,876
Accounts Payable - Construction	**4,123,833**	271,468
Accrued Interest Payable	**825,430**	855,944
Unearned Revenue	**91,520**	91,963
Current Portion of Revenue Bonds	**3,895,000**	3,780,000
Total Current Liabilities	**9,433,330**	5,588,251
Revenue Bonds Payable (Less Current Maturities and Net of Unamortized Discounts and Premiums)	**150,094,421**	154,226,349
Total Liabilities	**159,527,751**	159,814,600
NET POSITION		
Net Investment in Capital Assets	**9,044,360**	6,117,596
Restricted:		
Debt Service	**1,630,699**	1,454,888
Repairs and Replacement	**500,000**	500,000
Impact Fees	**5,503,898**	5,860,577
Unrestricted	**18,037,625**	17,628,831
Total Net Position	**$ 34,716,582**	$ 31,561,892

The accompanying notes are an integral part of these statements.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Operating Revenue		
Water Usage Fees	**$ 18,402,842**	$ 18,284,415
Rents, Royalties & Leases	**355,088**	391,255
Impact Fees	**699,029**	683,719
Management Services Provided	**-**	50,000
Miscellaneous Fees	**160,546**	89,789
Total Operating Revenues	**19,617,505**	19,499,178
Operating Expenses		
Operations & Maintenance:		
Personnel Costs	**1,302,635**	1,141,382
Professional Services	**422,712**	289,678
Technical Services	**405,624**	331,491
Utilities	**2,328,952**	1,620,001
Repairs and Maintenance	**975,276**	781,600
General Supplies	**536,726**	597,115
Insurance	**127,415**	126,287
Other Operating Costs	**89,714**	61,420
Total Operations & Maintenance	**6,189,054**	4,948,974
Other Operating Expenses:		
Annual Lease Payments - Water Rights	**2,685,536**	2,630,257
Depreciation	**2,785,241**	2,531,455
Total Other Operating Expenses	**5,470,777**	5,161,712
Total Operating Expenses	**11,659,831**	10,110,686
Operating Income (Loss)	**7,957,674**	9,388,492
Nonoperating Revenues (Expenses):		
Interest Income	**32,848**	810,812
Gain on Sale of Assets	**14,895**	-
Interest Expense and Fiscal Fees	**(4,850,727)**	(4,658,091)
Bond Issuance Costs	**-**	(357,683)
Total Nonoperating Revenues (Expenses)	**(4,802,984)**	(4,204,962)
Change in Net Position	**3,154,690**	5,183,530
Net Position - Beginning of Year	**31,561,892**	26,378,362
Net Position - End of Year	**$ 34,716,582**	$ 31,561,892

The accompanying notes are an integral part of these statements.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities		
Cash Received From Customers	**$ 20,156,007**	$ 20,044,251
Cash Paid to Suppliers	**(8,965,919)**	(7,539,770)
Net Cash Provided (Used) by Operating Activities	**11,190,088**	12,504,481
Cash Flows From Capital and Related Financing Activities		
Payments Toward Projects in Progress	**(8,489,015)**	(3,257,157)
Purchase of Land and Rights of Way	**(5,721)**	(2,419,715)
Purchase of Building & Improvements	**(300,843)**	(130,764)
Purchase of Equipment and Vehicles	**(71,687)**	(31,147)
Proceeds from Sale of Assets	**14,895**	-
Proceeds from Revenue Refunding Bonds	**-**	21,789,893
Payments to Escrow Agent to Refund Bond Issue	**-**	(22,138,393)
Bond Interest and Fiscal Fees Paid	**(4,945,308)**	(4,721,323)
Bond Principal Payment	**(3,780,000)**	(3,755,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(17,577,679)**	(14,663,606)
Cash Flows From Investing Activities		
Interest Received	**32,848**	810,812
Net Cash Provided (Used) by Investing Activities	**32,848**	810,812
Net Increase (Decrease) In Cash and Cash Equivalents	**(6,354,743)**	(1,348,313)
Cash and Cash Equivalents at Beginning of Period	**88,410,648**	89,758,961
Cash and Cash Equivalents at End of Period	**$ 82,055,905**	$ 88,410,648
Cash and Cash Equivalents as Reported on Balance Sheet:		
Cash and Cash Equivalents	**$ 21,368,136**	$ 14,103,879
Restricted Cash and Cash Equivalents	**60,687,769**	74,306,769
	$ 82,055,905	$ 88,410,648

The accompanying notes are an integral part of these statements.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	**$ 7,957,674**	$ 9,388,492
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	**2,785,241**	2,531,455
(Increase) Decrease in Accounts Receivable	**465,807**	570,227
(Increase) Decrease in Other Receivables	**73,138**	(61,431)
(Increase) Decrease in Inventory	**-**	(17,965)
Increase (Decrease) in Accounts Payable	**(91,329)**	57,426
Increase (Decrease) in Unearned Revenue	**(443)**	36,277
Net Cash Provided (Used) by Operating Activities	**$ 11,190,088**	$ 12,504,481

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES:

Historical Cost of Equipment Disposed	**$ 31,427**	$ -
Accumulated Depreciation	**(31,427)**	-
Net Book Value	**$ -**	$ -

The accompanying notes are an integral part of these statements.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Reporting Entity

The Schertz/Seguin Local Government Corporation was incorporated December 23, 1998 pursuant to the provisions of the Texas Transportation Corporation Act and the Texas Local Government Code. The Corporation was organized to aid, assist, and act on behalf of the Cities of Schertz and Seguin, collectively, in acquiring, constructing, improving or extending, and maintaining and operating a water utility system for public use.

The Corporation meets the criteria of a joint venture between the cities of Schertz and Seguin with an ongoing financial responsibility. The Cities have pledged revenues from existing water utility systems to finance the operations and long-term debt of the Corporation, either through purchasing water from the Corporation or subsidizing through direct payments (reflected as "Contributions from Participating Governments"). The Corporation continues to actively pursue the development of alternate water sources.

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Enterprise Fund

The Corporation is an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public. The activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

3. Basis of Accounting

The statements are presented on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is used whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

4. Cash and Cash Equivalents

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the Corporation. Cash and cash equivalents also include investments in local government pools because the pools seek to maintain a $1 per share value and average dollar weighted maturity of not more than 90 days (see also Note A-5).

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Investments

Investments consist of certificates of deposit; investments in TexPool and MBIA Asset Management Group (public funds investment pools); and obligations of the U.S. government and its agencies. Investments are recorded at fair value, except for short-term (one year or less to maturity at time of purchase) participating interest-earning investment contracts which are reported at amortized cost. In addition, non-participating contracts (such as nonnegotiable certificates of deposit) are reported at amortized cost.

