

PRELIMINARY OFFICIAL STATEMENT
Dated: February 27, 2025

NEW ISSUE: Book-Entry-Only

Enhanced/Unenhanced Rating: S&P - "A"
(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 who are individuals. (See "TAX MATTERS" herein.)

\$15,000,000*

**SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2025**

Dated Date: March 15, 2025

Due: February 1st, as shown on inside cover

Interest on the Schertz/Seguin Local Government Corporation Contract Revenue Improvement Bonds, New Series 2025 (the "Bonds") accrues from the Dated Date (identified above) and is payable initially on August 1, 2025 and on each February 1 and August 1 thereafter until stated maturity or prior redemption. Principal of the Bonds will be paid at stated maturity or prior redemption only upon presentation and surrender of the Bonds at the corporate trust office of the Paying Agent/Registrar, initially Zions Bancorporation, National Association, Houston, Texas. Proceeds from the sale of the Bonds will be used (i) for the purpose of acquiring, constructing, leasing, improving, enlarging, extending, repairing, maintaining, and operating the Schertz/Seguin Local Government Corporation's (the "Corporation" or the "Issuer") 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 Corporation 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 Organizations, Code ("Chapter 22"), and Chapter 552, as amended, Texas Local Government Code, and the resolution authorizing the issuance of the Bonds adopted on January 16, 2025 (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 eighth 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 (collectively, 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 March 26, 2025.

Estrada Hinojosa

Baird

Frost Bank

* Preliminary, subject to change.

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

STATED MATURITY SCHEDULE

\$15,000,000*

**SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2025**

Cusip No. Prefix⁽¹⁾ 806643

Maturity Date (Feb. 1)	Principal Amount(\$)	Interest Rate (%)	Initial Yield (%)	Cusip No. Suffix⁽¹⁾
2026	100,000			
2027	100,000			
2028	100,000			
2029	50,000			
2030	50,000			
2031	50,000			
2032	50,000			
2033	75,000			
2034	100,000			
2035	100,000			
2036	115,000			
2037	100,000			
2038	100,000			
2039	100,000			
2040	110,000			
2041	120,000			
2042	400,000			
2043	400,000			
2044	450,000			
2045	500,000			
2046	550,000			
2047	1,000,000			
2048	1,000,000			
2049	1,000,000			
2050	1,000,000			
2051	1,000,000			
2052	3,130,000			
2053	3,150,000			

(Accrued interest from the Dated Date)

The Bonds maturing on and after February 1, 203_ 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, 203_ or any date thereafter. If two or more serial Bonds of consecutive maturity are combined into one or more "term" Bonds (each, a "Term Bond") 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 the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriters, the Corporation, the Cities, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

Board of Directors

Jack Hamlett President
 Richard Braud Vice President
 Heath Anders Secretary
 Drew Engelke Assistant Secretary
 Tim Brown Treasurer
 Ralph Gutierrez Ex-officio - Councilmember - City of Schertz
 Donna Dodgen Ex-officio - Mayor - City of Seguin

Administration

Andrew McBride

General Manager

CITY OF SCHERTZ, TEXAS

City Council

Ralph Gutierrez	Mayor
Mark E. Davis	Councilmember, Place 1
Michelle Watson	Councilmember, Place 2
Paul Macaluso	Councilmember, Place 3
Ben Guerrero	Councilmember, Place 4
Robert Westbrook	Councilmember, Place 5
Allison Heyward	Councilmember, Place 6
Tim Brown	Councilmember, Place 7

Administrative Officers

Steve Williams	City Manager
Brian James	Deputy City Manager
Sarah Gonzalez	Assistant City Manager
James Walters	Director of Finance
Sheila Edmondson	City Secretary
Charles E. Zech	City Attorney

CITY OF SEGUIN, TEXAS

City Council

Donna Dodgen	Mayor
Monica Carter	Mayor Pro Tem
Joe Rea	Councilmember, District 1
David Eveld	Councilmember, District 2
Jim Lievens	Councilmember, District 3
John Carlsson	Councilmember, District 4
Paul Gayton	Councilmember, District 5
Jason Biesenbach	Councilmember, District 7
Bill Keller	Councilmember, District 8

Administrative Officers

Steve Parker	City Manager
Rick Cortes	Deputy City Manager
Kristin Mueller	City Secretary
Susan Caddell	Director of Finance
Mark Kennedy	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 respective 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 make 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	\$15,000,000* Schertz/Seguin Local Government Corporation Contract Revenue Improvement Bonds, New Series 2025, dated March 15, 2025, maturing serially on February 1 in each of the years 2026 through 2053. Interest on the Bonds will be paid semiannually on February 1 and August 1, commencing August 1, 2025, 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 Subchapter D of Chapter 431, as amended, Texas Transportation Code, Chapter 1201, as amended, Texas Government Code, Chapter 22, as amended, Texas Business Organizations Code (“Chapter 22”), and Chapter 552, as amended, Texas Local Government Code, and the resolution authorizing the issuance of the Bonds adopted on January 16, 2025 (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.
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	Bonds maturing on or after February 1, 203_, are redeemable, in whole or in part, at the option of the Corporation on any date on February 1, 203_, or any date thereafter, as described herein. If two or more serial Bonds of consecutive maturity are combined into one or more “term” Bonds (each, a “Term Bond”) 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.

Rating	S&P Global Ratings (“S&P”) has assigned an underlying rating on the Bonds of “A” (without regard to credit enhancement). (See “RATINGS” herein.)
Bond Insurance	The Issuer has made application to municipal bond insurance companies to have payment of the principal and interest on the Bonds insured by a municipal bond insurance policy and will consider the purchase of such policy after an analysis of the bids from such insurance providers has been made by the Issuer’s Financial Advisor. (See "BOND INSURANCE" and “BOND INSURANCE GENERAL RISKS” herein.)
Additional New Series Bonds; Inferior Obligations; Additional Obligations	In the Resolution the Corporation reserves the right to issue Additional New Series Bonds without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise; however, in the Resolution of the Corporation’s Board of Directors (the “Board”) authorizing the issuance of the Bonds, the Board has covenanted to no longer issue Additional Priority Bonds secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payment. In addition to Additional New Series Bonds, the Corporation has reserved the right to issue additional obligations payable from a lien on and pledge of all or part of the Bond Payment portion of the Annual Payments, so long as such lien and pledge is subordinate to the lien thereon and pledge thereof securing the currently outstanding New Series Bonds, the Bonds and any Additional New Series Bonds from time to time issued by the Corporation. The Corporation has also reserved the right to issue Additional Obligations (defined herein), which are obligations of the Corporation secured by and payable from certain other Corporation revenues (but excluding the Bond Payment portion of the Annual Payments). The Corporation’s issuance of any additional obligations is without limitation as to principal amount, but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See “THE BONDS - Additional New Series Bonds; Inferior Lien Obligations; Additional Obligations.”)
Book-Entry-Only System	The Bonds are initially issuable only to Cede & Co., the nominee of DTC, pursuant to the book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of, premium if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
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 March 26, 2025.
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
\$15,000,000*
SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2025

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 \$15,000,000* Contract Revenue Improvement Bonds, New Series 2025 (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 January 16, 2025, except as otherwise indicated herein. As permitted by the provisions of Chapter 22, Texas Business Organizations Code, as amended (“Chapter 22”), the Board in the Resolution, 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, 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 is governed by a board of five directors who are appointed by the City Council of each City. (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.)

Texas Legislature

The 89th Texas Legislature convened in regular session on January 14, 2025 and will conclude on June 2, 2025. The Texas Governor may call one or more special sessions. Neither the Corporation nor the Cities make any representation regarding any actions the Texas Legislature has taken or may take during the 89th Texas Legislature.

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 adopted on January 16, 2025 (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.

* Preliminary, subject to change.

SOURCES AND USES OF FUNDS

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

Sources:

Principal Amount of Bonds
[Net] Reoffering Premium
Accrued Interest on the Bonds
Total Sources of Funds

Uses:

Deposit to Project Fund
Issuance Expenses (includes bond insurance premium fee)
Underwriters' Discount
Deposit to Interest and Sinking Fund
Total Uses of Funds

THE BONDS

General Description

The Bonds will be dated March 15, 2025 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 Dated Date. Interest will be paid semiannually on each February 1 and August 1, commencing August 1, 2025. 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/registrars (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 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 issued for authorized purposes and pursuant to the terms and conditions specified in the Resolution. In conjunction with this eighth 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, 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), 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 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 having stated maturities on or 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 of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. If notice is so given and arrangements are made for the payment of the redemption price of the Bonds on the redemption date, interest on the Bonds shall cease to accrue after the date fixed for redemption whether or not the Bonds have been submitted for payment. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

The Paying Agent/Registrar and the Corporation, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised or any such notice. Redemption of portions of the Bonds by the Corporation will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may

implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the Corporation or the Paying Agent/Registrar. Neither the Corporation nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Defeasance

The Resolution provides that any Bond will be deemed paid and will no longer be considered to be outstanding within the meaning of the Resolution when payment of principal of and interest on such Bond to its stated maturity or date of prior redemption has been made or provided for. Payment may be provided for by deposit of any combination of (1) money in an amount sufficient to make such payment and/or (2) Government Securities (defined herein). Any such deposit must be certified by an independent public accountant, the Corporation's Financial Advisor, or other qualified financial institution (as provided in the Resolution) to be of such maturities and interest payment dates and bear such interest as will, without reinvestment, be sufficient to make the payment to be provided for on the Bond. The Resolution provides that "Government Securities" means (A) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (B) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (C) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (D) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. Corporation officials may contractually limit the foregoing 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 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 MMI 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 Issuer has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy (the "Policy"). The Issuer shall notify the Underwriters upon obtaining a commitment from a bond insurance company (the "Insurer") concerning this matter. The Final Official Statement shall disclose, to the extent necessary, any relevant information relating to this Policy.

BOND INSURANCE GENERAL RISKS

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

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

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS – Defaults and Remedies"). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Beneficial Owners. Additionally, the Insurer's consent may be required in connection with amendments to the Resolution. In the event the Insurer is unable to make payment of 16 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 non-defaulting City has no legal obligation to make any payments on behalf of the defaulting City.

Limited Bondholder Remedies

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

Permitting and Regulatory Matters

Gonzales County Well Field

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

<u>GONZALES WELL NO.</u>	<u>PRODUCTION</u>	<u>TRANSPORTATION</u>
One	8/13/2029	8/13/2032
Two	8/13/2029	8/13/2032
Three	8/13/2029	8/13/2032
Four	8/13/2029	8/13/2032
Five	8/13/2029	8/13/2032
Six	8/13/2029	8/13/2032
Seven	8/13/2029	7/13/2034
Eight	8/13/2029	4/14/2034
Nine	8/13/2029	3/16/2040
Ten	8/13/2029	3/16/2040
Eleven	8/13/2029	3/16/2040
Twelve	8/13/2029	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 necessary application in August 2024 and the production permits have been renewed until August 2029. 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 5,009.38 acre-feet through September 30, 2028, and Well 11 in the Wilcox Aquifer has an operation and production permit for 1,290.4 acre-feet per year through January 31, 2029.

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 purchaser of the Bonds; (l) reimbursement of the costs previously incurred by the Cities with respect to the Project; and (m) other costs generally recognized as a part of Project construction costs.

“State” means the State of Texas.

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

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

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

Acquisition and Construction of the Project

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

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

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

Financing of the Project

Issuance of Bonds.

- (a) The Corporation's acquisition and construction of the Project and improvements to the Project were initially financed by the Corporation through the issuance of the Priority Bonds payable from and secured, in part, by an assignment of the Annual Payments made under the Contract. In consideration of the covenants and agreements set forth in the Contract, and to enable the Corporation to issue its bonds ("Corporation Bonds") to carry out the intents and purposes hereof, the Contract is executed to assure the issuance of the Corporation Bonds and to provide for and guarantee the due and punctual payment by the Cities to the Corporation, or to the Trustee under the trust indenture (or paying agent/registrars agreement) securing the Corporation Bonds, of amounts not less than the Annual Payments. Each of the Cities hereby agrees to make, or cause to be made, its proportionate share of each Annual Payment, as and when due, for the benefit of the owners of the Corporation Bonds, as provided in the Corporation Bonds and the Bond Resolution. The proportionate share of each Annual Payment shall be determined on a several and not a joint basis, as follows: Schertz 50% and Seguin 50%.
- (b) The proceeds from the sale of the Priority Bonds were used for the payment of the Project Costs.
- (c)
 - (1) Each Bond Resolution of the Corporation shall specify the maximum principal amount of the Corporation Bonds to be issued thereunder. The Corporation Bonds shall mature not more than forty (40) years from the date of such Corporation Bonds and shall bear interest at not to exceed the maximum legal rate then permitted by law, and the Bond Resolution may create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and any other funds deemed prudent by the Corporation, all in the manner and amounts as provided in such Bond Resolution.
 - (2) Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Corporation's Board of Directors or the execution of an Approval Certificate by the Corporation, a substantially final copy of the proposed Bond Resolution, the Approval Certificate, if any, and the Sale and Offering Documents shall be presented to the Cities for review and approval.
 - (3) Upon approval by each of the Cities of (i) each Bond Resolution hereafter adopted by the Corporation, (ii) any amendments to any Bond Resolution, (iii) an Approval Certificate authorized by a Bond Resolution, and (iv) the Sale and Offering Documents and the delivery to the Corporation of a certification signed by the Authorized Representative of each of the Cities to the effect that the Bond Resolution, including any Approval Certificate, and the Sale and Offering Documents comply with the Contract, then upon the adoption and approval of the Bond Resolution and the Approval Certificate, if any, in such final form by the Corporation's Board of Directors or Authorized Representative, as the case may be, and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Cities and deemed to be in compliance with the Contract in all respects, and the Corporation Bonds issued thereunder will constitute Bonds as defined in the Contract for all purposes. Any owner of Corporation Bonds is entitled to rely fully and unconditionally on any such approval.
 - (4) All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Cities, shall, upon the delivery of the Corporation Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Cities so long as the Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in the Contract and the Bond Resolution. Particularly, the obligation of each of the Cities to make, promptly when due, all Annual Payments specified in the Contract shall be absolute and unconditional, and said obligation may be enforced as provided in the Contract. In addition, subject to the approval of the Cities, the Corporation may enter into Credit Agreements for the purpose of achieving the lowest financing costs for the Project.

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

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

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

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

- (a) debt service on the Corporation Bonds and related payments and deposits, as follows:
 - (1) principal of, redemption premium, if any, and interest on, the Corporation Bonds, less interest to be paid out of Corporation Bond proceeds or from other sources if permitted by any Bond Resolution, and the redemption price of any Bonds to be redeemed prior to maturity when and as provided in any Bond Resolution plus the fees, expenses, and, to the extent permitted by law, indemnities of the Trustee, if any, for the Corporation Bonds and those of the paying agent/registrars for paying the principal of and interest on the Corporation Bonds and for authenticating, registering, and transferring Corporation Bonds on the registration books; and
 - (2) deposits required to be made to any special, contingency, or reserve fund by the provisions of any Bond Resolution; and
 - (3) any deposit in addition thereto required to restore any deficiency in any of such funds by the provisions of any Bond Resolution,
- (b) amounts payable by the Corporation under a Credit Agreement; and
- (c) the fees, expenses, and indemnities (to the extent permitted by law) of the remarketing agent, rate setting agent, authentication agent, arbitrage rebate compliance firm, and tender agent, if any, for the Corporation Bonds.

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

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

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

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

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

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

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

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

Annual Payments, City Covenants

Annual Payments by the Cities.

(a) Each of the Cities hereby agrees that it will make payments of its proportionate share of the Annual Payments to the Corporation, or to the Trustee on behalf of the Corporation, as provided in the Bond Resolution in accordance with the procedures established in the Contract. If a City at any time disputes the amount to be paid by it to the Corporation, such City shall

nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by such City should have been less, or more, the Corporation shall promptly revise the charges for such City in such manner that a City will recover its overpayment or the Corporation will recover the amount due it. The Corporation shall pursue all legal remedies against the Cities to enforce and protect the rights of the Corporation and the owners of the Bonds, and the Cities shall not be relieved of the liability to the Corporation for the payment of all amounts which are due by them hereunder.

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

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

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

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

Source of Payment.

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

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

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

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

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

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

General Provisions

Force Majeure. If by reason of Force Majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under the Contract, other than the obligation of the Cities to make the payments required under Sections 3.05, and 5.02 of the Contract, then if such party shall give notice and full particulars of such Force Majeure in writing to the other party within

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

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

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

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

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

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

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

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

PROJECT DESCRIPTION

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

Construction of the cross-county 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 2029, 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) a 36" Parallel Pipeline Project; (2) the Guadalupe Water Treatment Plant; (3) the Guadalupe wellfield development; (4) the Guadalupe Well Roads and Pipelines construction; and (5) the Seguin Emergency Connection project. For certain of the aforementioned projects, 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 Schertz. 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 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 Schertz, Seguin's obligation is limited to 50% of the debt service payments for the New Series 2016 Bonds. Schertz shall then reimburse Seguin for such payments. Additionally, both Cities shall have continuous rights to 50% of the capacity of the Guadalupe well field. If Seguin determines that it needs to take water from the Guadalupe well field between year 1 and 15 of water production, Seguin shall be responsible for repaying to the Corporation one half of the well field debt service paid by Schertz. If Seguin determines it needs to take water from the Guadalupe well field after year 15 of water production, 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; (15) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act; and (16) 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 November 30, 2024, the following percentages of the Corporation's investable funds were invested as indicated below:

<u>Category of Investments</u>	<u>Amount</u>	<u>Percentage</u>	<u>Term of Investments</u>
Depository Bank	\$ 604,002	1.38%	Daily Liquidity
Money Market Funds	7,698,631	17.60%	Daily Liquidity
Investment Pools	<u>35,432,419</u>	<u>81.02%</u>	Daily Liquidity
	\$43,735,052	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 who are individuals. 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, corporations subject to the alternative minimum tax on adjusted financial statement income, 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.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

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 commission 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.

Except as hereafter described, the City of Seguin (the “City”) has during the past five years complied in all material respects with continuing disclosure agreements made by it in accordance with the Rule.

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

The City entered into a master lease agreement on July 20, 2023 for the lease of two fire trucks. Due to an administrative oversight, the lease was not included in the City’s audited financial statements for the fiscal year ended September 30, 2023 and the City did not timely file a notice of the incurrence of a financial obligation. The City filed notice of the incurrence of the lease, as well as notice of the untimely filing, on January 9, 2025. The City has implemented policies and procedures to ensure continued timely compliance with its continuing disclosure agreements.

RATING

S&P Global Ratings (“S&P”) has assigned a rating of “A” 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.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise their rating methodologies and criteria for municipal issuers such as the Corporation. A revision in a rating agency’s rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

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 2029. 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 "PLAN OF FINANCING," "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 \$ _____), plus accrued interest in the amount of \$ _____. 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 respective 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
(As of March 1, 2025)**

Priority Bonds	
Contract Revenue Bonds, Series 2001	\$ 10,000,000
New Series Bonds	
Contract Revenue Bonds, New Series 2016	36,105,000
Texas Water Development Board Participation Loan, Series 2016	22,830,000
Contract Revenue Refunding Bonds, New Series 2018	15,570,000
Contract Revenue Refunding Bonds, Taxable New Series 2022	34,335,000
Contract Revenue Improvement Bonds, New Series 2022A	4,450,000
Contract Revenue Improvement Bonds, New Series 2023	5,000,000
Contract Revenue Improvement Bonds, New Series 2025	<u>15,000,000⁽¹⁾</u>
Total Bonds Outstanding	\$133,290,000 ⁽¹⁾
Special Project Bonds	
Contract Revenue Refunding Bonds, Series 2019 (San Antonio Water System Expansion Water Treatment Project 2)	<u>16,215,000</u>
Total Bonds Outstanding	\$159,505,000 ⁽¹⁾

The Corporation has issued revenue bonds, currently outstanding in the amount of \$159,505,000 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 \$133,290,000⁽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, New Series 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 eighth 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 \$16,215,000, 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, 2023:

Assets	2024*	2023	2022
Current Assets:			
Cash and Cash Equivalents	\$14,864,772	\$14,306,371	\$15,516,917
Accounts Receivable	1,458,592	2,255,228	1,857,160
Lease Receivable		406,643	793,922
Other Receivables	147,998	42,994	-
Inventory	80,980	80,980	80,980
Total Current Assets	16,552,342	17,092,216	18,248,979
Restricted Assets:			
Cash and Cash Equivalents	29,398,751	29,185,792	42,758,747
Total Restricted Assets	29,398,751	29,185,792	42,758,747
Property, Plant & Equipment:			
Land	19,254,028	19,254,028	19,254,028
Water Distribution System	109,877,401	103,873,667	101,423,044
Building & Improvements	1,703,377	1,703,377	1,703,377
Equipment & Vehicles	914,563	704,377	690,214
System Expansion – Projects in Progress	60,934,977	59,571,853	45,217,782
Accumulated Depreciation	(39,311,805)	(36,230,852)	(.33,166,677)
Net Property, Plant & Equipment	153,372,541	148,876,207	135,121,768
Total Assets	199,323,634	195,154,215	196,129,494
Deferred Outflows of Resources			
Deferred Charge on Refunding	1,977,049	2,082,977	2,272,296
Total Deferred Outflows of Resources	1,977,049	2,082,977	2,272,296
Liabilities			
Current Liabilities:			
Accounts Payable – Trade	1,010,154	1,172,818	2,823,782
Accounts Payable – Construction	2,087,593	2,341,177	1,871,751
Accrued Wages	58,227	48,564	43,515
Accrued Compensated Absences	58,049	55,133	40,962
Accrued Interest Payable	827,044	777,093	764,657
Unearned Revenue	600	600	600
Current Portion of Revenue Bonds	4,605,000	4,510,000	4,390,000
Total Current Liabilities	8,646,667	8,905,385	9,935,267
Revenue Bonds Payable (Less Current Maturities and Net of Unamortized Discounts and Premiums)	145,932,292	145,633,684	150,367,663
Total Liabilities	154,578,959	154,539,069	160,302,930
Deferred Inflows of Resources			
Less	-	324,330	648,661
Total Deferred Inflows of Resources	-	324,330	648,661
Net Position:			
Invested in Capital Assets, Net of Related Debt	12,287,707	8,941,679	5,605,857
Restricted:			
Debt Service	1,617,625	2,868,551	1,763,858
Repairs and Replacement	500,000	500,000	500,000
Impact Fees	7,311,892	5,985,944	5,950,902
Unrestricted	25,004,500	24,077,619	23,629,582
Total Net Position	\$46,721,724	\$42,373,793	\$37,450,199

*Unaudited

Schertz/Seguin Local Government Corporation
Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2024 (unaudited), 2023 and 2022

	2024*	2023	2022
Operating Revenue			
Water Usage Fees	\$19,264,597	\$19,161,375	\$18,770,839
Rents, Royalties & Leases	568,367	478,808	697,236
Impact Fees	1,039,238	616,631	547,832
Total Operating Revenues	20,872,202	20,256,814	20,015,907
Operating Expenses			
<i>Operations & Maintenance:</i>			
Personnel Costs	2,034,195	1,641,000	1,572,906
Professional Services	463,379	566,211	676,448
Technical Services	401,023	364,797	364,347
Utilities	2,076,656	2,051,830	2,063,481
Repairs and Maintenance	1,028,998	752,250	928,586
General Supplies	1,315,222	1,220,087	897,887
Insurance	179,120	154,237	136,691
Other Operating Costs	121,262	97,559	100,093
<i>Total Operations & Maintenance</i>	<i>7,619,855</i>	<i>6,847,971</i>	<i>6,740,439</i>
<i>Other Operating Expenses:</i>			
Amortization of Lease Acquisition Costs			
Annual Lease Payments – Water Rights	3,118,630	3,028,966	2,708,208
Depreciation	3,080,953	3,064,175	2,953,883
<i>Total Other Operating Expenses</i>	<i>6,199,583</i>	<i>6,093,141</i>	<i>5,662,091</i>
Total Operating Expenses	13,819,438	12,941,112	12,402,530
Operating Income (Loss)	7,052,764	7,315,702	7,613,377
Nonoperating Revenues (Expenses):			
Interest Income	2,319,720	2,162,776	441,540
Gains on Sale of Assets	-	-	-
Interest Expense and Fiscal Fees	(4,817,232)	(4,554,884)	(4,485,536)
Bond Insurance Costs	(207,321)	-	(835,764)
Total Nonoperating Revenues (Expenses)	(2,704,833)	(2,392,108)	(4,879,760)
Change in Net Position	4,347,931	4,923,594	2,733,617
Net Position – Beginning of Year	42,373,793	37,450,199	34,716,582
Net Position – End of Year	\$46,721,724	\$42,373,793	\$37,450,199

Source: The Corporation's audited financial statements.