Following Statement No. 72, "Fair Value Measurement and Application," the Corporation categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

6. Accounts Receivable

Accounts receivable consists of amounts due from member entities and customers. Management considers all outstanding amounts to be collectible and has not recorded an allowance for doubtful accounts.

7. Inventory

Inventory of replacement parts for the water distribution system are valued at cost on a first-in, first-out basis.

8. Restricted Assets

Certain proceeds of bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Funds are segregated to report those proceeds of revenue bond issuances that are restricted for construction. Funds are also segregated to provide for debt service as provided under bond indenture agreements.

Part of the agreement for bond proceeds from the Texas Water Development Board required reserve funds to be kept in a restricted bank account to serve as collateral. These funds are shown as Investments Held in Escrow and included as Cash and Cash Equivalents under the Restricted Assets on the Statement of Net Position.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Property, Plant & Equipment

All purchased property, plant and equipment is valued at cost if purchased, and donated property is valued at the estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation of exhaustible plant and equipment is charged as an expense against operations when the asset is placed in service and accumulated depreciation is reported on the balance sheet. Depreciation is provided in amounts sufficient to relate the cost of fixed assets to operations over their estimated service lives using the straight-line method. Estimated useful lives are as follows:

Fixed Asset	Useful Life (Years)
Utility Water System	10 - 50
Building and Improvements	40
Equipment and Vehicles	5 - 20

For the years ended September 30, 2021 and 2020, depreciation in the amount of $2,785,241 and $2,531,455, respectively, was recognized.

10. Lease Acquisition and Lease Costs

Costs incurred to purchase or lease property for its water rights are capitalized. Those costs include amounts paid to landowners to enter into the leases, and legal costs. The costs were amortized over the 10 year minimum lease term but became fully amortized as of September 30, 2019.

11. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation only has one item that qualifies for reporting in this category: deferred charge on refunding reported in the statement of position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

12. Unearned Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. The Corporation does not recognize revenues for Impact Fees until a work order has been approved. Therefore, fees received in advance of approved work orders are reflected as unearned revenue.

13. Long-Term Obligations

Long-term obligations are reported as liabilities in the Corporation's balance sheet. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Equity Classifications

Equity is classified as net position and displayed in three components:

a. *Net Investment in Capital Assets* – Consists of capital assets (net of accumulated depreciation) and lease acquisition costs (net of accumulated amortization) and reduced by the outstanding balances of bonds (net of premiums and discounts) and short-term notes that are attributable to the acquisition, construction or improvement of those assets. As of September 30, 2021, total outstanding debt exceeded investment in capital assets due to annual depreciation and amortization charges exceeding principal repayments on bonded debt in early years of debt issuance schedules.

b. *Restricted net position* – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Bond covenants require a Repairs and Replacement fund be maintained and funds restricted for that purpose. Additionally, the Impact Fee Resolution requires that fees be separated and restricted (along with investment earnings) to finance water facilities generated by new development.

c. *Unrestricted net position* – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

15. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the Corporation, those revenues are charges for water provided to customers, and charges for use of property. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

16. Use of Estimates

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

NOTE B -- DEPOSITS AND INVESTMENTS

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized in the following paragraphs.

Deposits – All deposits with financial institutions must be fully collateralized. The collateral must be held by the pledging financial institution's trust department or equivalent. As of September 30, 2021, the carrying amount of the Corporation's deposits was $4,754,212 and the bank balance was $2,422,000. The bank balance was fully collateralized.

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

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

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

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

As of the end of the year (respectively), the Corporation had the following investments:

Investment Type	2021 Carrying Value	2020 Carrying Value
Local Government Investment Pools	$ 58,258,127	$ 25,502,168
FIMM Govt. Portfolio - Held in Escrow	19,043,566	62,691,941
	$ 77,301,693	$ 88,194,109

All of the Corporation's investments are valued using prices quoted in active markets (Level 1 inputs) except for Certificates of Deposit which are recorded at amortized cost.

Credit Risk. The Corporation's investment policy limits investments to obligations of the United States or its agencies and instrumentalities (maximum 95% of funds); direct obligations of the State of Texas; obligations of states, agencies, contracts, cities, and other political subdivisions rated as to investment quality of not less than AAA by a nationally recognized investment firm.

The Corporation may also invest up to 100% of its funds in government investment pools provided the pool maintains a AAA rating, the pool maintains a stable asset value, and the average dollar weighted maturity does not exceed 90 days. As of September 30, 2021, the Corporation had investments in TexPool and MBIA Texas Class Portfolio Holdings. The escrowed funds are invested in Fidelity Investments Money Market Government Portfolio – Class II, which also maintains a stable asset value ($1 per share) and has an average dollar weighted maturity of less than 90 days. TexPool, MBIA Texas Class Portfolio Holdings, and FIMM Govt. Portfolio – Class II are rated AAAm by Standard and Poors.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2021, the Corporation was not subject to custodial credit risk.

NOTE C-- PROPERTY, PLANT & EQUIPMENT, AND LEASE ACQUISITION COSTS

The Corporation has acquired land and land leases for the purpose of establishing well sites and water treatment facilities. The Corporation has acquired over 4,000 acres to date for this purpose.

Changes in Land, Equipment & Vehicles, Projects in Progress, and Lease Acquisition costs are as follows:

	Balance 10/1/2020	Additions	(Retirements)	Balance 9/30/2021
Land and Rights of Way	$ 19,248,307	$ 5,721	$ -	$ 19,254,028
Water Distribution System	100,041,108	310,772	-	100,351,880
Buildings & Improvements	1,703,377	-	-	1,703,377
Equipment and Vehicles	649,954	71,687	(31,427)	690,214
Projects in Progress	3,968,782	12,341,380	(9,929)	16,300,233
Accumulated Depreciation	(27,458,980)	(2,785,241)	31,427	(30,212,794)
	98,152,548	9,944,319	(9,929)	108,086,938
Water Lease Acquisition Costs	853,994	-	-	853,994
Less Accumulated Amortization	(853,994)	-	-	(853,994)
Total Property, Plant & Equipment and Lease Acquisition Costs (Net)	$ 98,152,548	$ 9,944,319	$ (9,929)	$ 108,086,938

Land and Rights of Way, as well as, Projects in Progress are not depreciated.

NOTE D -- LONG-TERM DEBT

Following is a summary of the Corporation's long-term debt transactions for the year ended September 30, 2021:

	Balance 10/1/2020	Additions	(Payments)/ Amortization	Balance 9/30/2021
Revenue Bonds, Series 2001 Original Issue $41,040,000 3.70% to 5.375%	$ 10,000,000	$ -	$ -	$ 10,000,000
Less Unamortized Discount	(41,206)	-	-	(41,206)
Revenue Refunding Bonds, Series 2014 Original Issue $6,275,000 2.00% to 3.5%	3,055,000	-	(570,000)	2,485,000
Plus Unamortized Premium	104,251	-	(20,851)	83,400
Revenue Refunding Bonds, Series 2015 Original Issue $41,720,000 2.00% to 5.00%	38,075,000	-	(785,000)	37,290,000
Plus Unamortized Premium	1,618,763	-	(67,448)	1,551,315
Contract Revenue Bonds, Series 2016, TWDB SWIRFT Original Issue $43,670,000 0.66% to 3.11%	41,170,000	-	(1,250,000)	39,920,000
Board Participation Program Series 2016 Original Issue $22,830,000 3.19% to 3.88%	22,830,000	-	-	22,830,000
Revenue Refunding Bonds, Series 2018 Original Issue $19,045,000 3.00% to 5.00%	18,530,000	-	(540,000)	17,990,000
Plus Unamortized Premium	633,900	-	(31,695)	602,205
Revenue Refunding Bonds, Series 2019 Original Issue $19,575,000 2.25% to 5.00%	19,575,000	-	(635,000)	18,940,000
Plus Unamortized Premium	2,455,641	-	(116,934)	2,338,707
	$ 158,006,349	$ -	$ (4,016,928)	153,989,421
Less Current Maturities				(3,895,000)
Net Long-Term Bonds Payable				$ 150,094,421

NOTE D -- LONG-TERM DEBT (Continued)

The Corporation has issued bonds to provide funds to build, improve, extend, enlarge, and repair the Corporation's utility system, fund a reserve, and pay the costs of bond issuance. The bond resolution pledges intergovernmental contract revenues from the cities of Schertz and Seguin to bondholders. Under the intergovernmental water supply contract, the participating governments are unconditionally obligated to pay their respective shares of annual contract revenue bond debt service as operating expenses from their respective utility systems. The reserve fund requirement, which is average annual debt service, has been met with the purchase of a surety bond. As additional security for the bonds, the Corporation has established a reserve fund. The cash balance held in the reserve fund as of September 30, 2021 was $1,362,179.

The total unamortized deferred loss on debt refunding is $2,608,516 as of September 30, 2021 and is shown on the Statement of Net Position as a deferred outflow of resources.

The Corporation issued revenue bonds through the Board Participation Program with Texas Water Development Board in the amount of $22,830,000 on November 1, 2016. The Corporation also issued revenue bonds through the Texas Water Development Board SWIRFT Project Financing in the amount of $43,670,000 on November 1, 2016. The bonds were issued to fund development of a well field and water treatment plant known as the "Guadalupe Project" as well as develop a parallel pipeline. As of September 30, 2021, the Corporation has drawn $49,673,690. The remaining funds after issuance costs are held in escrow by the Texas Water Development Board in the Corporation's name (see Note B). The bonds were privately placed with the Texas Water Development Board and contain no subjective acceleration clauses, events of default with finance-related consequences or termination events with finance-related consequences.

NOTE D -- LONG-TERM DEBT (Continued)

Annual Requirements to amortize all long-term debt outstanding as of September 30, 2021, including interest payments, are as follows:

Year Ending	Public Offerings		
September 30	Principal	Interest	Total
2022	$ 2,635,000	$ 3,700,100	$ 6,335,100
2023	2,735,000	3,605,387	6,340,387
2024	2,835,000	3,497,663	6,332,663
2025	2,955,000	3,381,732	6,336,732
2026	3,210,000	3,252,181	6,462,181
2027 - 2031	18,500,000	13,783,380	32,283,380
2032 - 2036	23,580,000	8,729,010	32,309,010
2037 - 2041	29,055,000	3,237,900	32,292,900
2042 - 2044	1,200,000	73,200	1,273,200
	$ 86,705,000	$ 43,260,553	$ 129,965,553

Year Ending	Private Placement		
September 30	Principal	Interest	Total
2022	$ 1,260,000	$ 1,217,683	$ 2,477,683
2023	1,270,000	1,287,645	2,557,645
2024	1,285,000	1,397,641	2,682,641
2025	1,300,000	1,506,056	2,806,056
2026	1,315,000	1,613,117	2,928,117
2027 - 2031	6,890,000	10,274,997	17,164,997
2032 - 2036	8,690,000	10,990,169	19,680,169
2037 - 2041	14,815,000	5,897,261	20,712,261
2042 - 2046	17,335,000	3,359,538	20,694,538
2047 - 2051	8,590,000	943,151	9,533,151
	$ 62,750,000	$ 38,487,258	$ 101,237,258

The Corporation also entered into a Cost Allocation Agreement, along with the Cities of Schertz and Seguin, whereby the City of Schertz has agreed to fund 100% of the debt service for the bonds issued to fund the Guadalupe Project in exchange for delivery of sufficient water to Schertz. The agreement contains provisions for an annual review (with modifications as necessary), the possibility of other third-party users, and separate rates established for water produced by the project.

NOTE E -- COMMITMENTS

Leases – Water Rights

The Corporation has entered into lease agreements with various land owners for rights of development, production, transportation, and use of ground water on the properties. In addition to incentive and acquisition costs (see Note A-10), the leases call for annual royalty payments based upon, at a minimum, the surface acres of the property times a royalty rate base amount ($105 - $125) adjusted for increases in the consumer price index. The minimum term of the leases is ten years, but if the Corporation continues the royalty payments, the leases remain in effect. Changes in maximum allowable production by the Gonzales County Underground Conservation District may decrease the future commitment for some leases.

As of September 30, 2021, the Corporation has leased a total of 18,761 acre feet. Total estimated annual costs of $2,522,701 are expected for the year ended September 30, 2022, assuming the leases remain in effect beyond the initial minimum term.

Contract Commitments

The Corporation had the following outstanding contract commitments as of September 30, 2021:

	Original Commitment	Incurred to Date	Outstanding Commitment
Consulting	$ 1,162,548	$ 206,231	$ 956,317
Engineering	3,719,807	2,695,799	1,024,008
Improvements & Repairs	62,281,198	10,943,200	51,337,998
Totals	$ 67,163,553	$ 13,845,230	$ 53,318,323

Gonzales County Underground Water Conservation District Mitigation Fund

The Corporation has entered into an agreement with Gonzales County Underground Water Conservation District (GCUWCD) effective March 16, 2010 to fund a Mitigation Fund (the "Fund") for the purpose of investigating and evaluating mitigation claims and implementing mitigation measures for qualifying wells in Western Gonzales County. Contributions to the Fund are in lieu of the Corporation's obligation to perform its own mitigation under GCUWCD's rules.