*Unaudited

Schertz/Seguin Local Government Corporation Debt Service*

FISCAL YEAR 30-Sep	EXISTING PRIORITY LIEN DEBT SERVICE	EXISTING SUBORDINATE LIEN DEBT SERVICE	NEW SERIES 2025 BONDS*			TOTAL SUBORDINATE LIEN DEBT SERVICE	TOTAL COMBINED DEBT SERVICE
			PRINCIPAL	INTEREST	TOTAL		
2025	520,000	\$ 7,617,174		\$ 412,500	\$ 412,500	\$ 8,029,674	\$ 8,549,674
2026	520,000	7,879,753	\$ 100,000	616,000	716,000	8,595,753	9,115,753
2027	520,000	7,992,614	100,000	816,750	916,750	8,909,364	9,429,364
2028	520,000	8,017,353	100,000	811,250	911,250	8,928,603	9,448,603
2029	520,000	8,398,852	50,000	807,125	857,125	9,255,977	9,775,977
2030	520,000	8,769,288	50,000	804,375	854,375	9,623,663	10,143,663
2031	2,268,330	7,023,945	50,000	801,625	851,625	7,875,570	10,143,900
2032	2,272,390	7,025,039	50,000	798,875	848,875	7,873,914	10,146,304
2033	2,271,250	7,046,250	75,000	795,438	870,438	7,916,688	10,187,938
2034	2,269,780	7,066,734	100,000	790,625	890,625	7,957,359	10,227,139
2035	2,272,590	7,360,951	100,000	785,125	885,125	8,246,076	10,518,666
2036		9,634,610	115,000	779,213	894,213	10,528,823	10,528,823
2037		9,640,983	100,000	773,300	873,300	10,514,283	10,514,283
2038		9,639,886	100,000	767,800	867,800	10,507,686	10,507,686
2039		9,632,583	100,000	762,300	862,300	10,494,883	10,494,883
2040		9,638,989	110,000	756,525	866,525	10,505,514	10,505,514
2041		9,635,785	120,000	750,200	870,200	10,505,985	10,505,985
2042		5,589,257	400,000	735,900	1,135,900	6,725,157	6,725,157
2043		5,549,732	400,000	713,900	1,113,900	6,663,632	6,663,632
2044		5,500,839	450,000	690,525	1,140,525	6,641,364	6,641,364
2045		5,159,352	500,000	664,400	1,164,400	6,323,752	6,323,752
2046		5,114,721	550,000	635,525	1,185,525	6,300,246	6,300,246
2047		3,901,891	1,000,000	592,900	1,592,900	5,494,791	5,494,791
2048		2,548,563	1,000,000	537,900	1,537,900	4,086,463	4,086,463
2049		2,522,010	1,000,000	482,900	1,482,900	4,004,910	4,004,910
2050		2,512,863	1,000,000	427,900	1,427,900	3,940,763	3,940,763
2051		2,505,443	1,000,000	372,900	1,372,900	3,878,343	3,878,343
2052			3,130,000	259,325	3,389,325	3,389,325	3,389,325
2053			3,150,000	86,625	3,236,625	3,236,625	3,236,625
	\$14,474,340	\$182,925,460	\$15,000,000	\$19,029,726	\$34,029,726	\$216,955,186	\$231,429,526

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

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

The City provides a full range of services including: police, emergency medical services, and fire protection; water and sewer services; waste collection; code enforcement; comprehensive planning; street maintenance and recreational activities as well as economic development efforts. The City has 3 fire stations, with a 4th underway, and 1 training facility with 52 full-time employees. The Fire Department covers more than 40 square miles, including unincorporated areas of Bexar, Comal and Guadalupe Counties. The fire Department has 20 vehicles including one 100’ aerial platform, two class A engines, two reserve engines, four brush trucks, one hazmat. The City also has 24 parks, 20 playgrounds, 12 soccer fields, 15 baseball/softball fields and 2 pavilions (one large – 10,000 square feet; one small – 600 square feet.)

Economy

Currently, three Fortune 100 companies have made major re-investments in Schertz. These three companies include Caterpillar, Amazon.com and SYSCO. Amazon.com completed construction of their \$166 million fulfillment center on 96 acres and opened up a 382,000 last mile delivery facility in 2021 Caterpillar announced an in-house product line expansion in 2022 and SYSCO was nominated for an enterprise zone project in 2022 as well, a first for the City of Schertz.

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

PRINCIPAL 2023 EMPLOYERS

<u>Major Employers</u>	<u>Number of Employees</u>
Schertz-Cibolo-Universal City ISD	2,000
Amazon	1,061
Sysco Central Texas, Inc.	827
Republic National Distributing Company	682
Brandt Corporation	652
Fed Ex Ground Doerr Lane, Schertz	600
City of Schertz	431
Fedex	350
Visionworks	350
Hollingsworth Logistics Group	300

Medical

In 2021, Methodist-affiliated Kellum Medical proposed a 4-acre, 39,000 sq ft medical/office development near its current location at Roy Richard Drive and Green Valley Road. In 2022, greater access to surgical and specialty care grew with the development of the Baptist-affiliated Ambulatory Surgery Center and Medical Office Building. Both corporate entities of the major regional hospital systems (Methodist and Baptist) are recognizing the advantage Schertz location as a strategic location to take advantage of the future growth along the IH—35 Corridor.

Education

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

Labor Force Statistics ⁽¹⁾

	2024 ⁽³⁾	2023 ⁽²⁾	2022 ⁽²⁾	2021 ⁽²⁾	2020 ⁽²⁾	2019 ⁽²⁾
Civilian Labor Force	21,818	21,079	20,015	19,665	19,141	19,556
Total Employed	21,118	20,190	19,353	18,738	17,947	18,960
Total Unemployed	700	889	662	927	1,194	606
% Unemployed	3.2%	4.2%	3.3%	4.7%	6.2%	3.1%
Texas Unemployment	3.7%	4.1%	3.8%	5.7%	7.7%	3.5%

(1) Source: Texas Workforce Commission

(2) Average Annual Statistics

(3) As of December 2024

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				
	9/30/24*	9/30/23	9/30/22	9/30/21	9/30/20
Revenues	\$37,323,237	\$33,443,491	\$31,184,046	\$28,394,433	\$30,284,539
Expenses**	33,181,260	26,394,011	28,275,208	22,231,246	25,083,766
Net Revenue Available for Debt Service	<u>\$ 3,141,977</u>	<u>\$ 2,921,319</u>	<u>\$ 2,908,838</u>	<u>\$ 6,163,187 *</u>	<u>\$ 5,200,773 *</u>
Customer Count:					
Water	n.a.	16,037	16,228	15,861	15,471
Sewer	n.a.	14,334	14,295	14,128	13,112

Source: The City's Annual Comprehensive Financial Reports for Fiscal Year Ending September 30, 2023.

* Unaudited.

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

	9/30/24	9/30/23	9/30/22	9/30/21	9/30/20
Cibolo Creek Municipal Authority	\$ 715,050	\$ 716,050	\$ 716,245	\$ 714,450	\$ 717,400
Schertz/Seguin LGC	\$3,853,852	\$4,128,160	\$3,913,109	\$3,908,631	\$3,892,799
Cibolo Valley LGC	\$ 300,000	\$ 400,000	\$ 300,000	\$ 99,999	\$ 100,000

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 236 miles of water lines. Schertz's total water usage for fiscal year September 30, 2023 was 2,367,420,000 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. This water source is used only during emergency situation or when the City Utility System demand is at peak levels. Schertz has 2 wells which can produce up to 4,180,000 gallons per day from the Edwards Aquifer. Although the City still maintains its permits (and ownership) to draw water from the Edwards Aquifer, for fiscal year ending September 30, 2022 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, 2024 are \$130,890,000. Water began to flow from the SSLGC Project to the City of Schertz on February 20, 2003.

**Water Rates
(New Rates Effective 2024)**

Gallons sold by meter size (Residential & Small Commercial)

Base Monthly fee, based on meter size

5/8 IN	\$ 26.89
3/4 IN	\$ 40.29
1.0 IN	\$ 67.17
2 IN	\$ 214.97
3 IN	\$ 429.92
4 IN	\$ 671.76
6IN	\$ 2,472.07
8 IN	\$ 2,342.89
10 IN	\$ 6,785.75
12 IN	\$ 8,957.21

Usage Fee, rate per 1,000 gallons

-	18,000	\$ 3.32
18,001	36,000	\$ 3.71
36,001	54,000	\$ 4.35
54,001	90,000	\$ 5.30
90,001	Above	\$ 6.74

Fire Hydrant Meter

Base Monthly Fee	\$ 127.67
Usage, per 1,000 gals	\$ 10.18

Cibolo Wholesale Water Rate \$ 3.41

Historical Water Consumption (Gallons)

Fiscal Year Ended 9-30	Estimated City Population ⁽¹⁾	Number of Customers	Water Usage				Water Sales \$
			Daily Average	Peak Day	Peak Month	Total Usage	
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
2022	42,754	16,228	6,065,515	14,482,000	251,450,000	2,213,913,000	13,249,623
2023	43,010	16,037	6,476,000	12,110,000	263,488,000	2,367,420,000	14,124,123

⁽¹⁾ Source: The City of Schertz.

Principal Water Customers

Name of Customer	Average Monthly Consumption (In Gallons)	% of Total Water Sales
1. City of Selma	26,006,458	1.17%
2. Scenic Hills Lawn Care	1,313,233	0.01%
3. WHC Schertz Apts. LLC	1,190,600	0.06%
4. City of Cibolo	1,068,542	0.05%
5. Crossover Master Community	1,004,300	0.05%
6. Pecan Grove	814,017	0.05%
7. Sycamore Creek Apartments	715,158	0.04%
8. Comal ISD	595,858	0.03%
9. APG Texas 1 LP	513,200	0.02%
10. City of Schertz (Soccer Field)	<u>507,933</u>	<u>0.02%</u>
Total	33,729,299	1.52%

Source: The City. Through September 20, 2023. Unaudited.

Wastewater System

Schertz Wastewater System consists of a 190 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 125 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 October 1, 2024)

	<u>Old Rates</u>	<u>New Rates</u>
	<u>2023-24</u>	<u>2024-25</u>
Residential Rates (Single Family)		
Base Rate - per month	\$15.46	\$15.92
Per 1,000 gal Charge, Per month	\$ 0.88	\$ 0.91
City line maintenance fee plus Franchise fee	\$ 4.21	\$ 4.34
User charge based on 100% of avg consumption mo.		
User avg. based on Nov, Dec, and Jan, min 500 gals.		
Per 1,000 gal charge Total - 12,000 gallons or less	\$ 5.09	\$ 5.24
greater than 12,000 gallons	\$11.67	\$12.02
Business and Multi-family Dwelling Units:		
Base Rate per month	\$19.45	\$ 20.03
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 gal Charge, per Month		
Line Maintenance-commercial/Industrial users plus Franchise fee user charge-based on 100% of water consumed		
Per 1,000 gal charge Total - 12,000 gallons or less	\$ 5.21	\$ 5.37
Greater than 12,000 gallons	\$11.67	\$12.02
YMCA		
Per 1,000 gal Charge, Per Month	\$ 3.33	\$ 3.53

Source: City of Schertz

Schertz 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
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	<u>1,063,463</u>
Total	\$31,357,486

CITY OF SEGUIN, TEXAS

The City of Seguin, Texas (“Seguin”), serves as the county seat and principal commercial hub of Guadalupe County. Located in South Central Texas along Interstate 10, Seguin is just 35 minutes east of San Antonio, one hour south of Austin, and 2.5 hours west of Houston. This prime location provides businesses and residents with convenient access to major thoroughfares and logistical infrastructure. The Interstate 35 corridor lies just north of Seguin, accessible via State Highways 46, 123, or 130. Additionally, Seguin is within an hour’s drive of two major international airports—San Antonio International Airport and Austin-Bergstrom International Airport—and just three hours from the Port of Houston, the second-busiest port in the U.S. Seguin’s strategic location makes it ideal for businesses needing efficient connections to global markets.

Manufacturing is the backbone of Seguin’s economy. Renowned companies such as Caterpillar, Schaeffler Group, Tyson Foods, Niagara Bottling, Hexcel, and CMC Steel maintain significant manufacturing operations in the city. With over 6,500 manufacturing jobs within city limits—more than four times the national average—Seguin continues to thrive as a manufacturing hub. Recent economic development projects have further bolstered the local economy. Since 2019, companies like Teijin Automotive Technologies, United Alloy, Maruichi Stainless Tube Texas Corporation, and Premium Waters have launched operations in Seguin. Together, these projects represent over \$265 million in capital investments and have created hundreds of high-wage jobs.

The City of Seguin and the State of Texas offer a business-friendly tax climate and robust incentives, empowering companies to focus on workforce expansion, facility upgrades, and profitability.

Incorporated in 1853, Seguin operates under a home-rule charter adopted on December 7, 1971. The city follows a council-manager form of government, consisting of a city manager, a mayor, and eight council members elected to four-year terms.

Seguin’s population has experienced steady and significant growth over the decades, increasing from 17,854 in 1980 to 18,853 in 1990 (5.6% increase), to 22,011 in 2000 (16.75% increase), to 25,175 in 2010 (14.37% increase). By 2020, Seguin’s population had grown to 29,433 (16.91% increase). As of 2023, the U.S. Census Bureau estimates Seguin’s population to be 36,013, reflecting a 22.3% increase since 2020. The city is now among the 25 fastest-growing cities in the United States for populations over 20,000. Seguin ranked 21st in 2022–2023, with a 7.79% increase, and remains the fastest-growing community in the San Antonio metro area and the third fastest in the San Antonio/Austin region during 2022–2023.

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

<u>Name</u>	<u>Product</u>	<u>Number of Full-time Employees</u>
Caterpillar	Manufacturing	1,650
Schaeffler	Manufacturing	1,550
Seguin Independent School District	Education	1,100
Guadalupe Regional Medical Center	Healthcare	900
Tyson Foods, Inc.	Manufacturing	900
CMC Steel Texas	Manufacturing	800
Guadalupe County	Government	650
City of Seguin	Government	460
Texas Lutheran University	Higher Education	280
United Alloy	Manufacturing	<u>275</u>
Total		8,565

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:	<u>2023-24</u>	<u>2022-23</u>	2021-22	2020-21	2019-20
Electric	10,251	9,671	9,210	8,879	8,555
Water	9,566	8,726	8,445	7,936	7,549
Wastewater	12,857	11,675	10,560	9,219	8,965

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

<u>Fiscal Year Ending</u>	<u>9-30-2024*</u>	<u>9-30-2023</u>	<u>9-30-2022</u>	<u>9-30-2021</u>	<u>9-30-2020</u>
Income:	\$97,916,615	\$84,835,130	\$67,209,461	\$59,998,742	\$56,181,996
Expenses:					
Power Purchased	20,630,348	17,674,959	17,160,674	17,391,561	17,695,999
Other	<u>40,794,719</u>	<u>36,168,884</u>	<u>32,079,281</u>	<u>28,160,543</u>	<u>26,539,157</u>
Total Expenses	\$61,425,067	\$54,843,843	\$49,239,955	\$45,552,104	\$44,235,156
Net Revenue Available for Debt Service	\$36,491,548	\$30,991,287	\$17,969,506	\$14,446,638	\$11,946,840
Annual Requirement Prior Lien Debt	\$ 7,934,43	\$ 3,413,915	\$ 4,094,703	\$ 2,861,119	\$ 2,503,299
Coverage of Outstanding Annual Requirement for Prior Lien Debt	4.59x	9.07x	4.39x	5.05x	4.77x

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

* Unaudited.

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 10,251 electric meters while supplying a total energy requirement of 344.193 and a peak system demand of 73.11 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 8,751 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 1,128 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 357 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 15 accounts. Additional customers are anticipated as the industrial parks continue to grow.

Currently, CPS Energy supplies 100% of the City's wholesale electric power needs through a "Power Supply Agreement" effective as of May 1, 2024, and is effective through December 31, 2028. The power supply agreement is a full requirements contract, that includes ancillary services.

The present installed capacity of the LCRA Seguin Substations is 201.6 MVA, Seguin Substation has a capacity of 56 MVA and is supplied by one 22.4 MVA transformer and one 33.6 MVA transformer. Cushman Substation has a capacity of 44.8 MVA and is supplied by two 22.4 MVA transformers. Seguin West Substation has a capacity of 56 MVA and is supplied by two 33.6 MVA transformers and Jim Briley Substation has the capacity of 33.6 MVA.

The City's electric system (referred to in this section of Appendix B as the "System") is currently served by 22 distribution feeder. The distribution system is comprised of 117.42 miles of overhead distribution line to include single phase, two phase and three phase. The City also has 40.08 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 (defined below);
- 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;

- 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.

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 the biennial agency reports from the PUC to the Texas Legislature (collectively, the “PUC Legislative Reports”), which are available in full on the PUC website at <https://www.puc.texas.gov/agency/resources/reports/>. 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.

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 July 2024 (the “ERCOT LTDEF”), the peak demand on the ERCOT system from 2014-2023 has increased at a rate of 3.1% per year.

The current forecast for 2024 through 2033 indicates a 6.8% 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.

According to the January 2024 update to the PUC’s “New Electric Generating Plants in Texas Since 1995” report, companies in the electric business have made significant investments in ERCOT in recent years. Over 109,000 MW of new generating capacity has been added to ERCOT since 1995, and almost 48,000 MW of new capacity has been announced but has not yet begun construction.

The chart below provides information on ERCOT projected summer reserve margin for the years 2025 through 2034, based on the ERCOT Report on the Capacity, Demand and Reserves in the ERCOT Region, 2025-2034 (the “ERCOT May 2024 CDR Report”), dated May 31, 2024. 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
2025	80,639	115,596	34.1%
2026	81,520	125,854	35.2%
2027	82,309	130,656	32.3%
2028	82,689	131,385	27.8%
2029	82,677	132,312	27.6%

Source: ERCOT May 2024 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.

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 statutes, 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 2023 was 77.2 MW and by 2024 it was 73.1 MW. The City continues to grow in residential and commercial.

1. Upgrade SE 30 Circuit from Seguin East Substation- Complete
2. Upgrading all DCUs FOR the new meter reading platform - COMPLETE
3. Working on ESRI mapping. ONGOING
4. Distribution System Capacitors. - ONGOING
5. Star Meter MTU/TWACS - To AclaraONE RF Conversion - ONGOING
6. Tree trimming on our system.- ONGOING SE SUBSTATION
7. Underground projects on new developments. ONGOING
8. Work order and inventory system.- ONGOING
9. Underground project out of Cushman Substation.- WAITING ON EASEMENT SIGN OFF
10. Building a tie Circuit around Seguin East to tie into T-COMplete
11. Implementation of Outage Management System
12. Implementation of the GIS Staking Program
13. Building a new Aclara Electric Vehicle Meter Charging Program
14. Upgrade on SW 150/ SE 20 Kingsbury Project
15. Upgrade Alley Project SE100

10 Largest Electric Customers¹

<u>Name</u>	<u>Type of Entity</u>	<u>kWh Sales</u>	<u>Revenues</u>
Niagara Bottling LLC	Manufacturing	36,072,000	\$2,817,037
Tyson	Chicken Processing Plant	26,049,600	2,033,510
Continental Structural Plastic	Manufacturing	15,069,600	1,299,705
Hexel Corp/Post Petition	Manufacturing	13,262,400	1,033,416
Texas Lutheran University	University	11,496,600	904,698
Minigrip LLC	Manufacturing	7,735,200	601,605
Guadalupe Regional Medical Center	Hospital	5,258,000	415,068
Walmart	Retail	4,683,000	396,487
HEB	Retail	4,427,000	372,488
Guadalupe Regional Medical Center	Hospital	3,499,000	290,581

¹ For October 2023 – September 2024

kWh Energy Analysis

<u>Year</u>	<u>kWh Purchased</u>	<u>Growth</u>	<u>kWh Consumption</u>	<u>Growth</u>	<u>Customer Count</u>	<u>Growth</u>
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%	8,538	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%
2021-22	357,042,740	7.29%	338,668,601	8.83%	9,210	3.73%
2022-23	370,749,050	3.84%	350,559,371	3.52%	9,671	5.0%
2023-24	371,002,106	.07%	344,193,040	-1.83%	10,251	6.0%

Electric Sales and Peak Demand

<u>Year</u>	<u>kWh Sales</u>	<u>Revenues</u>	<u>Peak Demand (kWh)</u>
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	68,453
2020-21	311,202,790	29,157,919	79,228
2021-22	338,668,601	31,992,929	80,890
2022-23	350,599,371	33,278,688	77,219
2023-24	344,193,040	33,632,642	73,111

Note: Data on Peak Demand furnished by LCRA.