The Corporation's initial fund principal is $30 per acre foot of water authorized to be produced and transported. The initial contribution was $530,860 and was recognized in prior financial statements as operating expenses of the system. In addition, the Corporation will pay a negotiated export fee surcharge of $0.0175 per 1,000 gallons of water exported each calendar year, except the export fee surcharge shall not be imposed during the initial 3-year period of the agreement while the Fund Balance remains at or above $250,000 as of each July 1st. As of July 1, 2020, the Fund Balance fell below $250,000 and the Corporation was responsible for making an additional payment in the amount of $65,953.

NOTE E -- COMMITMENTS (Continued)

Monitoring Well System Construction, Operations, and Maintenance Agreement

The Corporation has entered into an agreement with Gonzales County Underground Water Conservation District (GCUWCD) effective December 30, 2016 to fund the Corporation's percentage of a project (the "Project") for the construction of new monitoring wells in Gonzales County. Contributions to the Project are based on the number of monitoring wells that each contributing party is responsible for as determined in the agreement.

The Corporation's required contribution represents 21.05% of the total cost of the project and is equal to $192,608. The total contribution was paid in three installments related to the completion of each phase of the Project. During the year ended September 30, 2021, the Corporation received a related refund of $63,432 as the total project was completed for less than originally budgeted.

San Antonio Water System Contract

The Corporation has entered into a Mutual Regional Water Supply Contract with San Antonio Water System (SAWS) whereby SAWS intends to deliver untreated groundwater to the Corporation, and the Corporation will deliver treated water to SAWS. The Corporation and SAWS have determined that significant efficiencies can be achieved through the agreement.

Pursuant to the agreement, SAWS has unconditionally agreed, on a take-or-pay basis, to pay the Corporation an amount equal to the debt service payments on the Contract Revenue Bonds, Series 2012. The water supply contract specifies that the agreement does not create any legal or equitable interest in the land or equipment to be purchased by the Corporation with the proceeds of the bonds. Under the take-or-pay agreement, SAWS will make monthly payments toward the debt service regardless of whether SAWS takes any water from the Corporation. For the year ended September 30, 2021, total payments received from SAWS for water treatment, water purchases and debt service were $5,995,178.

NOTE F -- CONTINGENCIES

Contractual Contingencies

The Corporation has entered into contracts with the cities of Selma and Universal City (referred to as "Customers") to provide supplemental water to those cities' existing systems. The contracts call for connection fees in the amount of $2,270,171 from each customer. The Corporation has agreed to provide a conditional right to each customer of 400 acres of land with water rights in the Carrizo Aquifer well field in Gonzales County, owned by the Corporation. At the election of the Corporation, or in the event the Corporation dissolves, the title to 400 acres will be transferred to the customer. The Corporation's contingent commitment does not restrict the Corporation's right to buy and sell real estate as long as the Corporation's holdings in Gonzales County do not fall below the amount necessary to fulfill this obligation.

NOTE F -- CONTINGENCIES (Continued)

Litigation

The Corporation filed a lawsuit against the Post Oak Clean Green, Inc. (POCG) to prevent them from getting a permit and building a landfill in the aquifer recharge zone. As of the date of this report, the litigation is ongoing as the Corporation is appealing the permit approved by Texas Commission on Environmental Quality. Management is of the opinion that any proceedings known to exist as of September 30, 2021 are not likely to have a material adverse effect on the Corporation's financial position.

NOTE G -- RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and other claims of various natures. The Corporation contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty. The provider is a multi-employer group that provides a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by TML. Liability for the Corporation is generally limited to the contributed amounts.

NOTE H -- MANAGEMENT SERVICES AGREEMENT

The Corporation operates under a Management Services Agreement with the City of Seguin whereby the City provides all financial administrative duties (including bookkeeping and record retention, purchasing, and monitoring contracts approved by the Board or General Manager) on a cost reimbursement basis. In addition, all personnel of the Corporation are employees of the City of Seguin and participate in and are subject to City policies and benefits, with the exception of the General Manager and Assistant Manager, who are employees of the City of Schertz.

The Corporation also provided financial and administrative duties (including bookkeeping and record retention, purchasing, and monitoring contracts approved by the Board or General Manager) on a cost reimbursement basis under a Management Services Agreement with the Cibolo Valley Local Government Corporation through September 30, 2020. Funds received from the Cibolo Valley Local Government Corporation for Management Services have been shown as operating revenue on the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE I -- SOLAR LEASE AGREEMENT

The Corporation entered into a solar lease agreement with Elm Creek Energy, LLC (the Tenant) effective June 30, 2020. The agreement establishes a development term that began on the effective date and shall continue until the earlier of either the Generation Commencement Date or the fifth anniversary of the effective date. At that time the agreement begins an operations term for forty years. The tenant will be granted easement of 5,791.74 acres in Gonzales County for the purpose of generating solar energy. During the development term, the tenant agrees to pay between $40 and $75 per acre of applicable acreage each year. During the operations term, then tenant agrees to pay annually an amount equal to the greater of (a) $725 multiplied by the applicable acreage, which amount shall escalate at 1.25% each year, or (b) 3.50% of gross revenues received by the tenant, which percentage shall escalate in increments of 0.5% every five years.

NOTE J -- SUBSEQUENT EVENT

Subsequent to year end, the Corporation issued Contract Revenue and Refunding Bonds, Series 2022, in the amount of $39,150,000. The bonds are payable over 23 years at initial rates of 1.372% - 3.5%. The refunding bonds were issued to refund a portion of the 2014 and 2015 revenue bonds for a savings of $2,151,986 (net present value benefit of $1,825,893).

Schertz Seguin
LOCAL GOVERNMENT CORPORATION

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APPENDIX F

Certain Provisions of the Resolution

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APPENDIX F

CERTAIN PROVISIONS OF THE RESOLUTION

The following constitutes a summary of certain selected provisions of the Resolution. This summary should be qualified by reference to other provisions of the Resolution referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Resolution in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Resolution, a copy of which may be obtained from the City.

SECTION 9: Definitions. For all purposes of this Resolution (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 36 and 53 of this Resolution have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Resolution to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of this Resolution as originally adopted; and (iii) the words "herein", "hereof", and "hereunder" and other words of similar import refer to this Resolution as a whole and not to any particular Section or other subdivision.

A. The term *Additional New Series Bonds* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the Corporation that are payable wholly or in part from and equally and ratably secured by a lien and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is immediately junior and inferior to the lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds until such time as no Priority Bonds remain Outstanding (at which point all New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments), but senior and superior to the lien thereon and pledge thereof of any additional Corporation obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments that is subordinate and inferior to the lien thereon and pledge thereof securing the repayment of any New Series Bonds and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a lien on and pledge of the of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, as determined by the Corporation in accordance with applicable law, on parity with the lien thereon and pledge thereof securing the other New Series Bonds then-Outstanding.

B. The term *Additional Priority Bonds* shall mean any bonds, notes, warrants, or other evidences of indebtedness (including those issued for the purpose of refunding previously issued bonds, notes, or other evidences of indebtedness) which the Corporation reserved the right to issue under the Priority Bonds Resolutions the repayment of which is secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is on parity with the lien thereon and pledge thereof securing the repayment of the Priority Bonds.

C. The term *Additional Obligations* shall mean collectively, any Prior Lien Obligations, Junior Lien Obligations, or Inferior Lien Obligations hereafter issued by the Corporation.

D. The term *Annual Payments* shall mean the payments, including the Bond Payment, Operation and Maintenance Expenses, and Overhead Expenses, that the Corporation expects to receive from the Cities pursuant to the terms of the Contract.

E. The term *Authorized Officials* shall mean the Board President, Board Secretary, and the General Manager.

F. The term *Average Annual Debt Service Requirements* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements on all outstanding Priority Bonds and New Series Bonds when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirement by the number of Fiscal Years then remaining before Stated Maturity of such Priority Bonds and New Series Bonds. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

G. [The term *BAM* shall mean Build America Mutual Assurance Company, or any successor thereto.]

H. The term *Bond Fund* shall mean the special Fund or account created and established by the provisions of Section 13 of this Resolution.

I. The term *Bond Payment* shall have the meaning ascribed thereto in the Contract.

J. The term *Bonds* shall mean the $__,___,___ "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2022A", dated September 1, 2022, authorized by this Resolution and issued by the Corporation as the sixth series of New Series Bonds.

K. The term *Closing Date* shall mean the date of physical delivery of the Initial Bonds for the payment in full by the Purchasers.

L. The term *Contract* shall mean the Regional Water Supply Contract, dated as of November 15, 1999, together with amendments and supplements thereto (which by the term of such instrument is designated as a supplement to such Contract), a conformed copy of such Contract being attached hereto as Exhibit E for the purposes of identification.

M. The term *Corporation* shall mean Schertz/Seguin Local Government Corporation and any other nonprofit corporation, public agency, or other entity succeeding to the powers, rights, privileges and functions of the Corporation and, when appropriate, the Board of Directors of the Corporation.

N. The term *Credit Agreement* shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement,

insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the Corporation as a Credit Agreement in connection with the authorization, issuance, security, or payment of any Bond.

O. The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations under and pursuant to Texas law, or (ii) a letter or line of credit issued by any financial institution authorized under applicable Texas law to deliver such types of financial instrument.

P. The term *Credit Provider* shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

Q. The term *Debt Service Requirements* shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the Corporation as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by *The Bond Buyer* (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds or in the manner permitted under Section 1371.057(c), as amended, Texas Government Code as the same relates to interim or non–permanent indebtedness, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any Credit Agreement in the form of an interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the Corporation under such hedge agreement from the amounts payable by the Corporation under such hedge agreement and such obligations.

R. The term *Depository* shall mean an official depository bank of the Corporation.

S. The term *Fiscal Year* shall mean the twelve month accounting period used by the Corporation in connection with the operation of the System, currently ending on September 30th of each year, which may be any twelve consecutive month period established by the Corporation, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

T. The term *Government Securities*, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

U. The term *Gross Revenues* shall mean all income and increment, including, but not limited to, any revenues, income, or connection fees which may be derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired, including payments pursuant to the Contract (excluding the Bond Payment portion of the Annual Payments), but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the Corporation's Special Project Bonds issued particularly to finance certain facilities (even though the facilities to be financed with the Special Project Bonds are physically connected to the System) needed in performing any such contract or contracts; provided, however, that the Board of Directors of the Corporation may utilize any revenues, including those generated by the Contract, in excess of the debt service requirements on the New Series Bonds for any lawful purpose in accordance with this Resolution and the Contract.

V. The term *Holder* or *Holders* shall mean the registered owner, whose name appears in the Security Register, for any Bond.

W. The term *Inferior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other obligations hereafter issued by the Corporation payable wholly or in part from a pledge of and lien on Net Revenues of the System, all as further provided in Section 21 of this Resolution, which is subordinate and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the Corporation, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

X. [The term *Insurance Policy* means each insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.]

Y. [The term *Insured Obligations* shall mean those Bonds covered by the Insurance Policy, for so long as the same remains valid, in force, and in effect.]

Z. [The term *Insurer* means Build America Mutual Assurance Company, or its successors or assigns.]

AA. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being February 1 and August 1 of each year, commencing February 1, 2023, while any of the Bonds remain Outstanding.

BB. The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the Corporation that are payable wholly or in part from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, all as further provided in Section 21 of this Resolution and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

CC. The term *Late Payment Rate* means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (*Prime Rate*) (any change in such Prime Rate to be effective on the date such change is publically announced by JPMorgan Chase Bank, N.A.) plus 5%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates, including Chapter 1204, as amended, Texas Government Code. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

DD. The term *Maintenance and Operating Expenses* shall mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the Corporation's System, including the cost of purchasing water, paying necessary wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operating expenses of the System, including Operation and Maintenance Expenses and Overhead Expenses (each as defined in the Contracts).

EE. The term *Operation and Maintenance Expenses* shall have the meaning ascribed thereto in the Contract.

FF. The term *Overhead Expenses* shall have the meaning ascribed thereto in the Contract.

GG. The term *Net Revenues* shall mean Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operating Expenses during such period.

HH. The term *New Series Bonds* shall mean the currently outstanding New Series Bonds heretofore issued, the Bonds, and any Additional New Series Bonds hereafter issued, designated as:

(1) $41,720,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT AND REFUNDING BONDS, NEW SERIES 2015", dated December 1, 2014;

(2) $43,670,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, NEW SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)", dated August 1, 2016;

(3) $22,830,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION TEXAS WATER DEVELOPMENT BOARD PARTICIPATION PROGRAM 2016", dated November 1, 2016;

(4) $19,045,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, NEW SERIES 2018", dated November 15, 2018; and

(5) $39,150,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, TAXABLE NEW SERIES 2022", dated January 15, 2022.

II. The term *Outstanding* shall mean when used in this Resolution with respect to Bonds means, as of the date of determination, all Bonds issued and delivered under this Resolution, except:

(1) those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds for which payment has been duly provided by the Corporation in accordance with the provisions of Section 38 of this Resolution by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Resolution or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 34 of this Resolution.

JJ. The term *Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other evidences of indebtedness which the Corporation reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 20 of this Resolution and which are equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and secured by a first and prior lien on and pledge of the Net Revenues as determined by the Board in accordance with applicable law.

KK. The term *Priority Bonds* shall mean those obligations heretofore issued by the Corporation and that remain Outstanding after the issuance of the Bonds and the refunding of the Refunded Obligations, which Outstanding obligations are payable from and secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments, which lien and pledge is senior and superior to the lien thereon and pledge thereof securing the repayment of the New Series Bonds, being the:

(1) $41,040,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2001", dated February 1, 2001.