Electric Rates (Effective October 1, 2024)

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

Applicable to individually metered residential dwellings.

Customer Charge per meter:	\$15.50
Energy Charge per kWh:	\$.03757
PCRF Charge per kWh:	\$.05700

Small Commercial - SCS: Applicable to non-residential customers or multiple dwelling unit residential customers billed through one meter and whose peak demand does not exceed 25 KW.

Customer Charge per meter:	\$35.00
Energy Charge per kWh:	\$.03154
PCRF Charge per kWh:	\$.05700

Large Power Commercial - LPS: Applicable to non-residential customers whose peak KW is between 25 and 500.

Customer Charge per meter:	\$125.00
SECONDARY Customer Energy Charge per kWh:	\$.02719
SECONDARY Customer Demand Charge per KW:	\$3.50
PCRF Charge per kWh both SECONDARY & PRIMARY:	\$.05700
PRIMARY Customer Energy Charge per kWh:	\$.02678
PRIMARY Customer Demand Charge per KW:	\$3.50

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:	\$.01007
SECONDARY Customer Demand Charge per KW:	\$5.00
PCRF Charge per kWh both SECONDARY & PRIMARY:	\$.05700
PRIMARY Customer Energy Charge per kWh:	\$.00977
PRIMARY Customer Demand Charge per KW:	\$5.00

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	\$480.00
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 800 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 three seventy-thousand-gallon ground storage tanks 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, 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. In addition to these supplies, the TCEQ issued a Bed and Banks permit allowing up to 9,200 acre-feet of addition diversion from the Guadalupe river.

WATER AND SEWER PROJECTS

Seguin is currently in the design / construction phase of several major water and sewer improvement projects during Fiscal Year 2024-25. 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.
- River Oak Wastewater Improvements
- Surface Water / Ground Water Loop
- Springs Hill CCN Transfer Water Line Improvements
- Water Storage Tank Rehabilitation.
- 24” water transmission line.
- 30” wastewater collection main.

Historical Water Consumption

Gallons	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Yearly Use	2,576,415,837	2,904,299,562	2,876,051,000	2,919,352,455	2,972,776,000	3,123,078,000
Daily Average	7,058,674	7,956,985	7,881,148	7,998,226	9,144,589	8,556,378
Daily	8,410,000	7,813,000	8,413,000	7,382,000	6,750,000	6,479,000
	09/30/19	09/30/20	09/30/21	9/30/22	9/30/23	09/30/24

Classification of Customers

<u>Year</u>	<u>Residential Inside</u>	<u>Residential Outside</u>	<u>Commercial Inside</u>	<u>Commercial Outside</u>
2011	5,864	4	1,199	2
2012	5,896	4	1,204	2
2013	5,911	4	1,199	2
2014	5,951	1	1,184	2
2015	6,007	0	1,250	0
2016	6,093	0	1,277	0
2017	6,176	0	1,381	0
2018	6,316	0	1,252	0
2019	6,309	0	1,218	0
2020	6,415	0	1,229	0
2021	6,695	0	1,241	0
2022	7,181	0	1,264	0
2023	7,460	0	1,266	0
2024	8,282	0	1,284	0

Water Rates (Effective October 1, 2024)

Residential:

Capacity Charge	\$27.95
1 - 10,000 gallons used	\$ 4.86 (per 1,000 gal)
10,001 - 35,000 gallons used	\$ 5.55 (per 1,000 gal)
35,000 and above gallons used	\$ 6.26 (per 1,000 gal)

Commercial, Industrial, Governmental, and Multi-Family:

Capacity Charge per meter	\$60.31
First 12,000,000 gallons used (per 1,000 gal)	\$ 5.51
All additional gallons used (per 1,000 gal))	\$ 4.70

INDUSTRIAL SURFACE WATER (Effective October 1, 2023)

Capacity Charge per meter	\$60.31
All gallons used	\$ 4.15 (per 1,000 gal)
If ground water has to be used	\$ 4.70 (per 1,000 gal)

Top Ten Water Customers

Twelve Month Period (10-01-23 thru 09-30-24)

Name	Gallons Used (1,000)	Water Revenues
Niagra Bottling LLC	348,035	\$1,412,357
Tyson	319,030	1,255,237
CPS Energy - Reuse	241,105	494,155
Vitesco Technologies	23,770	124,730
Guadalupe County Admin	18,255	96,285
Texas Lutheran University	15,615	82,237
LDG Pecan Grove LP	13,254	69,985
Summers Bend	10,641	56,364
Guadalupe Regional Medical Center	9,015	47,825
Stone Ranch Townhomes	8,385	44,632

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 a 2-hour peak load of 2,881.96 gpm. See discussion under “WATER PLANT AND DISTRIBUTION SYSTEM - Water and Sewer Projects” herein. Units at the facility are as follows:

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

Present influent and effluent quality is as follows:

	<u>Influent</u>	<u>Effluent</u>	<u>% Removal</u>
BOD	99.08 mg/l	2.31 mg/l	97.66%

The Geronimo Creek Treatment Plant is an activated aeration type plant. Its design capacity is 2.13 MGD, a daily average flow of 1.88 MGD, and a 2-hour peak load of 2,176 gpm. Units at the facility are as follows:

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

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

	<u>Influent</u>	<u>Effluent</u>	<u>% Removal</u>
BOD	96.03 mg/l	2.06 mg/l	97.85%

SEWER RATES: (effective October 1, 2024)

Residential:

Up to the first 2,000 Gallons of water used	\$39.92
The next 6,000 gallons used	\$ 5.99 (per 1,000 gal)
Max charge for 8,000 gallons of water used	\$75.86
Fixed sewer fee for wastewater service only and no metered water	\$49.90

Residential Outside:

Up to the first 2,000 Gallons of water used	\$49.90
The next 6,000 gallons used	\$ 7.47 (per 1,000 gal)

Commercial and Industrial:

Capacity Charge	\$65.84
First 8,000,000 gallons of water used	\$ 6.13 (per 1,000 gal)
All additional gallons used	\$ 4.85 (per 1,000 gal)
Fixed sewer for wastewater service only and no metered water	\$65.84

Industrial User Charge and Fee:

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

Industrial User Metered Sewer:

Capacity Charge	\$65.84
First 8,000,000 gallons of water used	\$ 599 (per 1,000 gal)
All additional gallons used	\$ 4.53 (per 1,000 gal)

Solid Water Services: Garbage Effective October 1, 2022
 Recycling Effective October 1, 2022

Each residential account has one garbage container	\$15.89
Each additional container	\$ 6.98
Each residential account has one recycle container	\$ 3.55

SALES TAX:

Charged to customers for electric, garbage and recycling:

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

Top Wastewater Customers

Twelve Month Period (10-01-23 thru 9-30-24)

<u>Name</u>	<u>Gallons Used (1,000)</u>	<u>Revenues</u>
Guadalupe County Admin	18,255	\$105,291
Texas Lutheran University	15,615	92,302
LDG Pecan Grove LP	13,254	78,533
Summers Bend	10,671	63,225
Guadalupe Regional Medical Center	9,015	53,635
Stone Ranch Townhomes	8,385	50,040
Melissa Ann Mackno	8,303	50,040
Continental Structural Plastics	7,962	47,394
Guadalupe Regional Medical Center	7,989	46,368
Housing Authority	7,570	45,165
METERED SEWER		
Tyson	240,183	1,178,708
CPS Energy	121,830	690,839
Niagra Bottling, LLP	107,794	596,524
Vitesco Technologies	16,836	97,144

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APPENDIX C

**General Purpose Financial Statements for the City of Schertz, Texas
For the Fiscal Year Ended September 30, 2023**

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CITY OF SCHERTZ, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023

CITY OF SCHERTZ, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
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OFFICIALS ISSUING REPORT

Steve Williams
City Manager
James Walters
Director of Finance

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INTRODUCTORY SECTION

March 19, 2024

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 comprehensive annual financial report of the City of Schertz for the fiscal year ended September 30, 2023.

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, 2023, 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, 2023, 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 43,010 in 2022 according to the US Census Bureau. The City of Schertz is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

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

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

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

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

Factors Affecting Financial Condition

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

Local economy.

Economic growth in Schertz remained strong in 2023. The surrounding metro area saw growth evidenced by the Federal Reserve Bank of Dallas reporting the San Antonio Business-Cycle Index increase 3.98% year-over-year for September 2023. This Index has normalized to its long term trend and continues to potentially indicate a continued period of economic growth for the region. As of September 2023, the unemployment rate for Texas was 3.9% and San Antonio-New Braunfels area matched at 3.9%. Schertz, as included in the San Antonio-New Braunfels MSA, had an **unemployment rate of 3.6% during this time.**

As another indicator of economic growth, the City of Schertz realized a **10.4% increase year-over-year** in sales tax collections during the fiscal year. The City's average longer term growth is 7.2% which indicates the City has maintained its previous growth from the recent years and continued its growth above historic averages.

New residential construction has been slowing in the city the past few years, cutting revenue by 30.6% over last year. Despite the downward trend in new residential permits, overall new taxable value has grown by the historic average of 2.6%.

Industrial development continued to push North along IH-35 across FM 3009 with Phelan-Bennet filling 169,525 sq ft of speculative warehouse distribution on Four Oaks Lane. Doerr Lane Logistics Center is complete and leased and another Cavender and Hill Project, 3009 Distribution Center will add another 112,000 square foot warehouse/distribution to the city, conveniently located off of FM 3009 near IH 35.

In Northern Schertz, redevelopment, expansion, and significant speculative development characterized 2023. Caterpillar again invested in Schertz bringing the total investment to an estimated \$70,000,000 and setting on 194 jobs total with two new manufacturing lines. Sysco Central Texas site continued to produce for Schertz, taking advantage of the economic development incentives to secure their 100,000 sq ft expansion of their existing facility, currently under construction. The Economic Development Corporation also took steps to secure the

funding for waste water infrastructure for a large portion of Schertz, on the north side of IH 35 and close to our border with New Braunfels.

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

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. The remaining \$5 million for FM 1518 was issued in 2022 and all funds have been paid to the Texas Department of Transportation as in April 2023. In June 2018, the second \$4 million was issued for the Fire Station to begin construction. The fire station was completed in November 2021. All funds have been spent for this bond election.

In November 2021, the City placed 1 bond proposition before voters totaling \$15.45 million for Fire Station number 4 which passed. The funds for the new fire station were issued in 2022 and the fire engine and the land have been purchased with engineering and design for the building are underway.

Current Year Budget Initiatives. For FY 2023-24, the city has made employee wages and benefits a priority. The City Council identified \$3.6 million citywide to address concerns of below average compensation. \$1.4 million is for an across-the-board employment cost index (ECI), \$1.9 million to implement recommendations on the 3rd party classification and compensation study, and \$344,700 to cover insurance premium increases.

There were 5 new positions approved in the General Fund, 1 position in Water & Sewer, and 4 in EMS. The General Fund included 3 Firefighters, an Engineering Administration Assistant, and a Part Time Records Clerk. Water & Sewer was approved for a second Senior Billing Clerk and EMS was approved for 4 new EMTs.

Other initiatives include \$1.2 million for additional street maintenance, \$675,000 for a new Vacuum Truck, \$550,000 replacement of all police cameras and TASERS annually for 5 years, and career progression adjustments.

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 comprehensive annual financial report for the fiscal year ended September 30, 2022. This was the 38th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,



Steve Williams
City Manager

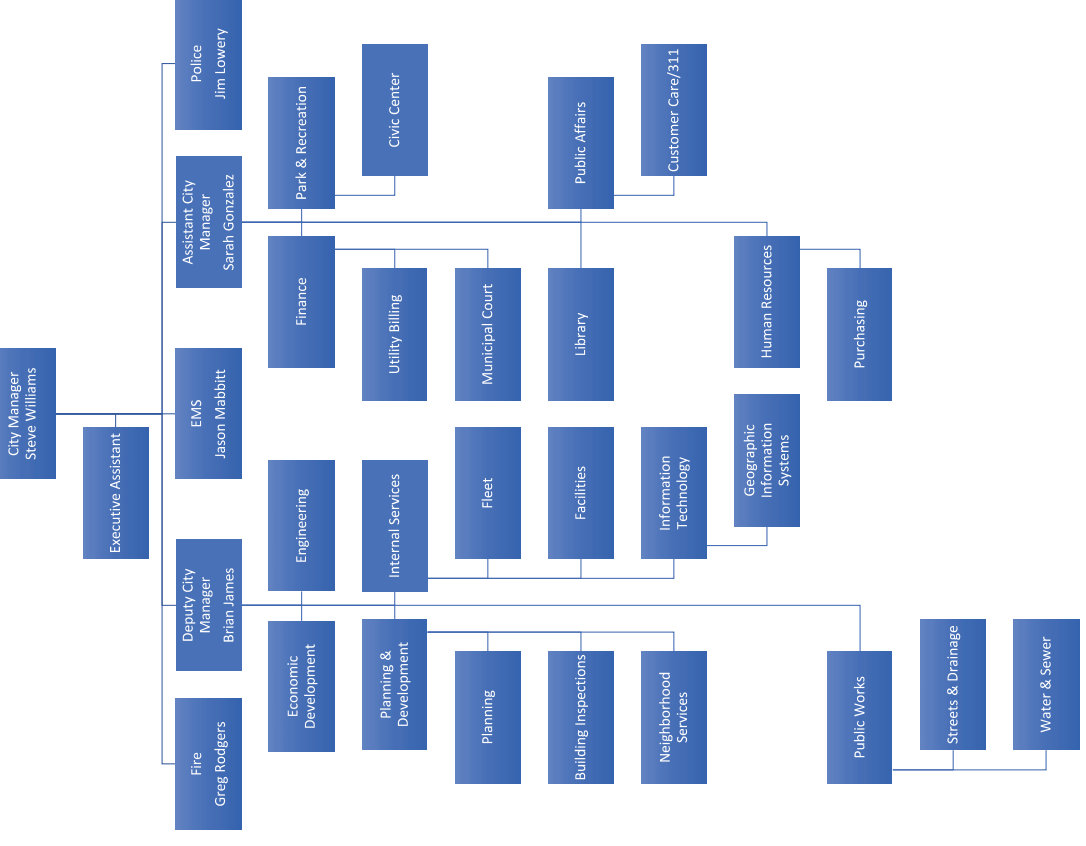


James P. Walters
Finance Director

City of Schertz Organization Chart

FY 2022-2023

CITY OF SCHERTZ, TEXAS
CITY OFFICIALS



- MAYOR: RALPH GUTIERREZ
- MAYOR PRO-TEM: ALLISON HEYWARD
- CITY COUNCIL: MARK E. DAVIS, MICHELLE WATSON, PAUL MACALUSO, TIFFANY GIBSON, ROBERT WESTBROOK, ALLISON HEYWARD, TIM BROWN, STEVE WILLIAMS, JAMES WALTERS
- CITY MANAGER: STEVE WILLIAMS
- DIRECTOR OF FINANCE: JAMES WALTERS
- CITY ATTORNEY: CHARLES ZECH, DENTON, NAVARRO, ROCHA, BERNAL & ZECH, P.C.

- MAYOR: RALPH GUTIERREZ
- MAYOR PRO-TEM: ALLISON HEYWARD
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Government Finance Officers Association

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

FINANCIAL SECTION

Presented to

**City of Schertz
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Schertz, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of September 30, 2023, 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.

We did not audit the financial statements of the Schertz-Seguin Local Government Corporation, which represents 9.7 percent and 11.8 percent, respectively, of the assets and net position of the Water and Sewer Fund, and 9.3 percent and 11.7 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, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the City of Schertz, Texas' fiscal year 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2024, on our consideration of the City of Schertz, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Schertz, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
March 19, 2024

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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, 2023. 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 \$345,135,343 (net position). Of this amount, \$46,909,951 (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 \$48,390,437. The primary reason for this increase was an increase in capital contributions of approximately \$32.6 million.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$82,693,803, a decrease of (\$8,490,003) in comparison with the prior year. The primary cause of this decrease was an increase in property and sales tax revenues that exceeded expenditure growth, coupled with spending of bond proceeds on capital projects.

At the end of the fiscal year, the combined total of the General Fund assigned and unassigned fund balances was \$15,519,596 which is 32.29% 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 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 \$345,135,343 at the close of the most recent fiscal year. The largest portion of the City's total net position (73%) 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, \$46,909,951, 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.

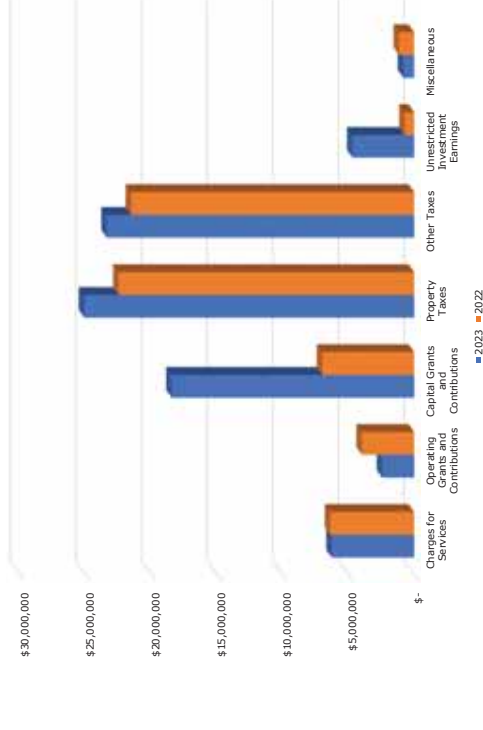
	City of Schertz's Net Position			
	Governmental		Business-Type	
	2023	2022	2023	2022
Current and other assets	\$ 97,512,162	\$ 105,714,129	\$ 64,573,716	\$ 73,186,420
Capital assets	194,268,903	159,972,447	135,961,908	108,872,222
Total assets	291,781,065	265,686,576	200,535,624	182,058,642
Deferred outflows of resources	9,428,168	4,309,869	3,008,848	1,195,882
Current liabilities	18,488,692	18,382,113	9,086,822	6,911,108
Long-term liabilities	96,853,509	93,693,054	33,494,784	31,871,137
Total liabilities	115,352,201	112,075,167	42,581,606	38,782,245
Deferred inflows of resources	1,334,836	4,374,235	349,719	1,274,416
Net position:				
Net investment in capital assets	136,442,093	109,746,340	114,831,425	94,997,863
Restricted	40,311,118	32,745,688	6,640,756	5,408,320
Unrestricted	7,768,985	11,055,015	39,140,966	42,791,680
Total net position	\$ 184,522,196	\$ 153,547,043	\$ 160,613,147	\$ 143,197,863

The government's net position increased by \$48,390,437 during the current fiscal year. The primary cause for the increase was increased revenues; the City recognized approximately \$32.6 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.

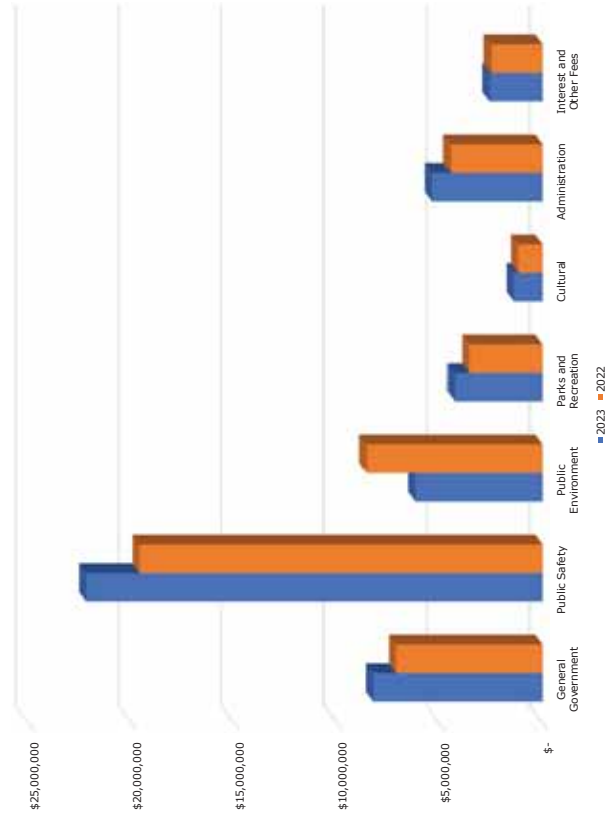
The following table indicates changes in net position for governmental and business-type activities followed by graphs displaying total revenues and expenses by type:

	City of Schertz's Changes in Net Position			
	Governmental		Business-Type	
	2023	2022	2023	2022
Revenues:				
Program revenues:				
Charges for services	\$ 2,657,858	\$ 6,371,058	\$ 41,093,604	\$ 40,098,475
Operating grants and contributions	2,425,931	3,970,029	-	-
Capital contributions	18,456,911	6,987,788	14,180,619	6,143,957
General revenues:				
Property taxes	25,118,429	22,495,628	-	-
Other taxes	23,388,656	21,537,297	-	-
Investment earnings	4,678,690	709,898	1,927,277	314,546
Miscellaneous	820,465	1,138,775	479,479	675,729
Total revenues	81,156,956	63,211,383	57,680,979	47,232,717
Expenses:				
General government	8,244,956	7,093,652	-	-
Public safety	22,195,399	19,580,703	-	-
Public environment	6,188,351	8,545,834	-	-
Parks and recreation	4,253,278	3,543,978	-	-
Cultural	1,380,793	1,168,815	-	-
Administration	5,363,700	4,455,947	-	-
Interest and other fees	2,595,917	2,490,474	-	-
Water and sewer	-	-	30,088,159	27,833,986
EMS	-	-	10,126,945	8,234,500
Total expenses	50,182,394	46,879,403	40,265,104	36,068,486
Increase in net position before transfers	30,974,562	16,331,980	17,415,875	11,164,231
Transfers	591	(316,216)	(591)	316,216
Change in net position	30,975,153	16,015,764	17,415,284	11,480,447
Net position - beginning of year	153,547,043	137,531,279	143,197,863	131,717,416
Net position - end of year	\$ 184,522,196	\$ 153,547,043	\$ 160,613,147	\$ 143,197,863

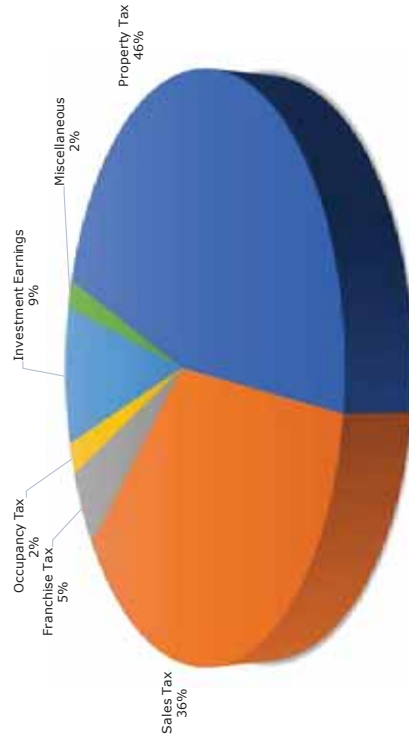
TOTAL REVENUES - GOVERNMENT-WIDE



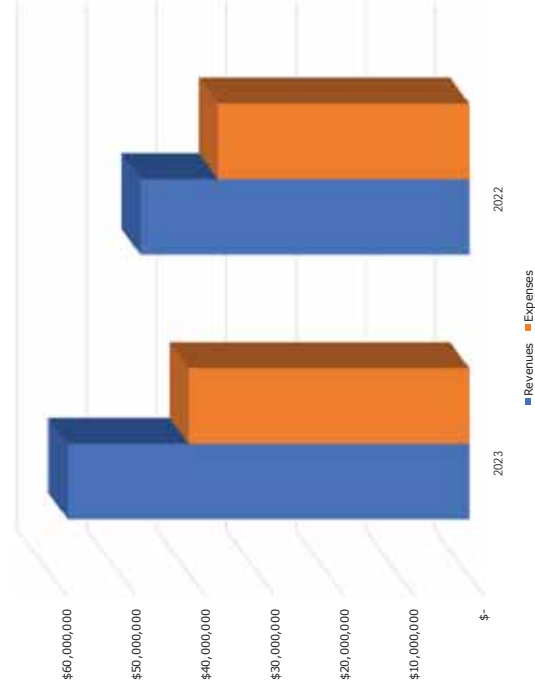
TOTAL EXPENSES – GOVERNMENT-WIDE



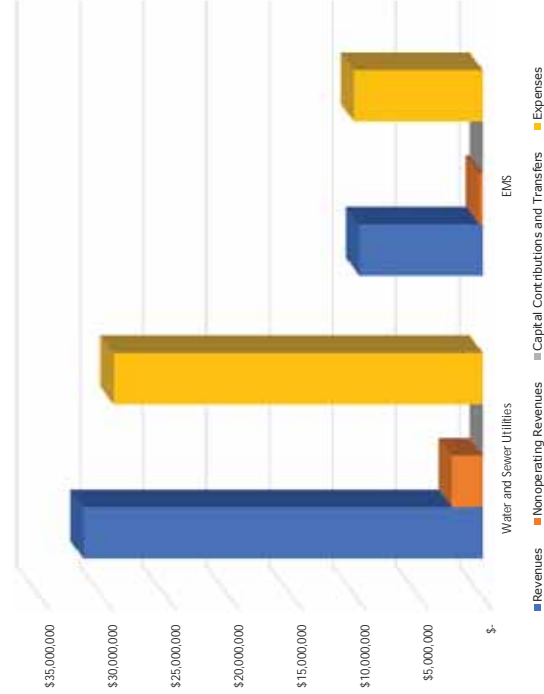
GENERAL REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



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 \$82,693,803. Of this total amount, \$11,355,967 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 \$12,000,941, while total fund balance was \$19,237,616, an increase of \$2,170,717 from the prior year. Overall, the increase was caused by a large, budgeted transfer out for capital projects, but the fund also experienced increases in investment earnings, property, and sales tax revenues. 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 32.29% of total general fund expenditures, not including capital outlay.