LL. The term *Purchasers* shall mean the initial purchaser or purchasers of the Bonds named in Section 35 of this Resolution.

MM. The term *Rating Agency* shall mean any nationally recognized securities rating agency which has assigned a rating to the Bonds.

NN. The term *Renewal and Replacement Fund* shall mean the special fund, creation and establishment under the Priority Bonds Resolutions of which is recognized by the Corporation in Section 15 of this Resolution.

OO. The term *Resolution* shall mean this resolution adopted by the Board on July 21, 2022.

PP. The term *Special Project Bonds* shall mean bonds which the Corporation expressly reserves the right to issue in Section 22 of this Resolution.

QQ. The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on February 1 of each year, as set forth in Section 2 of this Resolution.

RR. [The term *Surety Policy* shall mean a bond insurance policy, letter of credit, or other agreement or instrument whereby the Corporation is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument.]

SS. The term *System* shall mean the works, improvements, facilities, plants, equipments, appliances, property, easements, leaseholds, licenses, privileges, right of use or enjoyment, contract rights or other interests in property comprising the utility system of the Corporation, including the Project, now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, or the utility system of any other entity to which the Corporation has contractual rights of use, except the facilities which the Corporation may purchase or acquire with the proceeds of the sale of Special Project Bonds, so long as such Special Project Bonds are outstanding, notwithstanding that such facilities may be physically connected with the System.

TT. The term *TWDB* shall mean the Texas Water Development Board or any successor entity thereof.

UU. The term *TWDB Program* shall have the meaning ascribed in Section 59 of the Resolution.

SECTION 10: Pledge of the Bond Payment Portion of the Annual Payments; Availability of Net Revenues for Payment; Perfection of Security Interest.

A. The Corporation hereby covenants and agrees that the Bond Payment portion of the Annual Payments, subject (but only subject) to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, is hereby irrevocably pledged to the payment and security of the New Series Bonds including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, as hereinafter provided. It is hereby resolved that the New Series Bonds, and the interest thereon, shall constitute a lien on and pledge of the Bond Payment portion of the Annual Payments (subject only to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds) and shall be valid and binding without any physical delivery thereof or further act by the Corporation. This lien on the Bond Payment portion of the Annual Payments for the payment and security of the New Series Bonds, as heretofore described, shall be subject only to the first and prior lien thereon and pledge thereof securing the currently outstanding Priority Bonds and, at such time as no Priority Bonds are Outstanding, the lien on and pledge of the Bond Payment Portion of the Annual Payments securing the repayment of the New Series Bonds hereby created shall be elevated to a first and prior lien position such that this lien and pledge shall be prior in right and claim as to any other indebtedness, liability, or obligation of the Corporation or the System.

B. As an additional source of payment of debt service on the New Series Bonds, but not pledged as additional security therefor, the Corporation hereby reserves the right to utilize its Net Revenues for such lawful purpose, but any use of Net Revenues for the payment of New Series Bonds debt service shall be subject to the prior lien on and pledge of the Net Revenues securing the payment of any Additional Obligations hereafter issued by the Corporation.

C. Chapter 1208, as amended, Texas Government Code applies to the issuance of the New Series Bonds and the pledge of Bond Payment portion of the Annual Payments granted by the Corporation under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the New Series Bonds are outstanding and unpaid such that the pledge of the Bond Payment portion of the Annual Payments granted by the Corporation is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the New Series Bonds the perfection of the security interest in this pledge, the Corporation agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges. For the benefit of the Holders of the New Series Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Resolution, the Corporation hereby expressly stipulates and agrees, while any of the New Series Bonds are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and

experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

A. To pay all Maintenance and Operating Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;

B. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Prior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Prior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on and pledge of the Net Revenues of the System;

C. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Junior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior and inferior lien on and pledge of the Net Revenues of the System;

D. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Inferior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Inferior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a subordinate and inferior lien on and pledge of the Net Revenues of the System;

E. To produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the currently outstanding Priority Bonds as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account, including the Priority Bonds' debt service and debt service reserve funds and the Renewal and Replacement Fund heretofore created and established for the payment and security of the Priority Bonds; and

F. To produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the New Series Bonds as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account, including the Bond Fund created herein and any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds, created and established for the payment and security of the New Series Bonds.

SECTION 12: System Fund. The Corporation hereby ratifies, confirms and herein assumes the application for so long as any New Series Bonds are Outstanding its prior covenants and agreements made in the Priority Bonds Resolution that the Gross Revenues of the System shall be deposited, as collected and received, into a separate Fund or account previously created, established, and maintained with the Depository known as the "Schertz/Seguin Local Government

Corporation Revenue Fund" (the *System Fund*) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the Corporation. The Corporation covenants that the Overhead Expenses and Operation and Maintenance Expenses (each as defined in the Contract) shall be deposited upon receipt by the Corporation into the System Fund. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

- FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute, to be a first charge on and claim against the Gross Revenues of the System.

- SECOND: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Prior Lien Obligations hereafter issued by the Corporation as the same become due and payable.

- THIRD: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Junior Lien Obligations hereafter issued by the Corporation as the same become due and payable.

- FOURTH: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Inferior Lien Obligations hereafter issued by the Corporation as the same become due and payable.

- FIFTH: to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds and the Renewal and Replacement Fund created and established for the payment and security of the currently outstanding Priority Bonds.

- SIXTH: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund created herein and any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds, created and established for the payment and security of the New Series Bonds.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Corporation purpose now or hereafter permitted by law.

SECTION 13: Bond Fund; Surplus Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the New Series Bonds as the same become due and payable, the Corporation agrees to maintain, at the Depository, a separate and special Fund or account previously created and known as the "Schertz/Seguin Local Government Corporation Contract Revenue Improvement Bonds, New Series 2022A Interest and Sinking Fund" (the *Bond Fund*). The Corporation covenants that the Bond Payment portion of the Annual Payments shall be deposited upon receipt by the Corporation into the Bond Fund. The Authorized Officials covenant

that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Bond Payment portion of the Annual Payments an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and the principal of the New Series Bonds then falling due and payable, such deposits to pay maturing principal and accrued interest on the New Series Bonds to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers. If the Bond Payment portion of the Annual Payments in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month. For the avoidance of doubt, and for purposes of clarity, the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract shall be utilized by the Corporation, as received, in the following manner for so long as any Priority Bonds remain Outstanding:

- FIRST: to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds created and established for the payment and security of the currently outstanding Priority Bonds and the Renewal and Replacement Fund, in the times and in the amounts (if at all) specified in the Priority Bonds Resolution.