The debt service fund has a total fund balance of \$1,113,858, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$750,551. This decrease was due to regular principal and interest payments on long-term debt exceeding interest and sinking property tax revenue during the year. Over time, however, the debt service fund has sufficient cash and equivalents on hand to remain liquid if tax revenues decrease.

The capital projects fund has a total fund balance of \$22,753,182, a decrease of \$18,653,334. This was caused by using bond proceeds during the year to fund construction projects.

The Economic Development Fund presents the activities of the Schertz Economic Development Corporation (the "EDC"), which promotes economic development activities using a portion of the City's sales tax revenue. At year-end, the EDC fund reported an ending fund balance of \$32,995,834, which is an increase of \$6,952,706 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 \$5,399,681, which consists of interest earned on the \$7,816,119 received from the Coronavirus Local Fiscal Recovery Fund grant program. Amounts not spent as of year-end are presented as unearned revenue until 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 \$37,906,916 and those for the Schertz EMS fund amounted to \$1,234,050, which are 130% and 12% of fund operating costs, respectively.

The water and sewer fund reported an increase in net position of \$17.8 million. Approximately three quarters 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 decreased net position by \$403,518. Expenses increased by approximately \$1.9 million compared to the prior year. Revenues were consistent to the prior year as a result of approximately the same number of ambulance runs in the prior year. Expenses increased primarily from increased salaries that resulted from the compensation study discussed previously.

General Fund Budgetary Highlights

The general fund expenditures were \$2,734,590 more than the \$41,488,769 budget. Overall activity in the General Fund increased during the current year as the City emerged from the COVID-19 pandemic, although the amount of growth was less than expected. Revenues were \$1,379,545 more than budgeted, primarily due to increased property and sales tax revenues. Overall, ending fund balance in the general fund was \$4,113,646 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, 2023, amounts to \$330,230,811 (net of accumulated depreciation), including several projects in progress from voter approved bonds.

	Governmental Activities			Business-Type Activities			Total
	2023	2022	2021	2023	2022	2021	
Land	\$ 15,214,261	\$ 8,863,427	\$ 2,415,002	\$ 2,415,017	\$ 17,699,363	\$ 11,298,444	
Water rights			7,745	7,745	7,745	7,745	
Buildings and improvements	53,420,797	52,701,579	3,725,152	3,703,626	57,145,949	56,405,205	
Machinery, equipment, and vehicles	16,277,025	15,472,681	7,339,679	6,823,569	23,616,704	22,296,250	
Infrastructure	175,473,306	136,194,073	137,700,969	115,715,584	313,174,275	251,909,657	
Construction in progress	22,189,761	27,684,430	29,149,047	21,661,576	51,338,808	49,346,006	
Accumulated depreciation	(88,306,247)	(80,965,743)	(44,438,286)	(41,517,395)	(132,744,533)	(122,481,138)	
TOTALS	\$194,268,903	\$159,872,447	\$135,961,908	\$108,872,222	\$330,230,811	\$268,844,669	

Significant capital asset activity for the year included improvements to streets and infrastructure of \$66.5 million and land purchases of \$6.3 million.

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 \$110,190,670. 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 an "AA+" rating from Standard and Poor's.

	Business-Type Activities			Total
	2023	2022	2023	
General obligation bonds	\$ 50,790,000	\$ 55,070,000	\$ 4,265,000	\$ 54,315,000
Certificates of obligation	24,565,000	26,135,000	22,005,000	46,570,000
Financing arrangements	91,921	5,092,228	245,764	327,685
Premium on bonds	2,068,016	1,601,635	2,347,862	7,153,915
Compensated absences	1,239,918	1,200,000	498,709	1,738,627
TOTALS	\$ 81,829,897	\$ 88,015,928	\$ 28,360,773	\$ 110,190,670
				\$ 118,036,445

Total debt decreased compared to the prior year due to scheduled bond principal payments.

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

Economic Factors and Next Year's Budgets and Rates

At the end of the fiscal year, the assigned and unassigned fund balance in the general fund increased to \$15.5 million from \$13.6 million. There was a decrease in fund balance budgeted of \$1.1 million in the original adopted budget but due to the above expected performance of investment income, commercial permits and sales taxes, the city was able to increase the fund balance instead. The City of Schertz has appropriated \$2.5 million of this increase for spending in the 2024 fiscal year budget in accordance to the City's fund balance policy. These funds will be spent on street maintenance programs and front loading new operational programs. The approved tax rate decreased to \$0.4572 from \$0.4950 per \$100 of valuation.

Each year the City updates its five-year budgeting forecast and has implemented a long-term debt model to assist management in making informed financial decisions that will impact the community now and in the future. The City's property tax base continues to expand at around 3% per year while the long term sales taxes are growing at 7% annually.

Industrial development continued to push North along IH-35 across FM 3009 with Phelan-Bennet filling 169,525 sq ft of speculative warehouse distribution on Four Oaks Lane. Doerr Lane Logistics Center is complete and leased and another Cavender and Hill Project, 3009 Distribution Center will add another 112,000 square foot warehouse/distribution to the city, conveniently located off of FM 3009 near IH 35.

In Northern Schertz, redevelopment, expansion, and significant speculative development characterized 2023. Caterpillar again invested in Schertz bringing the total investment to an estimated \$70,000,000 and settling on 194 jobs total with two new manufacturing lines. Sysco Central Texas site continued to produce for Schertz, taking advantage of the economic development incentives to secure their 100,000 sq ft expansion of their existing facility, currently under construction. The Economic Development Corporation also took steps to secure the funding for waste water infrastructure for a large portion of Schertz, on the north side of IH 35 and close to our border with New Braunfels.

Staff will continue to watch as the economy slows down. During COVID and the great recession, property values continued to rise and no discernable impacts of foreclosures. Sales taxes have been recession resistant in Schertz due to the business types and markets however, new residential development has slowed down over the past few years. Staff is factoring this in its 5-year forecast for slower growth.

Overall, the City of Schertz continues to be an extremely attractive option as a center for logistics and distribution. Accelerated by the rising demand for delivery to consumers and changes in supply chain management philosophy moving from "just in time" to "just in case," Schertz' location along IH-35 and IH-10 corridor continues to be a strong advantage.

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.

**BASIC
FINANCIAL STATEMENTS**

CITY OF SCHERTZ, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 84,610,716	\$ 22,402,988	\$ 107,013,704
Investments	4,691,975	1,183,797	5,875,772
Internal balances	(91,499)	91,499	-
Receivables, net of allowances:			
Taxes	4,700,323	-	4,700,323
Accounts and other	1,923,618	7,717,829	9,641,447
Accrued interest	-	6,324	6,324
Inventories	342,248	225,637	567,885
Restricted assets:			
Cash and cash equivalents	598,112	13,352,366	13,950,478
Service concession arrangement receivable:			
Due within one year	90,909	-	90,909
Due in more than one year	645,760	-	645,760
Investment in joint venture	-	19,593,276	19,593,276
Capital assets:			
Land	15,214,261	2,415,102	17,629,363
Water rights	-	70,245	70,245
Buildings and improvements	53,420,797	3,725,152	57,145,949
Equipment and vehicles	16,277,025	7,339,679	23,616,704
Infrastructure	175,473,306	137,700,969	313,174,275
Construction in progress	22,189,761	29,149,047	51,338,808
Accumulated depreciation	(88,306,247)	(44,438,286)	(132,744,533)
Total Assets	291,781,065	200,535,624	492,316,689
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on debt refunding	449,467	6,363	455,830
Deferred OPEB related outflows	543,637	181,794	725,431
Deferred pension related outflows	8,435,064	2,820,691	11,255,755
Total Deferred Outflows of Resources	9,428,168	3,008,848	12,437,016
LIABILITIES			
Accounts payable	3,924,413	5,326,209	9,250,622
Accrued liabilities	529,285	173,298	702,583
Retainage payable	36,284	468,045	504,329
Due to other governments	31,357	-	31,357
Unearned revenue	7,260,753	495,361	7,756,114
Accrued interest payable	455,705	167,430	623,135
Customer deposits	6,652	624,849	631,501

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

CITY OF SCHERTZ, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES (continued)			
Noncurrent liabilities:			
Due within one year:			
Compensated absences	\$ 251,984	\$ 99,742	\$ 351,726
Total OPEB liability	59,711	19,967	79,678
Service concession arrangement	55,241	-	55,241
Long-term debt	5,877,307	1,711,921	7,589,228
Due in more than one year:			
Compensated absences	1,007,934	398,967	1,406,901
Total OPEB liability	2,195,760	734,264	2,930,024
Net pension liability	18,574,745	6,211,410	24,786,155
Service concession arrangement	392,398	-	392,398
Long-term debt	74,692,672	26,150,143	100,842,815
Total Liabilities	115,352,201	42,581,606	157,933,807
Deferred service concession arrangement	289,030	-	289,030
Deferred OPEB related inflows	979,343	327,493	1,306,836
Deferred pension related inflows	66,463	22,226	88,689
Total Deferred Inflows of Resources	1,334,836	349,719	1,684,555
NET POSITION			
Net investment in capital assets	136,442,093	114,831,425	251,273,518
Restricted for:			
Police and municipal court	674,628	-	674,628
PEG capital fees	884,536	-	884,536
Tourism development	2,616,414	-	2,616,414
Economic development	33,395,515	-	33,395,515
Parks and tree mitigation	785,703	-	785,703
Debt service	867,965	-	867,965
Scholarships and other purposes	1,086,357	-	1,086,357
Construction	-	6,640,756	6,640,756
Unrestricted	7,768,985	39,140,966	46,909,951
Total Net Position	\$ 184,522,196	\$ 160,613,147	\$ 345,135,343

CITY OF SCHERTZ, TEXAS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Primary government:	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
General government activities:				
General government	\$ 8,244,956	\$ 470,879	\$ 1,683,811	\$ -
Public safety	22,195,399	4,067,387	734,606	-
Public environment	6,188,351	661,078	-	18,456,911
Parks and recreation	4,253,278	753,302	-	-
Cultural	1,380,793	315,222	7,520	-
Administration	5,363,700	-	-	-
Interest	2,555,917	-	-	-
Total Governmental Activities	<u>50,182,394</u>	<u>6,267,868</u>	<u>2,425,937</u>	<u>18,456,911</u>
Business-type activities:				
Water and sewer	30,088,159	31,589,783	-	14,180,619
EMS	10,176,945	9,503,821	-	-
Total Business-Type Activities	<u>40,265,104</u>	<u>41,093,604</u>	<u>-</u>	<u>14,180,619</u>
Total Primary Government	<u>\$ 90,447,498</u>	<u>\$ 47,361,472</u>	<u>\$ 2,425,937</u>	<u>\$ 32,637,530</u>
General revenues:				
Taxes:				
Ad valorem				
Sales	25,118,429			25,118,429
Franchise fees	19,646,841			19,646,841
Hotel/motel	2,593,660			2,593,660
Mixed drink	1,059,808			1,059,808
Investment earnings	88,347			88,347
Miscellaneous	4,678,690	1,927,277		6,605,967
Transfers	820,465	479,479		1,299,944
Total General Revenues and Transfers	<u>591</u>	<u>(591)</u>		<u>-</u>
Change in Net Position	54,006,831	2,406,165		56,412,996
Net Position - Beginning	30,975,153	17,415,284		48,390,437
Net Position - Ending	<u>153,547,043</u>	<u>143,197,863</u>		<u>296,744,906</u>
Net Position - Ending	<u>\$ 184,522,196</u>	<u>\$ 160,613,147</u>		<u>\$ 345,135,343</u>

CITY OF SCHERTZ, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	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	\$ 16,338,407	\$ 23,012,099	\$ 1,159,250		\$ 7,723,892	\$ 6,816,535	\$ 84,610,716
Investments	2,438,934	-	-	2,253,041	-	-	4,691,975
Receivables (net of allowances)							
Taxes	3,352,850	-	164,420	1,183,053	-	-	4,700,323
Accounts and other	1,840,329	-	-	7,949	-	75,340	1,923,618
Due from other funds	644,353	-	-	-	-	-	644,353
Inventory	342,248	-	-	-	-	-	342,248
Restricted assets:							
Cash and cash equivalents	598,112	-	-	-	-	-	598,112
Total Assets	<u>25,555,233</u>	<u>23,012,099</u>	<u>1,323,670</u>	<u>33,004,576</u>	<u>7,723,892</u>	<u>6,891,875</u>	<u>97,511,345</u>
LIABILITIES							
Accounts payable	3,522,925	253,110	-	8,742	85,746	53,890	3,924,413
Accrued salaries and benefits	529,285	-	-	-	-	-	529,285
Retainage payable	-	5,807	-	-	30,477	-	36,284
Customer deposits	6,652	-	-	-	-	-	6,652
Due to other governments	31,357	-	-	-	-	-	31,357
Due to other funds	91,499	-	-	-	-	644,353	735,852
Unearned revenues	52,765	-	-	-	7,207,988	-	7,260,753
Total Liabilities	<u>4,234,483</u>	<u>258,917</u>	<u>-</u>	<u>8,742</u>	<u>7,324,211</u>	<u>698,243</u>	<u>12,524,596</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	2,083,134	-	209,812	-	-	-	2,292,946
Total Deferred Inflows of Resources	<u>2,083,134</u>	<u>-</u>	<u>209,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,292,946</u>
FUND BALANCES							
Nonspendable for:							
Inventory	342,248	-	-	-	-	-	342,248
Restricted for:							
Police and public safety/municipal court	355,469	-	-	-	-	319,159	674,628
Municipal court	786,902	-	-	-	-	-	786,902
PEG capital fees	884,536	-	-	-	-	-	884,536
Capital improvement	-	19,318,324	-	-	-	3,011,662	22,329,986
Debt service	-	-	1,113,858	-	-	-	1,113,858
Tourism development	-	-	-	-	-	2,616,414	2,616,414
Parks and tree mitigation	-	-	-	-	-	785,703	785,703
Historical Committee and library	-	-	-	-	-	105,668	105,668
Economic development	-	-	-	32,995,834	399,681	-	33,395,515
Animal control	44,690	-	-	-	-	-	44,690
Scholarships	149,097	-	-	-	-	-	149,097
Committed for:							
Capital Projects	-	3,434,858	-	-	-	-	3,434,858
Civic Center/SIED	1,155,078	-	-	-	-	-	1,155,078
Assigned for:							
Property replacement	954,151	-	-	-	-	-	954,151
Subsequent year's budget	2,564,504	-	-	-	-	-	2,564,504
Unassigned	12,000,941	-	-	-	-	(644,974)	11,355,967
Total Fund Balances	<u>19,237,616</u>	<u>22,753,182</u>	<u>1,113,858</u>	<u>32,995,834</u>	<u>399,681</u>	<u>6,193,632</u>	<u>82,693,803</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 25,555,233</u>	<u>\$ 23,012,099</u>	<u>\$ 1,323,670</u>	<u>\$ 33,004,576</u>	<u>\$ 7,723,892</u>	<u>\$ 6,891,875</u>	<u>\$ 97,511,345</u>

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

CITY OF SCHERTZ, TEXAS
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2023

Total Fund Balances - Governmental Funds	\$	82,693,803
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.		194,268,903
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.		(76,696,839)
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.		(455,705)
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.		(5,133,058)
Premiums		449,467
Deferred loss		2,292,946
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.		
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		(18,574,745)
Deferred outflows related to pensions		8,435,064
Deferred inflows related to pensions		(66,463)
Total OPEB liability		(2,255,471)
Deferred outflows related to OPEB		543,637
Deferred inflows related to OPEB		(979,343)
Net Position of Governmental Activities	\$	<u>184,522,196</u>

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CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Economic Development Corporation	American Rescue Plan Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 33,136,640	\$ -	\$ 7,710,299	\$ 6,548,941	\$ -	\$ 1,059,808	\$ 48,455,688
Permits and fees	2,077,759	-	-	-	-	251,565	2,329,324
Service fees	2,124,689	-	-	-	-	681,595	2,806,284
Fines and fees	448,805	-	-	-	-	211,080	659,885
Intergovernmental	2,319,760	201,621	-	-	504,579	35,671	3,061,631
Investment earnings	1,050,211	1,601,296	105,398	1,262,346	376,272	283,167	4,678,690
Miscellaneous	636,278	-	181,935	-	-	2,252	820,465
Total Revenues	<u>41,794,142</u>	<u>1,802,917</u>	<u>7,997,632</u>	<u>7,811,287</u>	<u>880,851</u>	<u>2,525,138</u>	<u>62,811,967</u>
EXPENDITURES							
Current:							
General government	6,943,385	-	-	264,776	-	116,815	7,324,976
Public safety	19,492,971	-	-	-	-	86,793	19,579,764
Public environment	1,782,809	-	-	-	-	-	1,782,809
Parks and recreation	3,134,333	-	-	-	-	93,032	3,227,365
Cultural	1,277,825	-	-	-	-	17,123	1,294,948
Administration	4,538,699	-	-	593,805	-	69,915	5,202,419
Capital outlay	1,584,157	21,307,128	-	-	515,788	735,021	24,142,094
Debt service:							
Principal	-	-	5,850,000	-	-	-	5,850,000
Interest and fiscal charges	-	-	2,893,986	-	-	-	2,893,986
Bond issue costs	-	-	4,200	-	-	-	4,200
Total Expenditures	<u>38,754,179</u>	<u>21,307,128</u>	<u>8,748,186</u>	<u>858,581</u>	<u>515,788</u>	<u>1,118,699</u>	<u>71,302,561</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,039,963</u>	<u>(19,504,211)</u>	<u>(750,554)</u>	<u>6,952,706</u>	<u>365,063</u>	<u>1,406,439</u>	<u>(8,490,594)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	850,880	3	-	-	18,957	869,840
Transfers out	(869,246)	(3)	-	-	-	-	(869,249)
Total Other Financing Sources (Uses)	<u>(869,246)</u>	<u>850,877</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>18,957</u>	<u>591</u>
NET CHANGE IN FUND BALANCE	<u>2,170,717</u>	<u>(18,653,334)</u>	<u>(750,551)</u>	<u>6,952,706</u>	<u>365,063</u>	<u>1,425,396</u>	<u>(8,490,003)</u>
FUND BALANCES - BEGINNING	<u>17,066,899</u>	<u>41,406,516</u>	<u>1,864,409</u>	<u>26,043,128</u>	<u>34,618</u>	<u>4,768,236</u>	<u>91,183,806</u>
FUND BALANCES - ENDING	<u>\$ 19,237,616</u>	<u>\$ 22,753,182</u>	<u>\$ 1,113,858</u>	<u>\$ 32,995,834</u>	<u>\$ 399,681</u>	<u>\$ 6,193,632</u>	<u>\$ 82,693,803</u>

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

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net Changes in Fund Balances - Governmental Funds \$ (8,490,003)
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 42,437,393
Depreciation expense (7,342,504)

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

(798,433)

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

Property taxes 38,302
Court fines 51,397

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

Repayment of principal of long-term debt 6,245,884
Amortization of loss on refunding (57,272)

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 (59,853)
Net pension liability (970,449)
Total OPEB liability (110,273)

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.

30,964
\$ 30,975,153

Change in Net Position of Governmental Activities

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CITY OF SCHERTZ, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Business-Type Activities Enterprise Funds			Governmental Activities	
	Water and Sewer System	Schertz EMS	Enterprise Fund	Enterprise Fund	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 21,699,922	\$ 703,066	\$ 22,402,988	\$ -	-
Investments	1,183,797	-	1,183,797	-	-
Accounts receivable, net of allowance:					
Customer accounts	3,524,433	4,193,396	7,717,829	-	-
Due from other funds	91,499	-	91,499	-	-
Accrued interest	6,324	-	6,324	-	-
Inventory	126,636	99,001	225,637	-	-
Total Current Assets	26,632,611	4,995,463	31,628,074	-	-
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	13,352,366	-	13,352,366	-	-
Investment in joint ventures	19,593,276	-	19,593,276	-	-
Capital assets:					
Land	2,415,102	-	2,415,102	-	-
Water rights	70,245	-	70,245	-	-
Buildings and improvements	3,630,652	94,500	3,725,152	-	-
Machinery, equipment, and vehicles	3,705,968	3,633,711	7,339,679	-	-
Infrastructure	137,700,969	-	137,700,969	-	-
Construction in progress	29,149,047	-	29,149,047	-	-
Less: accumulated depreciation	(42,241,604)	(2,196,682)	(44,438,286)	-	-
Total Noncurrent Assets	167,376,021	1,531,529	168,907,550	-	-
Total Assets	194,008,632	6,526,992	200,535,624	-	-
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	6,363	-	6,363	-	-
Deferred OPEB related outflows	53,973	127,821	181,794	-	-
Deferred pension related outflows	837,427	1,983,264	2,820,691	-	-
Total Deferred Outflows of Resources	897,763	2,111,085	3,008,848	-	-

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

CITY OF SCHERTZ, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Business-Type Activities Enterprise Funds			Governmental Activities	
	Water and Sewer System	Schertz EMS	Enterprise Fund	Enterprise Fund	Internal Service Fund
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 5,090,731	\$ 235,478	\$ 5,326,209	\$ -	-
Accrued liabilities	38,046	135,252	173,298	-	-
Retainage payable	468,045	-	468,045	-	-
Customer deposits	624,849	-	624,849	-	-
Accrued interest	167,430	-	167,430	-	-
Unearned revenue	493,926	1,435	495,361	-	-
Current portion of long-term liabilities:					
Compensated absences	28,379	71,363	99,742	-	-
Total OPEB liability	5,928	14,039	19,967	-	-
Long-term debt	1,630,000	81,921	1,711,921	-	-
Total Current Liabilities	8,547,334	539,488	9,086,822	-	-
Noncurrent liabilities:					
Compensated absences	113,517	285,450	398,967	-	-
Total OPEB liability	217,994	516,270	734,264	-	-
Net pension liability	1,844,090	4,367,320	6,211,410	-	-
Long-term debt	25,986,300	163,843	26,150,143	-	-
Total Noncurrent Liabilities	28,161,901	5,332,883	33,494,784	-	-
Total Liabilities	36,709,235	5,872,371	42,581,606	-	-
DEFERRED INFLOWS OF RESOURCES					
Deferred OPEB related inflows	97,229	230,264	327,493	-	-
Deferred pension related inflows	6,599	15,627	22,226	-	-
Total Deferred Inflows of Resources	103,828	245,891	349,719	-	-
Net investment in capital assets	113,545,660	1,285,765	114,831,425	-	-
Restricted for construction	6,640,756	-	6,640,756	-	-
Unrestricted	37,906,916	1,234,050	39,140,966	-	-
Total Net Position	\$ 158,093,332	\$ 2,519,815	\$ 160,613,147	\$ -	\$ -

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	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	\$ 31,283,976	\$ 9,503,821	\$ 40,787,797	\$ -	4,916,591
Charges for premiums	-	-	-	-	-
Other charges	22,365	-	22,365	-	-
Miscellaneous	252,624	226,855	479,479	-	-
Total Operating Revenues	31,558,965	9,730,676	41,289,641	-	4,916,591
OPERATING EXPENSES					
Personnel services	3,133,344	7,495,019	10,628,363	-	4,916,591
General and administrative	3,437,318	826,089	4,263,407	-	-
Contractual services	19,339,339	725,326	20,064,665	-	-
Supplies and maintenance	484,010	684,047	1,168,057	-	-
Depreciation	2,806,641	446,464	3,253,105	-	-
Total Operating Costs	29,200,652	10,176,945	39,377,597	-	4,916,591
Operating Income (Loss)	2,358,313	(446,269)	1,912,044	-	-
NON-OPERATING REVENUES (EXPENSES)					
Investment revenue	1,884,526	42,751	1,927,277	-	-
Rent revenue	283,442	-	283,442	-	-
Interest expense	(887,507)	-	(887,507)	-	-
Total Non-Operating Revenues (Expenses)	1,280,461	42,751	1,323,212	-	-
Income before contributions and transfers	3,638,774	(403,518)	3,235,256	-	-
Transfers out	(591)	-	(591)	-	-
Capital contributions - impact fees	1,198,349	-	1,198,349	-	-
Capital contributions - dedicated assets	12,982,270	-	12,982,270	-	-
CHANGE IN NET POSITION	17,818,802	(403,518)	17,415,284	-	-
NET POSITION - BEGINNING	140,274,530	2,923,333	143,197,863	-	-
NET POSITION - END OF YEAR	\$ 158,093,332	\$ 2,519,815	\$ 160,613,147	\$ -	\$ -

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, 2023

	Business-Type Activities Enterprise Funds			Governmental Activities	
	Water and Sewer System	Schertz EMS	Total Enterprise Funds	Internal Service	Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 31,518,539	\$ 9,346,596	\$ 40,865,135	\$ -	4,916,591
Cash received from interfund services	-	-	-	-	(4,916,591)
Cash paid to employees for services	(2,958,336)	(6,901,662)	(9,859,998)	-	-
Cash paid to suppliers for goods and services	(22,633,252)	(2,196,378)	(24,829,630)	-	-
Net Cash Provided By Operating Activities	5,926,951	248,556	6,175,507	-	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	16,139	16,139	-	-
Transfers to other funds	(92,090)	-	(92,090)	-	-
Net Cash Used in Non-Capital Financing Activities	(92,090)	16,139	(75,951)	-	-
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(16,906,407)	(454,114)	(17,360,521)	-	-
Capital contributions - impact fees	1,198,349	-	1,198,349	-	-
Interest paid on long-term debt	(1,018,794)	-	(1,018,794)	-	-
Principal paid on long-term debt	(1,580,000)	(81,921)	(1,661,921)	-	-
Net Cash Used in Capital and Related Financing Activities	(18,306,852)	(536,035)	(18,842,887)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of investments	1,830,795	-	1,830,795	-	-
Payments from rentals	283,442	-	283,442	-	-
Interest and investment earnings	1,884,526	42,751	1,927,277	-	-
Net Cash Provided By (Used in) Investing Activities	3,998,763	42,751	4,041,514	-	-
Net (Decrease) Increase in Cash and Cash Equivalents	(8,473,228)	(228,589)	(8,701,817)	-	-
Cash and cash equivalents at beginning of year:					
Cash and cash equivalents	27,484,127	931,655	28,415,782	-	-
Restricted cash and cash equivalents	16,041,389	-	16,041,389	-	-
Cash and cash equivalents at end of year	43,525,516	931,655	44,457,171	-	-
Cash and cash equivalents	21,699,922	703,066	22,402,988	-	-
Restricted cash and cash equivalents	13,352,366	-	13,352,366	-	-
NET POSITION - END OF YEAR	\$ 35,052,288	\$ 703,066	\$ 35,755,354	\$ -	\$ -

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, 2023

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

B. Government-Wide and Fund Financial Statements

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

	Business-Type Activities		Governmental Activities	
	Enterprise Funds	Schertz	Total Enterprise	Internal Service Fund
Operating income (loss)	\$ 2,358,313	\$ (446,269)	\$ 1,912,044	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	2,806,641	446,464	3,253,105	-
Change in investment in joint venture	(1,412,676)	-	(1,412,676)	-
Increase (decrease) in accounts receivable	(42,561)	(384,403)	(426,964)	-
Increase (decrease) in inventory	(27,534)	20,315	(7,219)	-
Increase (decrease) in accounts payable	-	2,311	2,311	-
Increase (decrease) in accrued liabilities	(532,946)	(1,299,635)	(1,832,581)	-
Increase (decrease) in customer deposits	7,949	11,273	19,222	-
Increase (decrease) in unearned revenue	2,067,625	16,458	2,084,083	-
Increase (decrease) in compensated absences	16,329	-	16,329	-
Increase (decrease) in net pension liability	(23,458)	-	(23,458)	-
Increase (decrease) in deferred pension inflows	25,593	323	25,916	-
Increase (decrease) in total OPEB liability	16,673	117,184	133,857	-
Increase (decrease) in deferred OPEB inflows	1,002,386	2,477,501	3,479,887	-
Increase (decrease) in total OPEB liability	57,175	140,312	197,487	-
Increase (decrease) in net cash provided by operating activities	(346,045)	(776,139)	(1,122,184)	-
	(46,513)	(77,139)	(123,652)	-
	\$ 5,926,951	\$ 248,556	\$ 6,175,507	\$ -
SCHEDULE OF NON-CASH CAPITAL ACTIVITIES				
Developer contributions of capital assets				
Total non-cash capital activities	\$ 12,982,270	\$ -	\$ 12,982,270	\$ -

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 to 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.

The 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:

The 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. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

D. Cash and Cash Equivalents

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

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

E. Investments

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

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

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

F. Receivables and Payables

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

Accounts receivables 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

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.

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 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 cost 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 assets 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 assets 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.

O. 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, 2023, the City has a deficit unassigned fund balance of \$644,974 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.

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Cash, Cash Equivalents and Investments

As of September 30, 2023, the City had the following cash, cash equivalents and investments:

Investment type:	Reported Value	Weighted Average Maturity (days)
LOGIC	\$ 45,184,902	39
Lone Star Investment Pool	28,596,255	21
Texas CLASS	43,105,965	23
Certificates of Deposit	3,436,837	79
U.S. Agency Securities	2,402,680	487
Subtotal	122,726,639	
Plus: depository and petty cash	4,113,315	
Total cash and investments	\$ 126,839,954	

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, 2023, the City's investments in the pooled investment funds were rated AA/A 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, 2023, 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, 2023, 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 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, 2023, was \$0.4950 per \$100 of assessed value.

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 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 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, 2023 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities				Business-Type Activities	
	General Fund	Economic Development	Debt Service	Nonmajor Funds	Water and Sewer Fund	Schertz EMS
Receivables:						
Property taxes	\$ 360,851	\$ -	\$ 174,915	\$ -	\$ -	\$ -
Sales tax	2,366,106	1,183,053	-	75,340	-	-
Occupancy taxes	-	-	-	-	-	-
Franchise taxes	622,754	-	-	-	3,610,656	11,773,966
Customers	4,193,913	-	-	-	-	-
Court fines	1,652,240	7,949	-	-	-	-
Other	7,708,864	1,191,002	174,915	75,340	3,610,656	11,773,966
Gross receivables	16,044,727	2,382,004	349,830	150,680	3,614,272	11,787,932
Less: allowance for uncollectible accounts	(2,515,685)	-	(10,495)	-	(86,223)	(7,580,570)
Net receivables	\$ 5,193,179	\$ 1,191,002	\$ 164,420	\$ 75,340	\$ 3,524,433	\$ 4,193,392

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	\$ 376,210
Court fines	1,706,924
Total General Fund	2,083,134
Debt Service Fund	
Delinquent property taxes receivable	209,812
Total Debt Service Fund	209,812
Total Governmental Funds	\$ 2,292,946

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.

	Business-Type Activities		Totals
	Governmental Activities	Sewer	
Deferred outflows:			
Charge on refunding	\$ 449,467	\$ 6,363	\$ -
Related to pensions	8,435,064	837,427	1,983,264
Related to OPEB - SDBF	173,543	17,230	40,803
Related to OPEB - Retiree Health Plan	370,094	36,743	87,018
Total deferred outflow	\$ 9,428,168	\$ 897,763	\$ 2,111,085
Deferred inflows:			
Service concession arrangement	\$ 289,030	\$ -	\$ -
Related to pensions	66,463	6,599	15,627
Related to OPEB - SDBF	347,248	34,475	81,645
Related to OPEB - Retiree Health plan	632,095	62,754	148,619
Total deferred inflow	\$ 1,334,836	\$ 103,828	\$ 245,891
			\$ 1,684,555

E. Interfund Balances and Transfers

The composition of interfund balances as of September 30, 2023, is as follows:

	Due From	Due To	Amount	Purpose
Nonmajor Governmental		General	\$ 644,353	Short-term pool cash loan

The following schedule briefly summarizes the City's transfer activity for the year ending September 30, 2023:

Transfer From	Transfer To	Amount	Purpose
General	Nonmajor governmental	\$ 18,957	Supplement funds sources
Capital Projects	Capital Projects	850,204	Funding for various capital projects
Debt Service	Debt Service	3	Supplement funds sources
Capital Projects	Capital Projects	85	Supplement funds sources
Water and Sewer System	Capital Projects	591	Supplement funds sources

F. Capital Assets
Capital asset activity for the year ended September 30, 2023 was as follows:

	Beginning Balance	Additions	Reclassifications/Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,883,427	\$ 6,330,834	\$ -	\$ 15,214,261
Construction in progress	27,684,430	19,536,462	(25,031,138)	22,189,761
Total capital assets not being depreciated	36,567,857	25,867,303	(25,031,138)	37,404,022
Capital assets being depreciated:				
Buildings and improvements	52,701,579	764,218	(45,000)	53,420,797
Machinery, equipment, and vehicles	15,472,681	1,133,948	(329,604)	16,277,025
Street and infrastructure	136,194,073	39,703,062	(423,829)	175,473,306
Total assets being depreciated	204,368,333	41,601,228	(798,433)	245,171,128
Less accumulated depreciation for:				
Buildings and improvements	(20,061,052)	(1,688,963)	-	(21,750,015)
Machinery, equipment, and vehicles	(9,287,505)	(1,268,419)	-	(10,555,924)
Street and infrastructure	(61,615,186)	(4,385,122)	-	(66,000,308)
Total accumulated depreciation	(80,963,743)	(7,342,504)	-	(88,306,247)
Total capital assets being depreciated, net	123,404,590	34,258,724	(798,433)	156,864,881
Governmental activities capital assets, net	\$ 159,972,447	\$ 60,126,027	\$ (25,829,571)	\$ 194,268,903
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,415,017	\$ 85	\$ -	\$ 2,415,102
Water rights	70,245	-	-	70,245
Construction in progress	21,661,576	17,775,847	(10,288,376)	29,149,047
Total capital assets, not being depreciated	24,146,838	17,775,932	(10,288,376)	31,634,394
Capital assets being depreciated:				
Buildings and improvements	3,703,626	21,526	-	3,725,152
Machinery, equipment, and vehicles	6,823,569	892,452	(376,342)	7,339,679
Infrastructure	115,715,584	21,985,385	-	137,700,969
Total assets being depreciated	126,242,779	22,899,363	(376,342)	148,765,800
Less accumulated depreciation for:				
Buildings and improvements	(1,279,892)	(157,670)	-	(1,437,562)
Machinery, equipment, and vehicles	(5,990,529)	(728,555)	315,511	(6,403,573)
Infrastructure	(34,246,974)	(2,350,177)	-	(36,597,151)
Total accumulated depreciation	(41,517,395)	(3,236,402)	315,511	(44,438,286)
Total capital assets being depreciated, net	84,725,384	19,662,961	(60,831)	104,327,514
Business-type activities capital assets, net	\$ 108,872,222	\$ 37,438,893	\$ (10,349,207)	\$ 135,961,908

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

Governmental activities:	
General government	\$ 767,874
Public safety	1,183,347
Public environment	4,367,641
Parks and recreation	969,608
Cultural	46,324
Administration	7,710
Total	\$ 7,342,504
Business-type activities:	
Water and sewer system	\$ 2,792,230
EMS	444,172
Total	\$ 3,236,402
Total Depreciation	\$ 10,578,906

G. Long-Term Debt

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 primarily by 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 \$50.4 million and sales tax revenue was \$18.5 million.

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

Changes in long-term debt for the year ending September 30, 2023 are as follows:

	Beginning Balance	Issued	Retired/Refined	Ending Balance	Amount Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 49,375,000	\$ -	(3,330,000)	\$ 46,045,000	\$ 3,415,000
Certificates of Obligation	26,135,000	-	(1,570,000)	24,565,000	1,455,000
General Obligation Bonds-Private Placement	5,695,000	-	(950,000)	4,745,000	980,000
Premium from Debt	5,501,635	-	(368,577)	5,133,058	-
Financing Arrangements	109,228	539,879	(27,307)	81,921	27,307
Compensated Absences	1,200,065	-	(680,026)	519,939	-
Total governmental	\$ 88,015,928	\$ 539,879	\$ (6,725,910)	\$ 81,829,897	\$ 6,129,291
Business-type activities:					
General Obligation Bonds	\$ 3,630,000	\$ -	(535,000)	\$ 3,095,000	\$ 560,000
Certificates of Obligation	22,845,000	-	(840,000)	22,005,000	855,000
General Obligation Bonds-Private Placement	635,000	-	(205,000)	430,000	215,000
Unamortized Premium	2,767,880	-	(181,980)	2,585,900	-
Financing Arrangements	327,485	279,798	(181,981)	425,302	81,921
Compensated Absences	364,852	-	(145,941)	218,911	99,743
Total business-type	\$ 30,020,517	\$ 279,798	\$ (1,939,542)	\$ 28,360,773	\$ 1,811,664

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, 2023, the City does not have bonds considered defeased and outstanding.

A summary of the terms of long-term debt outstanding at September 30, 2023, is as follows:

	Issue Amount	Maturity	Rate	Balance
Governmental Activities				
General Obligation Bonds				
2014 Series, Refunding	8,450,000	2030	2.0% - 4.0%	6,275,000
2015 Series, Refunding	4,185,000	2031	2.0% - 3.25%	1,140,000
2016 Series, Refunding	5,880,000	2036	2.0% - 4.0%	4,095,000
2017 Series	3,935,000	2037	2.0% - 4.0%	3,000,000
2018 Series, Refunding	5,830,000	2033	3.125% - 5%	4,235,000
2020 Series, Refunding	7,555,000	2036	1.5% - 4%	5,660,000
2021 Series, Refunding	4,070,000	2033	2% - 4%	3,720,000
2022 Series	18,535,000	2042	4% - 5%	17,920,000
Private Placement obligations				
2007 Series GO	6,000,000	2027	4.07%	1,570,000
2018 Series GO Refunding	6,035,000	2028	2.12%	3,175,000
Certificates of Obligation				
2016 Series A	2,375,000	2036	2.0% - 4.0%	1,095,000
2016 Series B	1,475,000	2036	3.0% - 3.75%	1,065,000
2017 Series	4,935,000	2037	3.0% - 3.75%	3,205,000
2018 Series	4,845,000	2038	3.0% - 5.0%	3,675,000
2019 Series	4,015,000	2039	2.5% - 5%	2,970,000
2022 Series	4,740,000	2042	2% - 5%	4,565,000
2022 Series A	8,265,000	2042	4% - 5%	7,990,000
Total Governmental Long-Term Obligations				\$ 75,355,000
Business-Type Activities				
General Obligation Bonds				
2018 Series, Refunding	2,740,000	2026	3.125% - 5%	1,295,000
2021 Series, Refunding	1,945,000	2033	2% - 3%	1,800,000
Certificates of Obligation				
2018 Series	5,595,000	2028	3.0% - 5.0%	4,620,000
2019 Series	3,480,000	2039	2.5% - 5%	2,960,000
2022 Series	4,650,000	2042	2% - 5%	4,500,000
2022 Series A	10,265,000	2042	1.5% - 5%	9,925,000
Private Placement obligations				
2013 Series GO Refunding	2,130,000	2025	2.58%	430,000
Total Business-Type Long-Term Obligations				\$ 25,530,000

Annual future debt service requirements of bonded debt as of September 30, 2023, are as follows:

Governmental activities:

Year Ended September 30,	General Obligation Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 3,415,000	\$ 1,651,112	\$ 5,066,112	\$ 1,455,000	\$ 899,619	\$ 2,354,619
2025	2,845,000	1,523,238	4,368,238	1,375,000	838,219	2,213,219
2026	2,970,000	1,404,163	4,374,163	1,310,000	780,719	2,090,719
2027	3,090,000	1,280,663	4,370,663	1,195,000	727,356	1,922,356
2028	3,510,000	1,150,263	4,660,263	1,235,000	675,456	1,910,456
2029-2033	16,460,000	3,846,984	20,306,984	7,015,000	2,569,272	9,584,272
2034-2038	8,655,000	1,717,388	10,372,388	7,600,000	1,199,806	8,799,806
2039-2042	5,100,000	418,000	5,518,000	3,280,000	233,088	3,613,088
Total	\$ 46,045,000	\$ 12,991,810	\$ 59,036,810	\$ 24,565,000	\$ 7,923,535	\$ 32,488,535
			Private Placement Debt			
			General Obligation Bonds			
Year Ended September 30,	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 980,000	\$ 117,214	\$ 1,097,214	\$ 855,000	\$ 846,313	\$ 1,701,313
2025	1,010,000	88,758	1,098,758	890,000	803,813	1,693,813
2026	1,035,000	59,428	1,094,428	945,000	759,138	1,704,138
2027	1,060,000	29,274	1,089,274	615,000	665,200	1,280,200
2028	660,000	6,996	666,996	175,000	32,150	207,150
Total	\$ 4,745,000	\$ 301,670	\$ 5,046,670	\$ 2,220,000	\$ 2,574,931	\$ 4,794,931

Business-type activities:

Year Ended September 30,	General Obligation Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 560,000	\$ 106,150	\$ 666,150	\$ 855,000	\$ 846,313	\$ 1,701,313
2025	595,000	78,825	673,825	890,000	803,813	1,693,813
2026	615,000	50,200	665,200	945,000	759,138	1,704,138
2027	175,000	32,150	207,150	985,000	712,263	1,697,263
2028	180,000	25,950	205,950	1,035,000	664,463	1,699,463
2029-2033	970,000	51,875	1,021,875	5,915,000	2,574,931	8,489,931
2034-2038	-	-	-	7,160,000	1,327,738	8,487,738
2039-2042	-	-	-	4,220,000	286,269	4,506,269
Total	\$ 3,095,000	\$ 345,150	\$ 3,440,150	\$ 22,005,000	\$ 7,974,926	\$ 29,979,926
			Private Placement Debt			
			General Obligation Bonds			
Year Ended September 30,	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 215,000	\$ 8,321	\$ 223,321	\$ 215,000	\$ 2,774	\$ 217,774
2025	215,000	2,774	217,774	430,000	11,095	441,095
Total	\$ 430,000	\$ 11,095	\$ 441,095			

III. OTHER INFORMATION

A. Retirement Plan

Plan Description. The City of Schertz participates as one of 901 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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	145
Active employees entitled to but not yet receiving benefits	294
Total	439
	818

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 16.36% and 16.40% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$4,349,322 and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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.