- SECOND: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund, created and established for the payment and security of the New Series Bonds (and including any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds).

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the New Series Bonds shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all outstanding New Series Bonds (principal and interest) or (ii) the New Series Bonds are no longer Outstanding.

Accrued interest received from the Purchasers, as well as any Net Revenues deposited to the Bond Fund at the Corporation's discretion, shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments. Additionally, any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments.

SECTION 14: Reserve Fund. The Corporation hereby reserves the right to establish, at the time of issuance of any series of Additional New Series Bonds, a debt service reserve fund, as either a segregated fund created for the benefit of a particular series of Additional New Series Bonds or a combined fund applicable to all New Series Bonds at such time Outstanding, and to provide for the funding of any such debt service reserve fund in the manner (which may be in any manner then or thereafter permitted by applicable law) and amount as prescribed in the Corporation resolution authorizing the issuance of the series of Additional New Series Bonds in conjunction

with which such reserve fund is created. No debt service reserve was created in the issuance of the currently outstanding Priorty Bonds, the currently outstanding New Series Bonds, and no debt service reserve is created in connection with the issuance of the Bonds.

SECTION 15: Renewal and Replacement Fund. There has been previously created and established under the Priority Bonds Resolutions that there shall be maintained at the Depository, and accounted for separate and apart from all other funds of the Corporation a separate fund entitled the "Schertz/Seguin Local Government Corporation Contract Revenue Bonds Renewal and Replacement Fund" (the *Renewal and Replacement Fund*). The amount deposited initially into the Renewal and Replacement Fund from proceeds of the previously issued Priority Bonds was $500,000.00 (the *Emergency Amount*) which amount may not be decreased while any Priority Bonds are Outstanding. The Renewal and Replacement Fund shall be used for the purpose of (1) paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or (2) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, or (3) paying unexpected or extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, or (4) paying the debt service requirements on the currently outstanding Priority Bonds for which other System revenues are not available, or (5) for any other lawful purpose in support of the System.

Though it has not exercised such right with respect to the issuance of the Bonds, the Corporation hereby reserves the right to provide, in any prospective Corporation resolution authorizing the issuance of any series of Additional New Series Bonds, for an increase in the amount to be maintained from time to time in the Renewal and Replacement Fund and to provide that the amounts on deposit from time in the Renewal and Replacement Fund shall be available to pay debt service on the New Series Bonds *subject* to the prior use of any such proceeds to pay debt service on any Priority Bonds at such time Outstanding. Such Corporation resolution shall provide for the manner of funding any resultant increase in the amount to be accumulated and maintained in the Repair and Replacement Fund in a manner permitted under the Priority Bonds Resolutions and other applicable law and that is not in conflict with terms and provisions of this Resolution.

SECTION 16: Deficiencies - Excess Net Revenues. If on any occasion there shall not be a sufficient amount of the Bond Payment portion of the Annual Payments to make the required deposits into the Bond Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Bond Payment portion of the Annual Payments, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months. Subject to making the required deposits to any funds or accounts securing any Additional Obligations or Priority Bonds, when and as required by any Corporation resolution authorizing a series of Additional Obligations or any Priority Bonds Resolution, respectively, the excess Net Revenues of the System may be used by the Corporation for any lawful purpose including, but not limited to, the payment of debt service on or redemption of any Bonds.

SECTION 17: Payment of Bonds. While any of the New Series Bonds are Outstanding, any Authorized Official shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the New Series Bonds as such installment accrues or

matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the New Series Bonds at the close of the business day next preceding the date a debt service payment is due on the New Series Bonds.

SECTION 18: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Resolution shall, at the option of the Corporation, be invested as permitted by the provisions of the Public Funds Investment Act (codified at Chapter 2256, as amended, Texas Government Code), or any other law, and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the New Series Bonds.

SECTION 19: Issuance of Additional Bonds.

A. The Corporation hereby covenants to not issue any Additional Priority Bonds.

B. In addition to the right to issue bonds of inferior lien as authorized by the laws of this State, the Corporation reserves the right hereafter to issue Additional New Series Bonds. The Additional New Series Bonds, when issued, shall be payable from and secured by a lien on and pledge of the Bond Payment portion of the Annual Payments in the same manner and to the same extent as are the New Series Bonds at such time Outstanding and such Additional New Series Bonds and New Series Bonds at such time Outstanding shall in all respects be of equal dignity. The Additional New Series Bonds may be issued in one or more installments provided, however, that no Additional New Series Bonds, shall be issued unless and until the following conditions have been met:

(1) The Corporation is not then in default as to any covenant, condition or obligation prescribed in any Priority Bonds Resolution authorizing the issuance of Priority Bonds at such time outstanding and any resolution authorizing the issuance of the New Series Bonds at such time Outstanding or the Contract (including any amendment or supplement thereto).

(2) A consulting engineer certifies to the Corporation the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the Project, if new money bonds are being issued.

(3) The Cities shall have approved the resolution(s) authorizing the issuance of the Additional New Series Bonds as to form and content and acknowledged that the payment of principal of and interest on such Additional New Series Bonds is payable, in whole or in part, from the Bond Payment portion of the Annual Payments to be made by the Cities to the Corporation under and pursuant to the Contract.

(4) The Additional New Series Bonds are made to mature on February 1 or August 1 or both in each of the years in which they are scheduled to mature.

(5) The resolution authorizing the issuance of the Additional New Series Bonds provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional New Series Bonds as the same become due.

Outstanding New Series Bonds may be refunded (pursuant to any law then available) upon such terms and conditions as the governing body of the Corporation may deem to the best interest of the Corporation.

SECTION 20: Issuance of Prior Lien Obligations. The Corporation also reserves the right to issue Prior Lien Obligations that are payable from and secured by a first and prior lien and pledge of the Net Revenues of the System. The Corporation covenants and agrees, however, it will not issue any Prior Lien Obligations unless:

A. Except for a refunding to cure a default, the Corporation is not then in default as to any covenant, condition or obligation prescribed by the resolutions authorizing the issuance of New Series Bonds.

B. Each of the funds created solely for the payment of principal of and interest on the then-outstanding Priority Bonds and any New Series Bonds contains the amounts of money then-required to be on deposit therein.

In addition, the Prior Lien Obligations may be refunded pursuant to any law then available upon such terms and conditions as the Board may deem to be in the best interest of the Corporation and its inhabitants.

SECTION 21: Obligations of Inferior Lien and Pledge. The Corporation hereby reserves the right to issue, at any time, obligations including, but not limited to, Junior Lien Obligations and Inferior Lien Obligations payable from and secured, in whole or in part, by a lien on and pledge of the Net Revenues of the System, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations hereafter issued by the Corporation as may be authorized by the laws of the State of Texas.