Financing Arrangements

The City enters into various agreements to finance machinery and equipment; they are classified as financing arrangements due to the title of the financed assets transferring to the City. Therefore, capital assets and a related financing arrangement obligation have been recorded at the present value of the future minimum payments at the inception date. This private placement debt is secured by the purchased equipment.

Future minimum payments on the financing arrangements are as follows:

Year Ended	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
September 30, 2024	\$ 27,307	\$ 819	\$ 28,126	\$ 81,921	\$ 2,458	\$ 84,379
2025	27,307	819	28,126	81,921	2,458	84,379
2026	27,307	819	28,126	81,922	2,458	84,380
Total	\$ 81,921	\$ 2,457	\$ 84,378	\$ 245,764	\$ 7,374	\$ 253,138

H. Net Pension and Total OPEB Liabilities and Expenses

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

	Governmental Activities			Business-Type Activities			Totals
		Water/Sewer			EMS		
Net pension liability							
Total OPEB liability:							
Due within one year:							
TMRS SDBF	\$ 18,574,745	\$ 1,844,090	\$ 4,367,320	\$ 24,786,155			
Retiree health plan	11,458	1,138	2,694	15,290			
Total due within one year	48,253	4,790	11,345	64,388			
Due in more than one year:							
TMRS SDBF	59,711	5,928	14,039	79,678			
Retiree health plan	561,041	55,699	131,913	748,653			
Total due in more than one year	1,634,719	162,295	384,357	2,181,371			
Total OPEB liability	2,195,760	217,994	516,270	2,930,024			
	\$ 2,255,471	\$ 223,922	\$ 530,309	\$ 3,009,702			
	Governmental Activities			Business-Type Activities			Totals
	Water/Sewer		EMS	Water/Sewer		EMS	
Pension expense	\$ 970,449	\$ 123,395	\$ 401,727	\$ 1,495,571			
OPEB expense:							
TMRS SDBF	23,471	4,551	19,120	47,142			
Retiree Health Plan	86,802	14,060	55,326	156,188			
Total OPEB expense	\$ 110,273	\$ 18,611	\$ 74,446	\$ 203,330			

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022, 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 EntryAge 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.70%
Core fixed income	6.00%	4.90%
Non-core fixed income	20.00%	8.70%
Other Public and Private Mar	12.00%	8.10%
Real estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
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, 2022:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Increase (Decrease) Net Pension Liability (a)-(b)
Balance at 12/31/2021	\$ 92,926,641	\$ 81,459,290	\$ 11,467,351
Changes for the year:			
Service cost	4,576,714	-	4,576,714
Interest	6,323,215	-	6,323,215
Difference between expected and actual experience	2,387,281	-	2,387,281
Change in assumptions	-	-	-
Contributions - employer	-	4,133,310	(4,133,310)
Contributions - employee	-	1,783,798	(1,783,798)
Net investment income	-	(5,958,648)	5,958,648
Benefit payments, including refunds of employee contributions	(3,075,473)	(3,075,473)	-
Administrative expense	-	(51,455)	51,455
Other changes	10,211,737	(3,107,067)	(61,401)
Net changes	\$ 10,211,737	\$ (3,107,067)	\$ 13,318,804
Balance at 12/31/2022	\$ 103,138,378	\$ 78,352,223	\$ 24,786,155

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	\$ 41,973,780	\$ 24,786,155	\$ 10,942,330

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions. For the year ended September 30, 2023, the City recognized pension expense of \$5,793,266. Also, as of September 30, 2023, 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	\$ 2,516,875	\$ 88,689
Changes in actuarial assumptions	60,695	-
Difference between projected and actual investment earnings	5,398,546	-
Contributions subsequent to the measurement date	3,279,659	-
Total	\$ 11,255,755	\$ 88,689

\$3,279,639 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, 2024. 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,	
2024	\$ 1,119,319
2025	2,004,523
2026	2,132,376
2027	2,631,209

B. Other Post-Employment Benefits

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

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

TMRS Supplemental Death Benefits Fund

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

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

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

Membership in the plan at December 31, 2022, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	113
Inactive employees entitled to but not yet receiving benefits	78
Total	570

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.22% for 2023 and 0.14% for 2022, of which 0.06% 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, 2023, were \$15,299 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, 2022 actuarial valuation was determined using the following actuarial assumptions and inputs:

Measurement year ended December 31,	2022
Inflation rate	2.50% per annum
Discount rate	4.05%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.5% including inflation
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational bases with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2022, 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 4.05% 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, 2022.

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 (4.05%) in measuring the total OPEB liability.

1% Decrease in Discount Rate	(3.05%)	Discount Rate	(4.05%)	1% Increase in Discount Rate	(5.05%)
	\$ 937,388		\$ 763,943		\$ 631,700
Total SDB OPEB Liability					

Changes in the Total OPEB Liability. Total City's Total OPEB Liability (TOL) based on the above actuarial factors, as of December 31, 2022, the measurement and actuarial valuation date, was calculated as follows:

	Total OPEB Liability
Balance at 12/31/2021	\$ 1,153,668
Changes for the year:	
Service cost	73,900
Interest	21,768
Difference between expected and actual experience	(7,347)
Changes of assumptions or other inputs	(462,756)
Benefit payments, including refunds of employee contributions	(15,290)
Net changes	(389,725)
Balance at 12/31/2022	\$ 763,943

Changes in assumptions and other inputs reflect a change in the discount rate from 1.84% to 4.05%.

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB. For the year ended September 30, 2023, the City recognized OPEB expense of \$70,745. Also, as of September 30, 2023, 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	\$ 27,345	\$ 53,924
Changes in actuarial assumptions	192,069	409,444
Contributions subsequent to the measurement date	12,162	-
Total	\$ 231,576	\$ 463,368

\$12,162 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2024. 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,	
2024	\$ (24,920)
2025	(30,239)
2026	(36,365)
2027	(45,188)
2028	(66,457)
Thereafter	(40,785)

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, 2022, the valuation date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	-
Active employees	314
Total	323

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 100% of the monthly premiums which range based on the type of plan from \$582 for retiree only to \$2,056 for a retiree and their family.

The City's Retiree Health OPEB Liability (TOL) as of December 31, 2022, was calculated as follows:

	Total OPEB Liability
Balance at 12/31/2021	\$ 2,532,303
Changes for the year:	
Service cost	230,479
Interest	48,122
Difference between expected and actual experience	(4,764)
Changes of assumptions or other inputs	(495,992)
Benefit payments, including refunds of employee contributions	(64,389)
Net changes	(286,544)
Balance at 12/31/2022	\$ 2,245,759

The actuarial valuation was performed as of December 31, 2021. Changes of assumptions reflect a change in the discount rate from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022, 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 4.05% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (3.05%) and 1-percentage point higher (5.05%) than the current rate:

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB liability - retiree health	\$ 2,458,112	\$ 2,245,759	\$ 2,053,109

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	\$ 1,974,182	\$	2,245,759	\$ 2,568,257

For the year ended September 30, 2023, the City recognized OPEB expense of \$234,324. Also, as of September 30, 2023, 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	\$ 117,049	\$ 205,267
Changes in actuarial assumptions	311,224	638,201
Contributions subsequent to the measurement date	65,582	-
Total	<u>\$ 493,855</u>	<u>\$ 843,468</u>

\$65,582 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, 2024. 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,
2024	\$ (44,278)
2025	(44,278)
2026	(44,278)
2027	(44,278)
2028	(52,557)
Thereafter	(185,526)

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 4,128,161 for the year ended September 30, 2023. 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 \$154,757,663 (as of September 30, 2022, 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 \$18,725,100. This amount reflects the City's portion of the net position of SSLGC as of September 30, 2022, 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 organized to aid, assist, and act on behalf of the cities of Schertz and Cibolo 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 \$300,000 for the year ended September 30, 2023. Separate financial statements for the CVLGC may be obtained from the City of Schertz, 1400 Schertz Parkway, Schertz, Texas 78154.

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 \$868,176 as of September 30, 2022.

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 \$32,186,700 of the total \$45,000,000. The Zone has a statutory termination date of December 31, 2027. The TIRZ has collected \$5,309,333 from taxing entities (net of administrative reimbursements) and remitted \$4,100,000 to the developer as of September 30, 2023.

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, 2023, the City did not reimburse any property taxes paid under the terms of a Chapter 380 agreement.

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, 2023, 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 2022-23 Amt.	Est. Remaining Grant
SEDC - LGC 501.101	\$ 71,944	\$ 509,704
SEDC - LGC 501.103	50,000	13,028,000

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 \$736,669. 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, 2023, 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 \$736,669 on the government-wide statements at year-end pursuant to the service concession arrangement, and a liability of \$392,398 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 commitments to CCMA are as follows:

	Year Ended September 30,
	2024
	2025
	2026
	2027
	2028
	2029-2033
	2034-2038
	2039-2043
	2044
Total	\$ 14,990,850

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	\$ 3,283,216	\$ 1,237,979	\$ 2,045,237
FM 2252 Water Relocation	275,000	235,844	39,156
SCADA Upgrade	189,000	18,725	170,275
Lookout Rd Signalization	60,000	42,233	17,767
Lookout Rd Reconstruction	330,000	222,959	107,041
Fire Station 4	762,168	755,952	6,216
Badge Access Upgrade	65,639	44,280	21,359
Great N Trail 2	160,000	56,911	103,089
Energy Efficient Projects	1,264,323	14,323	1,250,000
Total Governmental Commitments	<u>6,389,346</u>	<u>2,629,206</u>	<u>3,760,140</u>
Business-Type Activities:			
Woman Hollering Waste/Water	13,252,837	10,864,028	2,388,809
E Live Oak Pump Additions	1,603,509	1,602,509	1,000
Corbett Ground Storage	8,673,060	1,305,635	7,367,425
Riata Lift Station Relocation	143,000	131,541	11,459
E Live Oak -H35 24" Line	1,806,076	1,330,233	475,843
FM1518 Utility Relocation	2,128,920	1,789,828	339,092
Loop Lines Project 1	200,000	121,265	78,735
Total Business-Type Activities	<u>27,807,402</u>	<u>17,145,039</u>	<u>10,662,363</u>
Total Estimated Future Commitments	\$ <u>34,196,748</u>	\$ <u>19,774,245</u>	\$ <u>14,422,503</u>

Risk Management

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

E. New Accounting Guidance

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

The Government Accounting Standards Board (GASB) has amended the existing standards regarding capitalization thresholds for assets. The amended guidance for the capitalization threshold comes from GASB Implementation Guide 2021-1, Question 5.1. Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture and library books are examples of asset types that may not meet a capitalization policy on an individual basis yet could be significantly collectively. In this example, if the \$150,000 aggregate amount (100 computers costing \$1,500 each) is significant, the government should capitalize the computers. The amended guidance is effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 99, Omnibus 2022 – The objective of this Statement is to correct practice issues identified during implementation and application of certain GASB Statements and financial reporting for financial guarantees. There are various effective dates 1.) upon issuance 2.) fiscal years beginning after June 15, 2022, and 3.) fiscal years beginning after June 15, 2023.

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, Compensated Absences - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

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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, 2023

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 33,237,400	\$ 33,237,400	\$ 33,136,640	\$ (100,760)
Permits and fees	1,763,420	2,077,759	2,077,759	314,339
Service fees	1,896,334	1,896,334	2,124,689	228,355
Fines and fees	694,450	694,450	448,805	(245,645)
Intergovernmental	1,934,268	1,934,268	2,319,760	385,492
Investment earnings	275,000	275,000	1,050,211	775,211
Miscellaneous	613,725	636,278	636,278	22,553
Total Revenues	40,414,597	40,414,597	41,794,142	1,379,545
EXPENDITURES				
General government:				
Council	133,870	133,870	119,967	13,903
City manager	1,379,658	1,379,658	1,217,444	162,214
Municipal court	416,604	416,702	414,254	2,448
311 customer relations	121,062	121,062	130,382	(9,320)
Planning & zoning	376,096	376,096	339,307	36,789
Legal	137,200	137,200	69,233	67,967
City secretary	233,574	265,574	199,001	66,573
Nondepartmental	2,846,352	2,846,352	2,522,461	323,891
Public affairs	662,484	662,484	612,060	50,424
Engineering	1,263,845	1,263,845	1,065,116	198,729
Citizens assistance	339,806	339,806	288,081	51,725
Special events	24,000	24,000	47,750	(23,750)
Total General Government	7,934,551	7,966,649	7,025,056	941,593
Public safety:				
Police department	12,279,644	12,279,644	11,422,254	857,390
Fire department	7,653,804	7,653,804	7,756,540	(102,736)
Inspection	1,271,297	1,271,297	1,141,246	130,051
Total Public Safety	21,204,745	21,204,745	20,320,040	884,705
Public environment:				
Streets	2,587,507	2,587,507	2,278,233	309,274
Total Public Environment	2,587,507	2,587,507	2,278,233	309,274
Parks and recreation:				
Parks	2,312,157	2,312,157	2,064,222	247,935
Pools	580,824	580,824	562,063	18,761
Community/Civic Center	466,985	466,985	523,587	(56,602)
Total Parks and Recreation	3,359,966	3,359,966	3,149,872	210,094
Cultural:				
Library	1,292,795	1,292,795	1,277,825	14,970
Total Cultural	1,292,795	1,292,795	1,277,825	14,970

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
EXPENDITURES (CONTINUED)				
Administration:				
Information technology	3,063,097	3,063,097	2,884,167	178,930
Human resources	768,340	768,340	750,341	17,999
Finance	755,468	755,468	729,239	26,229
Purchasing & asset management	295,370	295,370	282,934	12,436
Building maintenance	1,956,575	1,956,575	2,000,292	(43,717)
Fleet service	1,351,130	1,351,130	1,212,819	138,311
Interfund charges	(3,112,873)	(3,112,873)	(3,156,639)	43,766
Total Administration	5,077,107	5,077,107	4,703,153	373,954
Total Expenditures	41,456,671	41,488,769	38,754,179	2,734,590
Excess of revenues over expenditures	(1,042,074)	(1,074,172)	3,039,963	4,114,135
OTHER FINANCING SOURCES (USES)				
Transfers in	9,000	9,000	-	(9,000)
Transfers out	(877,757)	(877,757)	(869,246)	8,511
Total Other Financing Sources (Uses)	(868,757)	(868,757)	(869,246)	(489)
NET CHANGE IN FUND BALANCE	(1,910,831)	(1,942,929)	2,170,717	4,113,646
FUND BALANCE - BEGINNING	17,066,899	17,066,899	17,066,899	-
FUND BALANCE - ENDING	\$ 15,156,068	\$ 15,123,970	\$ 19,237,616	\$ 4,113,646

CITY OF SCHERTZ, TEXAS

NOTES TO BUDGETARY SCHEDULES

SEPTEMBER 30, 2023

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, economic development corporation fund, hotel occupancy tax fund, 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, 2023, actual expenditures did not exceed budgeted expenditures at the fund level for any of the City's funds.

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

CITY OF SCHERTZ, TEXAS

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

ECONOMIC DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 6,548,000	\$ 6,548,941	\$ 6,548,941	\$ 941
Investment income	182,000	182,000	1,262,346	1,080,346
Total Revenues	<u>6,730,000</u>	<u>6,730,000</u>	<u>7,811,287</u>	<u>1,081,287</u>
EXPENDITURES				
Current:				
General government	3,687,439	3,685,798	264,776	3,421,022
Administration	613,521	615,162	593,805	21,357
Total Expenditures	<u>4,300,960</u>	<u>4,300,960</u>	<u>858,581</u>	<u>3,442,379</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,750,000)	(5,750,000)	-	5,750,000
Total Other Financing Sources (Uses)	<u>(5,750,000)</u>	<u>(5,750,000)</u>	<u>-</u>	<u>5,750,000</u>
NET CHANGE IN FUND BALANCE	<u>(3,320,960)</u>	<u>(3,320,960)</u>	<u>6,952,706</u>	<u>10,273,666</u>
FUND BALANCE - BEGINNING	<u>26,043,128</u>	<u>26,043,128</u>	<u>26,043,128</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 22,722,168</u>	<u>\$ 22,722,168</u>	<u>\$ 32,995,834</u>	<u>\$ 10,273,666</u>

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Measurement Date	December 31, 2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 4,576,714	\$ 4,211,795	\$ 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	6,323,215	5,766,957	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	2,387,281	1,060,260	(154,592)	(108,478)	34,393	416,585	139,216	120,434	(122,286)
Change of assumptions	(3,075,473)	(2,885,733)	(2,372,023)	263,015	(1,914,159)	(1,843,774)	(1,581,272)	(1,570,211)	-
Benefit payments/refunds of contributions	10,211,737	8,153,279	6,561,585	(2,244,447)	5,926,982	5,757,866	5,177,251	4,890,181	(1,068,487)
Net Change in Total Pension Liability	92,926,641	84,773,362	78,211,777	6,230,446	66,054,349	60,296,483	55,119,232	50,229,051	4,613,236
Total Pension Liability, Beginning				71,981,331					45,615,815
Total Pension Liability, Ending (a)	\$ 103,138,378	\$ 92,926,641	\$ 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	\$ 4,133,310	\$ 3,831,461	\$ 3,327,434	\$ 3,163,340	\$ 3,033,936	\$ 2,793,644	\$ 2,627,335	\$ 2,542,565	\$ 2,403,929
Contributions - employee	1,783,798	1,643,398	1,474,466	1,380,585	1,326,518	1,232,232	1,152,864	1,095,260	1,077,097
Net investment income	(5,958,648)	9,113,755	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	(3,075,473)	(2,885,733)	(2,372,023)	(2,244,447)	(1,914,159)	(1,843,774)	(1,581,272)	(1,570,211)	(1,068,487)
Administrative expenses	(51,455)	(42,101)	(30,767)	(45,681)	(29,768)	(31,080)	(29,385)	(32,727)	(19,219)
Other	61,401	288	(1,200)	(1,373)	(1,554)	(1,575)	(1,583)	(1,616)	(1,580)
Net Change in Fiduciary Position	(3,107,067)	11,661,068	7,158,659	10,345,840	874,083	8,149,252	4,770,531	2,087,013	4,233,326
Fiduciary Net Position, Beginning	81,459,290	69,798,222	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)	78,352,223	81,459,290	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)	\$ 24,786,155	\$ 11,467,351	\$ 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	75.97%	87.66%	82.34%	80.09%	72.65%	77.84%	71.76%	69.85%	72.49%
Covered Payroll	\$ 25,497,946	\$ 23,477,118	\$ 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	97.21%	48.84%	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, 2023

Fiscal Year Ended September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 4,349,322	\$ 4,245,872	\$ 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	<u>4,349,322</u>	<u>4,245,872</u>	<u>3,700,948</u>	<u>3,235,479</u>	<u>3,129,413</u>	<u>2,971,592</u>	<u>2,756,511</u>	<u>2,592,593</u>	<u>2,487,856</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered payroll	26,535,541	26,163,046	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	16.39%	16.23%	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
- Amortization method
- Remaining amortization period
- Asset valuation method
- Inflation
- Salary increases
- Investment rate of return
- Retirement age
- Mortality
- Entry age normal
- Level percentage of payroll, closed
- 23 Years
- 10 year smoothed market; 12% soft corridor
- 2.5%
- 3.50% to 11.50% including inflation
- 6.75%
- 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.
- Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables; with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Measurement Date	December 31, 2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 73,900	\$ 70,429	\$ 50,554	\$ 33,528	\$ 37,794	\$ 29,926
Interest on total OPEB liability	21,768	21,248	22,915	26,904	21,182	20,123
Differences in actuarial experience	(7,347)	(1,360)	(4,382)	(105,282)	86,276	-
Change of assumptions	(462,756)	42,012	158,118	148,494	(54,027)	57,257
Benefit payments	(15,290)	(11,239)	(4,213)	(3,945)	(3,779)	(3,521)
Net change in total OPEB liability	(389,725)	120,590	222,992	99,699	87,446	103,785
Total OPEB liability, beginning	1,153,668	1,033,078	810,086	710,387	622,941	519,156
Total OPEB liability, ending (a)	\$ 763,943	\$ 1,153,668	\$ 1,033,078	\$ 810,086	\$ 710,387	\$ 622,941
Covered-employee payroll	\$ 25,497,946	\$ 23,477,118	\$ 21,063,794	\$ 19,722,641	\$ 18,896,766	\$ 17,603,310
Total OPEB liability as a percentage of covered-employee payroll	3.00%	4.91%	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 4.05%
 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 self-forward for males and a 3 year self-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.
 No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

Other information

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, 2023

Measurement Date	December 31, 2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 230,479	\$ 161,830	\$ 141,084	\$ 125,648	\$ 121,821
Interest on total OPEB liability	48,122	50,064	60,561	78,646	67,947
Difference in actuarial experience	(4,764)	134,106	4,341	(343,086)	14,962
Change of assumptions	(495,992)	(191,684)	161,146	275,398	(81,106)
Benefit payments	(64,389)	(88,569)	(64,499)	(59,401)	(57,530)
Net change in total OPEB liability	(286,544)	65,747	302,633	77,205	66,094
Total OPEB liability, beginning	2,532,303	2,466,556	2,163,923	2,086,718	2,020,624
Total OPEB liability, ending (a)	\$ 2,245,759	\$ 2,532,303	\$ 2,466,556	\$ 2,163,923	\$ 2,086,718
Covered payroll	\$ 25,255,936	\$ 23,290,477	\$ 20,870,983	\$ 19,521,924	\$ 18,974,951
Total OPEB liability as a percentage of covered payroll	8.89%	10.87%	11.82%	11.08%	11.00%

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, 2021

Methods and Assumptions Used to Determine Contribution Rates:
 Actuarial cost method Individual entry-age
 Discount rate 4.05% as of December 31, 2021
 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 13 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 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022.

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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 16,338,407	\$ 12,128,331
Investments	2,438,934	2,404,552
Receivables (net of allowances)		
Taxes	3,352,850	3,174,973
Accounts and other	1,840,329	2,128,452
Due from other funds	644,353	648,630
Inventory	342,248	154,096
Prepaid items	-	28,090
Restricted assets:		
Cash and cash equivalents	598,112	869,564
Total Assets	<u>25,555,233</u>	<u>21,536,688</u>
LIABILITIES		
Accounts payable	3,522,925	1,752,626
Accrued salaries and benefits	529,285	431,088
Customer deposits	6,652	105,891
Due to other governments	31,357	83,060
Due to other funds	91,499	16,139
Unearned revenues	52,765	50,078
Total Liabilities	<u>4,234,483</u>	<u>2,438,882</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	2,083,134	2,030,907
Total Deferred Inflows of Resources	<u>2,083,134</u>	<u>2,030,907</u>
FUND BALANCES		
Nonspendable for:		
Inventory	342,248	154,096
Prepaid items	-	28,090
Restricted for:		
Police and public safety/municipal court		
Municipal court	355,469	302,725
PEG capital fees	786,902	812,283
Animal control	884,536	967,885
Scholarships	44,690	42,825
Civic Center/CIED	149,097	134,632
Assigned for:		
Property replacement	1,155,078	1,021,594
Subsequent year's budget	954,151	909,889
Unassigned	2,564,504	446,341
Total Fund Balances	<u>19,237,616</u>	<u>17,066,899</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 25,555,233</u>	<u>\$ 21,536,688</u>

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2022)

	2023	2022
REVENUES		
Taxes	\$ 33,136,640	\$ 29,892,435
Permits and fees	2,077,759	2,204,543
Service fees	2,124,689	2,134,517
Fines and fees	448,805	657,480
Intergovernmental	2,319,760	1,730,576
Investment earnings	1,050,211	90,883
Miscellaneous	636,278	613,268
Total Revenues	<u>41,794,142</u>	<u>37,323,702</u>
EXPENDITURES		
Current:		
General government	6,943,385	6,051,339
Public safety	19,492,971	18,243,849
Public environment	1,782,809	1,766,558
Parks and recreation	3,134,333	2,567,764
Cultural	1,277,825	1,144,684
Administration	4,538,699	3,991,262
Capital outlay	1,584,157	646,563
Total Expenditures	<u>38,754,179</u>	<u>34,412,019</u>
Excess (Deficiency) of Revenues Over Expenditures	3,039,963	2,911,683
OTHER FINANCING SOURCES (USES)		
Transfers in	-	37,853
Transfers out	(869,246)	(2,361,204)
Total Other Financing Sources (Uses)	<u>(869,246)</u>	<u>(2,323,351)</u>
NET CHANGE IN FUND BALANCE	2,170,717	588,332
FUND BALANCES - BEGINNING	17,066,899	16,478,567
FUND BALANCES - ENDING	<u>\$ 19,237,616</u>	<u>\$ 17,066,899</u>

CITY OF SCHERTZ, TEXAS

COMPARATIVE BALANCE SHEETS
ECONOMIC DEVELOPMENT CORPORATION

SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 29,560,533	\$ 22,721,336
Investments	2,253,041	2,227,105
Receivables, net of allowances:		
Taxes	1,183,053	1,101,960
Accounts and other	7,949	7,949
Prepaid items	-	990
Total Assets	<u>33,004,576</u>	<u>26,059,340</u>
LIABILITIES		
Accounts payable	8,742	16,212
Total Liabilities	<u>8,742</u>	<u>16,212</u>
FUND BALANCES		
Restricted for:		
Economic development	32,995,834	26,043,128
Total Fund Balances	<u>32,995,834</u>	<u>26,043,128</u>
Total Liabilities and Fund Balances	<u>\$ 33,004,576</u>	<u>\$ 26,059,340</u>

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2022)

	2023	2022
REVENUES		
Taxes	\$ 6,548,941	\$ 6,025,703
Investment earnings	1,262,346	201,279
Total Revenues	<u>7,811,287</u>	<u>6,226,982</u>
EXPENDITURES		
Current:		
General government	264,776	218,302
Administration	593,805	531,783
Total Expenditures	<u>858,581</u>	<u>750,085</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,952,706	5,476,897
OTHER FINANCING SOURCES (USES)		
Transfers out	-	(1,240,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,240,000)</u>
NET CHANGE IN FUND BALANCE	6,952,706	4,236,897
FUND BALANCES - BEGINNING	26,043,128	21,806,231
FUND BALANCES - ENDING	<u>\$ 32,995,834</u>	<u>\$ 26,043,128</u>

CITY OF SCHERTZ, TEXAS
COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND

SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,159,250	\$ 1,864,408
Receivables, net of allowances:		
Taxes	<u>164,420</u>	<u>172,341</u>
Total Assets	<u>1,323,670</u>	<u>2,036,749</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	<u>209,812</u>	<u>172,340</u>
Total Deferred Inflows of Resources	<u>209,812</u>	<u>172,340</u>
FUND BALANCES		
Restricted for:		
Debt service	<u>1,113,858</u>	<u>1,864,409</u>
Total Fund Balances	<u>1,113,858</u>	<u>1,864,409</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 1,323,670</u>	<u>\$ 2,036,749</u>

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE ACTUAL TOTALS FOR 2022)

	Original Budget	Final Budget	2023 Actual Amounts	Variance With Final Budget Positive (Negative)	2022 Actual Amounts
REVENUES					
Property taxes	\$ 7,696,355	\$ 7,696,355	\$ 7,710,299	\$ 13,944	\$ 7,182,900
Investment income	75,750	75,750	105,398	29,648	143,428
Miscellaneous	100,000	100,000	181,935	81,935	75,000
Total Revenue	<u>7,872,105</u>	<u>7,872,105</u>	<u>7,997,632</u>	<u>125,527</u>	<u>7,401,328</u>
EXPENDITURES					
Debt service:					
Principal	6,888,900	6,888,900	5,850,000	1,038,900	4,805,000
Interest and fiscal charges	1,713,348	1,713,348	2,893,986	(1,180,638)	1,779,157
Bond issue costs	84,000	84,000	4,200	79,800	90,626
Total Expenditures	<u>8,686,248</u>	<u>8,686,248</u>	<u>8,748,186</u>	<u>(61,938)</u>	<u>6,674,783</u>
Excess (Deficiency) of Revenues over Expenditures	(814,143)	(814,143)	(750,554)	187,465	726,545
OTHER FINANCING SOURCES (USES)					
Issuance of refunding debt	-	-	-	-	4,070,000
Premium on issuance of debt	-	-	-	-	421,632
Payment to refunding escrow agent	-	-	-	-	(4,443,881)
Transfers in	-	-	3	3	2,737
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>50,488</u>
NET CHANGE IN FUND BALANCE	(814,143)	(814,143)	(750,551)	63,592	777,033
FUND BALANCE - BEGINNING	1,864,409	1,864,409	1,864,409	-	1,087,376
FUND BALANCE - ENDING	<u>\$ 1,050,266</u>	<u>\$ 1,050,266</u>	<u>\$ 1,113,858</u>	<u>\$ 63,592</u>	<u>\$ 1,864,409</u>

CITY OF SCHERTZ, TEXAS

COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND

SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 23,012,099	\$ 42,594,424
Total Assets	<u>23,012,099</u>	<u>42,594,424</u>
LIABILITIES		
Accounts payable	253,110	906,624
Retainage payable	5,807	281,284
Total Liabilities	<u>258,917</u>	<u>1,187,908</u>
FUND BALANCES		
Restricted for:		
Capital improvement	19,318,324	35,863,370
Committed for:		
Capital projects	<u>3,434,858</u>	<u>5,543,146</u>
Total Fund Balances	<u>22,753,182</u>	<u>41,406,516</u>
Total Liabilities and Fund Balance	<u>\$ 23,012,099</u>	<u>\$ 42,594,424</u>

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2022)

	2023	2022
REVENUES		
Intergovernmental	\$ 201,621	-
Investment earnings	1,601,296	196,624
Miscellaneous	-	450,000
Total Revenues	<u>1,802,917</u>	<u>646,624</u>
EXPENDITURES		
Capital outlay	21,307,128	9,544,074
Debt service:		
Bond issue costs	-	468,285
Total Expenditures	<u>21,307,128</u>	<u>10,012,359</u>
Excess (Deficiency) of Revenues Over Expenditures	(19,504,211)	(9,365,735)
OTHER FINANCING SOURCES (USES)		
Issuance of debt	-	31,540,000
Premium on issuance of debt	-	2,778,912
Transfers in	850,880	3,285,112
Transfers out	(3)	(2,737)
Total Other Financing Sources (Uses)	<u>850,877</u>	<u>37,601,287</u>
NET CHANGE IN FUND BALANCE	(18,653,334)	28,235,552
FUND BALANCES - BEGINNING	41,406,516	13,170,964
FUND BALANCES - ENDING	<u>\$ 22,753,182</u>	<u>\$ 41,406,516</u>

CITY OF SCHERTZ, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	Special Revenue Funds					Capital Projects Fund			Total Nonmajor Governmental Funds
	Justice Forfeitures	State Forfeitures	Grant Fund	Library Advisory Board	Historical Committee Fund	Capital Recovery Roadways			
\$ 239,435	\$ 74,320	\$ -	\$ -	\$ 76,365	\$ 29,340	\$ 3,011,662	\$ 6,816,535		
239,435	74,320	-	-	76,365	29,433	3,011,662	75,340	6,891,875	
-	-	-	621	130	-	-	-	53,890	
-	-	-	644,353	-	-	-	-	644,353	
-	-	-	644,974	130	-	-	-	698,243	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
239,435	74,320	(644,974)	76,235	29,433	29,433	3,011,662	105,668	(644,974)	
239,435	74,320	(644,974)	76,235	29,433	29,433	3,011,662	6,193,632		
\$ 239,435	\$ 74,320	\$ -	\$ -	\$ 76,365	\$ 29,433	\$ 3,011,662	\$ 6,891,875		

	Special Revenue Funds				Treasury Forfeitures
	Hotel Occupancy Fund	Park Fund	Tree Mitigation		
\$ 2,542,360	\$ 89,126	\$ 748,523	\$ 5,404	5,404	
75,247	-	-	-	-	
2,617,607	89,126	748,523	5,404	5,404	
1,193	2,116	49,830	-	-	
-	-	-	-	-	
1,193	2,116	49,830	-	-	
2,616,414	-	-	-	-	
-	87,010	698,693	-	-	
-	-	-	5,404	5,404	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
2,616,414	87,010	698,693	5,404	5,404	
2,617,607	89,126	748,523	5,404	5,404	

ASSETS

Cash and cash equivalents
 Accounts receivable, net of allowance
 Total Assets

LIABILITIES

Accounts payable
 Due to other funds
 Total Liabilities

FUND BALANCES

Restricted for:
 Tourism development
 Parks and tree mitigation
 Police forfeiture
 Roadways
 Historical Committee and library
 Unassigned
 Total Fund Balances

Total Liabilities and Fund Balances

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue Funds					Capital Projects Fund			Total Nonmajor Governmental Funds			
	Hotel Occupancy Fund	Park Fund	Tree Mitigation	Treasury Forfeiture	Justice Forfeitures	State Forfeitures	Grant Fund	Library Advisory Board		Historical Committee Fund	Capital Recovery Roadways	
REVENUES												
Occupancy tax	\$ 1,059,808	\$ -	\$ -	\$ -	-	-	-	-	-	-	-	\$ 1,059,808
Permits and fees	-	203,500	48,065	-	-	-	-	-	-	-	-	251,565
Service fees	-	-	-	-	-	-	20,318	199	-	661,078	-	681,595
Fines and fees	-	-	-	-	-	69,541	-	-	-	-	-	211,080
Intergovernmental	-	-	-	-	-	-	-	-	-	-	35,671	35,671
Investment earnings	92,825	9,057	35,600	-	8,305	-	-	3,463	-	133,917	-	283,167
Miscellaneous	-	-	-	-	-	-	8	-	2,244	-	-	2,252
Total Revenues	<u>1,152,633</u>	<u>212,557</u>	<u>83,665</u>	-	<u>149,844</u>	<u>69,541</u>	<u>35,671</u>	<u>23,789</u>	<u>2,443</u>	<u>794,995</u>	-	<u>2,525,138</u>
EXPENDITURES												
Current:												
General government	107,656	-	-	-	-	-	-	-	9,159	-	-	116,815
Public safety	-	-	-	-	44,982	-	41,811	-	-	-	-	86,793
Parks and recreation	-	-	93,032	-	-	-	-	-	-	-	-	93,032
Cultural	-	-	-	-	-	-	-	17,123	-	-	-	17,123
Administration	69,915	-	-	-	-	-	-	-	-	-	-	69,915
Capital outlay	5,266	387,068	-	-	-	-	-	-	-	342,687	-	735,021
Total Expenditures	<u>182,837</u>	<u>387,068</u>	<u>93,032</u>	-	<u>44,982</u>	-	<u>41,811</u>	<u>17,123</u>	<u>9,159</u>	<u>342,687</u>	-	<u>1,118,699</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>969,796</u>	<u>(174,511)</u>	<u>(9,367)</u>	-	<u>104,862</u>	<u>69,541</u>	<u>(6,140)</u>	<u>6,666</u>	<u>(6,716)</u>	<u>452,308</u>	-	<u>1,406,439</u>
OTHER FINANCING SOURCES (USES)												
Transfer in	-	-	-	-	-	-	9,796	-	9,161	-	-	18,957
Total Other Financing Sources (Uses)	-	-	-	-	-	-	<u>9,796</u>	-	<u>9,161</u>	-	-	<u>18,957</u>
NET CHANGE IN FUND BALANCES	<u>969,796</u>	<u>(174,511)</u>	<u>(9,367)</u>	-	<u>104,862</u>	<u>69,541</u>	<u>3,656</u>	<u>6,666</u>	<u>2,445</u>	<u>452,308</u>	-	<u>1,425,396</u>
FUND BALANCES - BEGINNING	<u>1,646,618</u>	<u>261,521</u>	<u>708,060</u>	<u>5,404</u>	<u>134,573</u>	<u>4,779</u>	<u>(648,630)</u>	<u>69,569</u>	<u>26,988</u>	<u>2,559,354</u>	<u>4,768,236</u>	<u>6,193,632</u>
FUND BALANCES - ENDING	<u>\$ 2,616,414</u>	<u>\$ 87,010</u>	<u>\$ 698,693</u>	<u>\$ 5,404</u>	<u>\$ 239,435</u>	<u>\$ 74,320</u>	<u>\$ (644,974)</u>	<u>\$ 76,235</u>	<u>\$ 29,433</u>	<u>\$ 3,011,662</u>	<u>\$ 6,193,632</u>	<u>\$ 6,193,632</u>

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE ACTUAL TOTALS FOR 2022)

	Original Budget	Final Budget	2023 Actual Amounts	Variance With Final Budget Positive (Negative)	2022 Actual Amounts
REVENUES					
Occupancy tax	\$ 640,000	\$ 640,000	\$ 1,059,808	\$ 419,808	\$ 804,132
Investment earnings	8,500	8,500	92,825	84,325	14,583
Total Revenues	648,500	648,500	1,152,633	504,133	818,715
EXPENDITURES					
Current:					
General government	197,700	197,700	107,656	90,044	242,875
Administration	69,915	69,915	69,915	-	74,443
Capital outlay	5,300	5,300	5,266	34	1,156,495
Total Expenditures	272,915	272,915	182,837	90,078	1,473,813
NET CHANGE IN FUND BALANCE	375,585	375,585	969,796	594,211	(655,098)
FUND BALANCE - BEGINNING	1,646,618	1,646,618	1,646,618	-	2,301,716
FUND BALANCE - ENDING	2,022,203	2,022,203	2,616,414	594,211	1,646,618

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE ACTUAL TOTALS FOR 2022)

	Original Budget	Final Budget	2023 Actual Amounts	Variance With Final Budget Positive (Negative)	2022 Actual Amounts
REVENUES					
Licenses and permits	\$ 318,000	\$ 318,000	\$ 203,500	\$ (114,500)	\$ -
Investment earnings	1,025	1,025	9,057	8,032	2,194
Total Revenues	319,025	319,025	212,557	(106,468)	2,194
EXPENDITURES					
Current:					
Parks and recreation	25,000	25,000	-	25,000	10,040
Capital outlay	362,068	362,068	387,068	(25,000)	17,650
Total Expenditures	387,068	387,068	387,068	-	27,690
NET CHANGE IN FUND BALANCE	(68,043)	(68,043)	(174,511)	(106,468)	(25,496)
FUND BALANCE - BEGINNING	261,521	261,521	261,521	-	287,017
FUND BALANCE - ENDING	193,478	193,478	87,010	(106,468)	261,521

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE ACTUAL TOTALS FOR 2022)

	Original Budget	Final Budget	2023 Actual Amounts	Variance With Final Budget Positive (Negative)	2022 Actual Amounts
REVENUES					
Licenses and permits	\$ 70,000	\$ 70,000	\$ 48,065	\$ (21,935)	\$ 136,950
Investment earnings	1,400	1,400	35,600	34,200	5,324
Total Revenues	71,400	71,400	83,665	12,265	142,274
EXPENDITURES					
Current:					
Parks and recreation	70,000	70,000	93,032	(23,032)	82,110
Total Expenditures	70,000	70,000	93,032	(23,032)	82,110
NET CHANGE IN FUND BALANCE	1,400	1,400	(9,367)	(10,767)	60,164
FUND BALANCE - BEGINNING	708,060	708,060	708,060	-	647,896
FUND BALANCE - ENDING	709,460	709,460	698,693	(10,767)	708,060

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
REVENUES		
Fines and fees	\$ -	\$ 50,840
Total Revenues	-	50,840
EXPENDITURES		
Capital outlay	-	77,996
Total Expenditures	-	77,996
NET CHANGE IN FUND BALANCE	-	(27,156)
FUND BALANCE - BEGINNING	5,404	32,560
FUND BALANCE - ENDING	5,404	5,404

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
REVENUES		
Fines and fees	\$ 141,539	\$ 46,238
Investment earnings	8,305	784
Total Revenues	<u>149,844</u>	<u>47,022</u>
EXPENDITURES		
Current:		
Public safety	44,982	-
Capital outlay	-	9,273
Total Expenditures	<u>44,982</u>	<u>9,273</u>
NET CHANGE IN FUND BALANCE	<u>104,862</u>	<u>37,749</u>
FUND BALANCE - BEGINNING	<u>134,573</u>	<u>96,824</u>
FUND BALANCE - ENDING	<u>\$ 239,435</u>	<u>\$ 134,573</u>

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
REVENUES		
Fines and fees	\$ 69,541	\$ -
Total Revenues	<u>69,541</u>	<u>-</u>
EXPENDITURES		
Current:		
Public safety	-	-
Total Expenditures	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>69,541</u>	<u>-</u>
FUND BALANCE - BEGINNING	<u>4,779</u>	<u>4,779</u>
FUND BALANCE - ENDING	<u>\$ 74,320</u>	<u>\$ 4,779</u>

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE ACTUAL TOTALS FOR 2022)

	Original Budget	Final Budget	2023 Actual Amounts	Variance With Final Budget Positive (Negative)	2022 Actual Amounts
REVENUES					
Service fees	\$ 17,000	\$ 17,000	\$ 20,318	\$ 3,318	\$ 18,292
Investment earnings	35	35	3,463	3,428	546
Miscellaneous	-	-	8	8	507
Total Revenues	17,035	17,035	23,789	6,754	19,345
EXPENDITURES					
Current:					
Cultural	22,200	22,200	17,123	5,077	14,340
Total Expenditures	22,200	22,200	17,123	5,077	14,340
NET CHANGE IN FUND BALANCE	(5,165)	(5,165)	6,666	11,831	5,005
FUND BALANCE - BEGINNING	69,569	69,569	69,569	-	64,564
FUND BALANCE - ENDING	64,404	64,404	76,235	11,831	69,569

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, 2023
(WITH COMPARATIVE ACTUAL TOTALS FOR 2022)

	Original Budget	Final Budget	2023 Actual Amounts	Variance With Final Budget Positive (Negative)	2022 Actual Amounts
REVENUES					
Sale of merchandise	\$ 1,000	\$ 1,000	\$ 199	\$ (801)	\$ 1,943
Miscellaneous	-	-	2,244	2,244	-
Total Revenues	1,000	1,000	2,443	1,443	1,943
EXPENDITURES					
Current:					
General government	11,750	11,750	9,159	2,591	3,116
Total Expenditures	11,750	11,750	9,159	2,591	3,116
Excess of Revenues Over Expenditures	(10,750)	(10,750)	(6,716)	4,034	(1,173)
OTHER FINANCING SOURCES (USES)					
Transfers in	10,750	10,750	9,161	(1,589)	13,863
Total Other Financing Sources (Uses)	10,750	10,750	9,161	(1,589)	13,863
NET CHANGE IN FUND BALANCE	-	-	2,445	2,445	12,690
FUND BALANCE - BEGINNING	26,988	26,988	26,988	-	14,298
FUND BALANCE - ENDING	26,988	26,988	29,433	2,445	26,988

CITY OF SCHERTZ, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>2022</u>
REVENUES		
Service fees	\$ 661,078	\$ 798,955
Investment earnings	133,917	19,878
Total Revenues	<u>794,995</u>	<u>818,833</u>
EXPENDITURES		
Capital outlay	342,687	60,519
Total Expenditures	<u>342,687</u>	<u>60,519</u>
NET CHANGE IN FUND BALANCE	<u>452,308</u>	<u>758,314</u>
FUND BALANCE - BEGINNING	<u>2,559,354</u>	<u>1,801,040</u>
FUND BALANCE - ENDING	<u>\$ 3,011,662</u>	<u>\$ 2,559,354</u>

STATISTICAL SECTION

**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.

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

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CITY OF SCHERTZ, TEXAS

NET POSITION BY COMPONENT

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	\$ 62,792,671	\$ 68,125,738	\$ 74,237,004	\$ 84,537,238	\$ 89,869,766	\$ 88,959,102	\$ 98,444,714	\$ 109,746,340	\$ 136,442,093	\$ 136,442,093
Restricted	10,401,728	13,343,280	17,095,325	20,437,116	23,391,047	28,088,355	28,664,438	28,342,438	32,745,688	40,311,118
Unrestricted	8,613,239	1,640,519	2,231,341	1,673,567	2,351,236	2,920,717	4,157,801	10,744,127	11,055,015	7,768,985
Total Governmental Activities Net Position	\$ 81,807,638	\$ 83,109,537	\$ 93,563,670	\$ 106,647,921	\$ 115,009,168	\$ 120,878,838	\$ 121,781,341	\$ 137,531,279	\$ 153,547,043	\$ 184,522,196
Business-Type activities										
Net investment in capital assets	\$ 53,674,437	\$ 59,625,205	\$ 64,210,231	\$ 70,361,035	\$ 64,871,629	\$ 68,271,075	\$ 75,969,319	\$ 83,941,882	\$ 94,997,863	\$ 114,831,425
Restricted	-	-	-	10,565,463	12,626,526	13,232,638	15,071,599	5,408,320	5,408,320	6,640,756
Unrestricted	16,450,988	14,243,922	15,737,470	20,781,291	20,870,671	33,254,008	30,570,717	39,406,798	42,791,680	39,140,966
Total Business-Type Activities Net Position	\$ 70,125,425	\$ 73,869,127	\$ 79,947,701	\$ 101,707,789	\$ 98,368,826	\$ 114,757,721	\$ 121,611,635	\$ 128,757,000	\$ 143,197,863	\$ 160,613,147
Primary government										
Net investment in capital assets	\$ 116,467,108	\$ 127,750,943	\$ 138,447,235	\$ 154,898,273	\$ 154,138,514	\$ 158,140,841	\$ 164,928,421	\$ 182,386,596	\$ 204,744,203	\$ 251,273,518
Restricted	10,401,728	13,343,280	17,095,325	20,437,116	23,391,047	41,320,993	43,736,037	33,750,758	38,154,008	46,951,874
Unrestricted	25,064,227	15,884,441	17,968,811	22,454,858	35,848,433	36,174,725	34,728,518	50,150,925	53,846,695	46,909,951
Total Primary Government Net Position	\$ 151,933,063	\$ 156,978,664	\$ 173,511,371	\$ 197,790,247	\$ 213,377,994	\$ 235,636,559	\$ 243,392,976	\$ 266,288,279	\$ 296,744,906	\$ 345,135,343