SECTION 22: Special Project Bonds. The Corporation further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of utility facilities necessary under a contract or contracts with

persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The Corporation further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner or as otherwise permitted by the laws of the State.

SECTION 23: Maintenance of System - Insurance. The Corporation covenants, agrees, and affirms its covenants that while the New Series Bonds remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the New Series Bonds until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Resolution shall be construed as requiring the Corporation to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the Corporation from doing so.

SECTION 24: Records and Accounts - Annual Audit. The Corporation covenants, agrees, and affirms its covenants that so long as any of the New Series Bonds remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto as provided by applicable law. The Holders of the Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The Corporation further agrees that following (and in no event later than 120 days after) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. A copy of each annual audit shall be made publically available in the manner described in Section 53 hereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 25: Sale or Encumbrance of System. While any New Series Bonds remain Outstanding, the Corporation will not sell, dispose of or, except as permitted in Sections 18, 19, 20, 21, and 59, further encumber the System or any substantial part thereof; provided, however, that this provision shall not prevent the Corporation from disposing of any of the System which is being replaced or is deemed by the Corporation to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the Corporation contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

SECTION 26: Competition. To the extent it legally may, the Corporation will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.

SECTION 27: Special Covenants. The Corporation further covenants and agrees that:

A. Encumbrance and Sale.

(1) The Annual Payments and the Net Revenues have not in any manner been pledged to the payment of any debt or obligation of the Corporation except with respect to the currently outstanding Priority Bonds; and while any of the New Series Bonds are Outstanding, the Corporation will not, except as provided in this Resolution, additionally encumber any portion of the Annual Payments or the Net Revenues.

(2) While the New Series Bonds are Outstanding, and except as specifically permitted in Section 18, 19, 20, 21, and 59 of this Resolution, the Corporation shall not mortgage, pledge, encumber, sell, lease, or otherwise dispose of or impair its title to the System or any significant or substantial part thereof.

B. Title. Subject to the provisions of Section 59 of the Resolution, the Corporation or the Cities lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its System is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the System, and it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the owners of the New Series Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Bond Payment portion of the Annual Payments to the payment of the New Series Bonds, in the manner prescribed herein, and that it has lawfully exercised such rights.

(i) Liens. The Corporation will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its System, and it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its System, provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the Corporation.

(ii) Performance. The Corporation will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Contract and in the resolutions authorizing the issuance of New Series Bonds, and in each and every New Series Bond and pay from the Bond Payment portion of the Annual Payments the principal of and interest on every New Series Bond (subject to the payment obligations relating to the currently outstanding Priority Bonds, as specified in the Priority Bonds Resolutions) on the dates and in the places and manner prescribed in such resolutions and New Series Bonds; and that it will, at the times and in the manner prescribed (and subject to the payment requirements applicable to the currently outstanding Priority Bonds, as specified

in the Priority Bonds Resolutions), deposit or cause to be deposited from the Bond Payment portion of the Annual Payments the amounts required to be deposited into the Bond Fund; and the Holder of the Bonds may require the Corporation, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional New Series Bonds including, but without limitation, the use and filing of mandamus proceedings, in any court or competent jurisdiction, against the Corporation, its officials, agents, and employees.

(iii) Legal Authority. The Corporation is duly authorized under the laws of the State of Texas to issue the Bonds; that all action on its part for the authorization and issuance of the Bonds has been duly and effectively taken, and the Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the Corporation in accordance with their terms.

(iv) Budget. The Corporation will prepare, adopt, and place into effect an annual budget (the *Annual Budget*) for operation and maintenance of the System for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a utility system budget under generally accepted accounting procedures.

(v) Permits. The Corporation will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the System and which have been obtained from any governmental agency; and the Corporation has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the System.

SECTION 28: Limited Obligations of the Corporation. The Bonds are limited, special obligations of the Corporation payable from and equally and ratably secured, together with the currently outstanding New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, solely by a lien on and pledge of the Bond Payment portion of the Annual Payments at the level of priority specified in Section 10 hereof, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds from any funds raised or to be raised through taxation by the Corporation.

SECTION 29: Security of Funds. All money on deposit in the Funds or accounts for which this Resolution makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and money on deposit in such Funds or accounts shall be used only for the purposes permitted by this Resolution.

SECTION 30: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the Corporation covenants and agrees particularly that in the event the Corporation (a) defaults in the payments to be made to the Bond Fund or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Resolution, the Holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Corporation and other officers of the Corporation to observe and perform any covenant,

condition, or obligation prescribed in this Resolution or in the Contract. In addition, the Holders shall be entitled to exercise any rights of enforcement against the Cities, as provided in the Contract.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

SECTION 31: Notices to Holders Waiver. Wherever this Resolution provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first-class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Resolution provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

APPENDIX G

Form of Legal Opinion of Bond Counsel

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September 21, 2022

DRAFT

IN REGARD to the authorization and issuance of the "Schertz/Seguin Local Government Corporation Contract Revenue Improvement Bonds, New Series 2022A" (the *Bonds*), dated September 1, 2022, in the principal amount of $__,___,___, we have reviewed the legality and validity of the issuance thereof by the Schertz/Seguin Local Government Corporation (the *Corporation*), which Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years of 20__ through 20__ , unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the resolution (the *Resolution*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Resolution.

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

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Corporation in connection with the issuance of the Bonds, including the Resolution, the Regional Water Supply Contract dated as of November 15, 1999 (the *Contract*) between the Corporation, the City of Seguin, Texas (*Seguin*), and the City of Schertz, Texas (*Schertz*, and together with Seguin, the *Cities*); (2) the legal opinions of the Schertz City Attorney, the Seguin City Attorney, and the General Counsel to the Corporation; (3) customary certifications and opinions of officials of the Corporation and the Cities and certificates executed by officers of the Corporation and the Cities relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Corporation, and to certain other facts solely within the knowledge and control of the Corporation and the Cities; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Corporation, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the

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statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized by the Corporation in compliance with the Constitution and laws of the State of Texas now in force, and the Bonds issued in compliance with the provisions of the Resolution are valid, legally binding and enforceable special obligations of the Corporation payable, together with any the currently outstanding New Series Bonds, solely from and equally and ratably secured by a lien on and pledge of the Bond Payment portion of the Annual Payments to be received by the Corporation from the Cities pursuant to the Contract that is junior and inferior to the lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, together with certain other funds on deposit in the accounts established in the Resolution, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Corporation, except with respect to the Bond Payment portion of the Annual Payments. The holder of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation. In the Resolution, the Corporation retains the right to issue Additional New Series Bonds and Additional Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

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 Order 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 Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof.

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

Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas in connection with the authorization and issuance of "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2022A"

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

Norton Rose Fulbright US LLP

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