TABLE 2

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government	\$ 6,958,530	\$ 6,443,227	\$ 6,557,778	\$ 6,253,926	\$ 7,421,918	\$ 6,534,013	\$ 10,310,363	\$ 7,298,193	\$ 7,093,652	\$ 8,244,956
Public safety	10,025,703	10,836,712	12,141,968	13,061,120	13,899,278	15,448,886	16,575,191	19,008,871	19,580,703	22,195,399
Public environment	3,740,538	3,876,644	4,147,653	4,460,540	4,930,723	5,495,192	8,825,099	5,364,408	8,545,834	6,188,351
Parks and recreation	1,807,136	2,164,604	2,034,964	2,859,974	2,707,292	3,022,278	3,012,134	3,395,458	3,543,978	4,253,278
Cultural	870,159	892,194	954,871	1,004,747	1,042,085	1,119,650	1,089,564	1,087,975	1,168,815	1,380,793
Health	407,114	470,468	570,204	776,494	724,780	516,890	596,288			
Administration	1,942,312	1,845,877	1,954,276	3,052,102	3,067,983	3,853,235	3,419,407	4,360,229	4,455,947	5,363,700
Interest and other fees	2,352,856	2,226,635	2,240,783	2,355,714	2,125,687	2,196,180	2,028,065	1,797,520	2,490,474	2,555,917
Total Governmental Activities Expenses	28,104,348	28,756,361	30,602,497	33,824,617	35,919,746	38,186,344	45,856,111	42,312,654	46,879,403	50,182,394
Business-type activities:										
Water and sewer	17,762,116	18,440,959	20,269,111	21,346,078	23,579,854	25,608,390	24,349,219	25,280,964	27,833,986	30,088,159
EMS	4,268,125	4,719,526	5,004,110	6,006,178	6,110,407	6,529,631	6,051,296	7,784,670	8,234,500	10,176,945
Total Business-Type Activities Expenses	22,030,241	23,160,485	25,273,221	27,352,256	29,690,261	32,138,021	30,400,515	33,065,634	36,068,486	40,265,104
Total Primary Government Expenses	50,134,589	51,916,846	55,875,718	61,176,873	65,610,007	70,324,365	76,256,626	75,378,288	82,947,889	90,447,498
Program Revenues										
Governmental activities:										
Charges for services:										
General government	1,974,637	1,840,547	1,507,252	874,737	1,013,698	947,538	836,246	651,211	686,470	470,879
Public safety	2,536,476	2,603,476	2,415,537	4,131,548	4,104,911	3,177,329	3,276,129	3,079,945	3,922,957	4,067,387
Public environment						138,920	850,201	902,712	798,955	661,078
Parks and recreation	917,639	794,003	788,727	544,460	640,231	484,495	331,174	528,886	652,727	753,302
Cultural	309,897	325,178	326,079	330,412	313,668	311,575	299,944	285,792	310,859	315,222
Health	32,429	26,744	30,308	29,742	27,930	21,101	26,304			
Operating grants and contributions	220,264	336,252	342,485	552,878	776,942	692,042	2,113,673	1,925,939	3,970,029	2,425,937
Capital grants and contributions	5,756,456	5,509,530	6,227,664	10,043,483	4,744,489	1,319,793	531,096	7,959,576	6,987,788	18,456,911
Total Governmental Activities Program Revenues	11,747,798	11,435,730	11,638,052	16,507,260	11,621,869	7,092,793	8,264,767	15,334,061	17,329,785	27,150,716
Business-type activities:										
Charges for services:										
Water and sewer	19,147,872	20,700,369	22,003,794	25,390,713	27,099,237	27,333,475	29,709,279	27,724,929	30,677,566	31,589,783
EMS	4,533,753	4,415,126	5,921,223	6,366,894	6,092,559	6,596,618	6,114,891	7,709,027	9,420,909	9,503,821
Capital grants and contributions	2,809,110	4,158,552	2,831,126	6,111,474	3,132,348	1,975,524	292,408	6,935,191	6,143,957	14,180,619
Total Business-Type Activities Program Revenues	26,490,735	29,274,047	30,756,143	37,869,081	36,324,144	35,905,617	36,116,578	42,369,147	46,242,432	55,274,223
Total Primary Government Program Revenues	38,238,533	40,709,777	42,394,195	54,376,341	47,946,013	42,998,410	44,381,345	57,703,208	63,572,217	82,424,939
Net (expense) revenue:										
Governmental activities	(16,356,550)	(17,320,631)	(18,964,445)	(17,317,357)	(24,297,877)	(31,093,551)	(37,591,344)	(26,978,593)	(29,549,618)	(23,031,678)
Business-type activities	4,460,494	6,113,562	5,482,922	10,516,825	6,633,883	3,767,596	5,716,063	9,303,513	10,173,946	15,009,119
Total Primary Government Net Expense	(11,896,056)	(11,207,069)	(13,481,523)	(6,800,532)	(17,663,994)	(27,325,955)	(31,875,281)	(17,675,080)	(19,375,672)	(8,022,559)

TABLE 2

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes	\$ 12,794,172	\$ 14,139,037	\$ 15,131,997	\$ 16,166,006	\$ 17,018,950	\$ 19,151,005	\$ 19,844,912	\$ 21,463,804	\$ 22,495,628	\$ 25,118,429
Ad valorem	10,553,382	10,315,125	10,921,489	10,844,503	12,668,555	12,506,879	14,432,152	16,838,731	18,075,733	19,646,841
Sales	2,073,162	2,263,783	2,250,815	2,208,373	2,393,182	2,357,150	2,305,225	2,305,108	2,574,041	2,593,660
Franchise fees	552,570	563,734	544,871	499,466	520,424	514,679	268,946	518,921	804,132	1,059,808
Hotel/motel	39,917	43,656	43,073	42,699	43,395	60,518	70,139	68,730	83,391	88,347
Mixed drink	43,279	56,820	187,847	448,408	909,985	1,470,258	804,674	104,613	709,898	4,678,690
Investment income	180,316	197,881	309,275	182,754	283,496	984,257	767,779	1,408,270	1,138,775	820,465
Miscellaneous	(50,000)	(42,235)	29,211	9,399	19,186	(81,525)	-	-	(316,216)	-
Transfers	26,186,798	27,537,801	29,418,578	30,401,608	33,857,173	36,963,221	38,493,827	42,708,177	45,565,382	54,006,240
Total Governmental Activities	31,810	47,728	102,642	211,466	532,367	855,216	431,555	68,354	314,546	1,927,277
Business-type activities:	609,003	344,731	522,221	475,733	453,374	267,788	706,296	754,268	675,739	479,479
Interest and investment earnings	50,000	42,235	(29,211)	(9,399)	(19,186)	81,525	-	-	316,216	-
Miscellaneous	690,813	434,694	595,652	677,800	966,555	1,204,529	1,137,851	822,622	1,306,501	2,406,756
Transfers										
Total Business-Type Activities	26,877,611	27,972,495	30,014,230	31,079,408	34,823,728	38,167,750	39,631,678	43,530,799	46,871,883	56,412,996
Total Primary Government	9,830,248	10,217,170	10,454,133	13,084,251	9,559,296	5,869,670	902,503	15,729,584	16,015,764	30,975,153
Change in Net Position	5,151,307	6,548,256	6,078,574	11,194,625	7,600,438	4,972,125	6,853,914	10,126,135	11,480,447	17,415,284
Governmental activities										
Business-type activities	\$ 14,981,555	\$ 16,765,426	\$ 16,532,707	\$ 24,278,876	\$ 17,159,734	\$ 10,841,795	\$ 7,756,417	\$ 25,855,719	\$ 27,496,211	\$ 48,390,437
Total Primary Government										

Source: City financial statements

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General fund										
Non-spendable	\$ 110,253	\$ 117,084	\$ 220,503	\$ 98,263	\$ 94,876	\$ 131,925	\$ 114,787	\$ 162,463	\$ 182,186	\$ 342,248
Restricted	1,701,408	1,748,374	1,929,636	1,994,905	2,027,125	2,196,037	1,996,357	2,151,411	2,260,350	2,220,694
Committed	-	-	-	-	3,080,557	5,580,626	687,780	907,676	1,021,594	1,155,078
Assigned	694,916	785,005	752,503	854,198	12,548,013	9,228,612	1,972,479	1,501,398	1,356,230	3,518,655
Unassigned	5,587,262	7,280,240	8,509,467	9,976,169	17,750,571	17,137,200	12,197,575	11,755,619	12,246,539	12,000,941
Total general fund	\$ 8,093,839	\$ 9,930,703	\$ 11,412,109	\$ 12,923,535	\$ 37,772,240	\$ 39,009,399	\$ 32,024,252	\$ 33,329,710	\$ 69,222,391	\$ 60,666,303
All other governmental funds										
Restricted	\$ 19,261,995	\$ 21,191,968	\$ 27,252,908	\$ 35,721,031	454,376	687,779	4,071,942	7,985,798	5,543,146	3,434,888
Committed	31,718	-	342,519	454,376	-	-	-	-	-	-
Assigned	31,177	6,657	-	-	-	-	(2,071,518)	(675,043)	(648,630)	(644,974)
Unassigned	-	-	-	-	-	-	34,024,676	40,640,465	74,116,907	63,456,187
Total all other governmental funds	\$ 19,324,890	\$ 21,198,625	\$ 27,602,170	\$ 36,175,407	\$ 38,226,616	\$ 39,697,178	\$ 34,024,676	\$ 40,640,465	\$ 74,116,907	\$ 63,456,187

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

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Taxes	\$ 26,021,730	\$ 27,348,297	\$ 28,865,727	\$ 29,720,578	\$ 32,632,702	\$ 34,590,008	\$ 36,802,913	\$ 41,150,087	\$ 43,905,170	\$ 48,455,688
Permits and fees	1,805,047	1,731,302	1,493,336	2,540,045	2,557,056	1,635,461	1,807,264	1,812,895	2,341,493	2,329,324
Service fees	1,763,964	1,797,151	1,789,321	2,132,299	2,159,193	2,070,293	2,583,598	2,540,995	2,953,707	2,806,284
Fines and fees	1,750,311	1,534,588	1,441,474	1,217,621	1,049,989	643,482	880,657	754,558	754,558	659,885
Intergovernmental	221,769	393,607	401,494	397,073	609,131	1,057,681	951,604	4,582,874	4,247,523	3,061,631
Other revenue	671,731	689,805	1,741,436	1,897,153	1,761,285	2,454,515	1,572,473	1,512,883	1,848,673	5,499,155
Total Revenues	32,234,552	33,494,750	35,732,788	37,904,769	40,769,356	42,761,572	44,598,509	52,243,216	56,051,124	62,811,967
Expenditures										
Current:										
General government	5,981,439	5,582,441	5,657,998	5,394,918	6,327,133	5,881,647	10,364,369	6,580,915	6,515,632	7,324,976
Public safety	9,409,894	10,158,401	11,048,767	11,870,636	12,728,222	13,985,443	15,366,593	18,107,418	19,098,373	19,579,764
Public environment	1,012,607	952,663	1,007,326	1,128,979	1,136,052	1,112,041	1,270,894	1,382,185	1,766,558	1,782,809
Parks and recreation	1,338,232	1,658,197	1,528,356	1,885,915	1,697,872	2,393,487	2,102,083	2,534,679	2,659,914	3,227,365
Cultural	815,691	821,146	869,162	921,870	955,153	1,018,109	1,044,891	1,059,984	1,159,024	1,294,948
Health	394,918	404,008	480,175	672,934	628,054	498,871	589,616	-	-	-
Administration	2,270,041	2,056,646	2,015,573	2,912,855	3,015,239	3,795,233	3,353,634	4,459,223	4,597,488	5,202,419
Capital outlay	8,000,467	2,314,668	10,192,398	5,492,196	7,708,625	9,083,572	9,276,886	5,215,256	13,096,740	24,142,094
Debt service:										
Principal	3,695,597	3,918,008	4,040,975	4,473,174	4,744,116	4,565,000	4,929,544	4,955,000	4,805,000	5,850,000
Interest and fiscal charges	2,108,610	2,112,746	1,896,911	2,113,679	2,099,190	2,069,215	2,136,523	1,801,467	1,779,157	2,893,986
Bond issue costs	165,650	7,992	449,358	214,280	129,417	189,082	4,200	140,140	558,911	4,200
Payment to refund agent	-	-	-	-	-	5,489,912	-	-	-	-
Total Expenditures	35,193,146	29,986,916	39,186,999	37,081,436	41,169,073	50,081,612	50,439,233	46,236,267	56,036,797	71,302,561
Excess of Revenues Over (Under)	(2,958,594)	3,507,834	(3,454,211)	823,333	(399,717)	(7,320,040)	(5,840,724)	6,006,949	14,327	(8,490,594)
Other Financing Sources (Uses)										
Bond & debt issuances	8,583,715	245,000	10,750,000	8,870,000	4,887,829	4,620,000	-	136,535	31,540,000	-
Refunding bond issuance	-	-	4,185,000	-	6,035,000	5,225,000	-	7,555,000	4,070,000	-
Premium (discount) on bond issue	686,137	-	590,432	381,931	269,212	640,115	-	629,992	3,200,544	-
Payment to refund agent	(9,182,250)	-	(4,215,482)	-	(6,159,623)	-	-	(8,223,452)	(4,443,881)	-
Transfer in	1,243,833	989,120	863,583	438,803	777,487	120,503	4,500,169	6,395,386	3,339,565	869,840
Transfer out	(1,293,832)	(1,031,355)	(834,371)	(429,404)	(758,302)	(202,028)	(4,500,169)	(6,375,032)	(3,655,781)	(869,249)
Net Other Financing Sources (Uses)	37,603	202,765	11,339,162	9,261,330	5,051,603	10,403,590	-	118,429	34,050,447	591
Net Change in Fund Balances	(2,920,991)	3,710,599	7,884,951	10,084,663	4,651,886	3,083,550	(5,840,724)	6,125,378	34,064,774	(8,490,003)
Debt Service as a Percentage of Noncapital Expenditures	21.3%	21.3%	20.5%	20.4%	22.2%	17.3%	16.2%	19.9%	17.1%	30.3%

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

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

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Mixed Beverage	Bingo	Hotel Occupancy	Total
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
2022	22,367,873	18,075,733	2,574,041	83,391	24	804,132	43,905,194
2023	25,067,032	19,646,841	2,593,660	88,347	-	1,059,808	48,455,688

TABLE 7

CITY OF SCHERTZ, TEXAS
PRINCIPAL WATER AND SEWER CONSUMERS
LAST TEN FISCAL YEARS

TAXPAYERS	2023			2014		
	Total Water Consumption (In Gallons)	Rank	Percentage of Total City Water Consumption	Total Water Consumption (In Gallons)	Rank	Percentage of Total City Water Consumption
City of Selma	312,077,500	1	13.20%	7,725,100	8	0.50%
Scenic Hillis Lawn Care	15,758,800	2	0.67%	10,869,700	3	0.70%
WHC Schertz Apts, LLC	14,287,200	3	0.60%			
City of Cibolo	12,822,500	4	0.54%			
Crossvine Master Community	12,051,600	5	0.51%			
Pecan Grove	9,768,200	6	0.41%			
Sycamore Creek Apartments	8,581,900	7	0.36%			
Comal ISD	7,150,300	8	0.30%			
APG Texas 1LP	6,158,400	9	0.26%			
City of Schertz (Soccor Field)	6,095,200	10	0.26%			
SYSCO				23,384,500	1	1.52%
Caterpillar				20,741,100	2	1.34%
Waterford Ridge Apartments				9,537,700	4	0.62%
Beck ReadyMix				9,366,900	5	0.61%
Ray D. Corbett Jr High School				8,695,600	6	0.56%
Big Time Management				8,200,700	7	0.53%
Val Verde				6,301,600	9	0.41%
YMCA/Splash Pad				5,281,200	10	0.34%
TOTAL	<u>404,751,600</u>		17.12%	<u>110,104,100</u>		7.13%
Total City Water Consumption	<u>2,363,742,000</u>			<u>1,543,351,600</u>		

Source: Schertz Utility System

TABLE 6

CITY OF SCHERTZ, TEXAS
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
2023	2,363,742,000	40.85	8.13
2022	1,700,418,300	39.04	7.79
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

Source: Schertz Utility System

TABLE 9

CITY OF SCHERTZ, TEXAS

PRINCIPAL PROPERTY OF TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
SYSCO Central Texas	\$ 140,910,461	1	2.09%	\$ 95,931,063	2	3.49%
Sun Life Assurance Company of Canada	103,976,267	2	1.54%			
Caterpillar Inc.	100,507,470	3	1.49%	105,162,397	1	3.82%
Republic Beverage Company	68,123,480	4	1.01%	46,370,700	3	1.68%
Amazon Com Services Inc	62,136,947	5	0.92%			
HGT Schertz Parkway LP	59,349,999	6	0.88%			
Eastgroup Properties LP	48,116,511	7	0.71%			
DG Industrial Portfolio II Property Owner LF	29,719,290	8	0.44%			
WHC Schertz Apts LLC	28,500,000	9	0.42%			
OR AMZ 1150 Schwab RD LLC	22,222,590	10	0.33%			
Capital Group Companies Inc.				37,581,105	4	1.37%
San Antonio MTA LP				22,907,035	5	0.83%
SC Schertz LLC				16,240,300	6	0.59%
GE Oil & Gas Inc.				16,011,420	7	0.58%
Wal-Mart Real Estate Business Trust				13,239,871	8	0.48%
H.E.Butt Grocery Co.				11,650,124	9	0.42%
EM Limited Partnership				9,922,009	10	0.36%
Totals	\$ 663,563,015		9.84%	\$ 375,016,024		13.62%
Total Taxable Assessed Value	\$ 6,740,344,392			\$ 2,752,562,574		

*Source: Guadalupe, Bexar, and Comal Appraisal Districts

TABLE 8

CITY OF SCHERTZ, TEXAS

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

Fiscal Year	City Direct Rates			Overlapping School Districts		
	Basic Rate	Debt Service	Total	Schertz-Cibola-Universal City ISD	Comal ISD	Guadalupe County
2023	0.3470	0.1480	0.4950	1.3246	1.2746	0.3439
2022	0.3517	0.1604	0.5121	1.3950	1.2920	0.3799
2021	0.3470	0.1651	0.5121	1.4106	1.2757	0.3854
2020	0.3496	0.1650	0.5146	1.4200	1.3200	0.3319
2019	0.3497	0.1649	0.5146	1.4900	1.3200	0.3319
2018	0.3248	0.1662	0.4910	1.4900	1.3900	0.3799
2017	0.3168	0.1743	0.4911	1.4700	1.3900	0.3851
2016	0.3159	0.1752	0.4911	1.4900	1.3900	0.3851
2015	0.3164	0.1810	0.4974	1.4900	1.3900	0.3941
2014	0.3010	0.1964	0.4974	1.4900	1.4300	0.3999
2013	0.2993	0.2006	0.4999	1.4600	1.4300	0.4036
Bexar						
Overlapping Counties						
Fiscal Year	Bexar County	Hospital District	River Authority	Community College District	Comal County	Guadalupe County
2023	0.2624	0.2762	0.0184	0.1492	0.2847	0.3439
2022	0.2763	0.2762	0.0186	0.1492	0.3140	0.3799
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

Source: Guadalupe, Bexar, and Comal Appraisal Districts

TABLE 10

CITY OF SCHERTZ, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected Within Fiscal Year of Levy		Collections In Subsequent Years	Total Collections To Date	
		Amount	% of Levy		Amount	% of Levy
2023	\$ 26,144,518	\$ 25,757,953	98.52%	\$ -	\$ 25,924,108	99.16%
2022	22,951,478	22,775,565	99.23%	137,846	22,788,154	99.29%
2021	22,011,090	21,787,625	98.98%	42,135	21,829,760	99.18%
2020	20,854,329	20,758,493	99.54%	83,627	20,842,120	99.94%
2019	19,922,568	19,825,244	99.51%	87,805	19,913,049	99.95%
2018	18,010,824	17,899,825	99.38%	74,548	17,974,373	99.80%
2017	17,356,822	17,241,556	99.34%	74,294	17,314,231	99.75%
2016	16,238,180	16,160,248	99.52%	59,072	16,218,083	99.88%
2015	14,793,867	14,738,760	99.63%	45,615	14,783,490	99.93%
2014	13,383,759	13,297,258	99.35%	68,652	13,365,670	99.86%

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TABLE 11

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

Fiscal Year Ended	Taxable Value January 1,	Residential Property	Commercial Property	Tax-Exempt Property	Other Property	Total Taxable Assessed Value-	Total Direct Tax Rate
2023	\$ 4,734,929,478	2,047,253,554		(784,132,143)	742,293,503	6,740,344,392	0.4950
2022	3,618,134,708	1,317,486,482		(961,929,765)	232,196,469	4,205,887,894	0.5121
2021	3,060,963,760	1,505,592,717		(716,038,336)	276,109,231	4,126,637,372	0.5121
2020	3,004,666,341	1,613,615,732		(716,028,336)	250,185,870	4,152,459,607	0.5146
2019	2,860,333,982	1,401,636,211		(621,773,006)	260,571,835	3,900,769,022	0.5146
2018	2,049,067,806	2,344,365,139		(757,265,921)	146,860,809	3,783,027,833	0.4911
2017	1,895,085,016	2,269,590,522		(649,173,041)	132,002,406	3,647,504,903	0.4974
2016	1,702,601,947	2,087,223,204		(544,328,535)	130,353,515	3,375,850,131	0.4974
2015	1,568,651,309	1,793,803,709		(460,271,461)	135,084,054	3,037,267,611	0.4974
2014	1,445,731,509	1,540,565,195		(340,747,650)	107,013,520	2,752,562,574	0.4999

*Taxable Assessed Value is before any applicable freeze adjustments.

Source: Bexar, Comal and Guadalupe County Appraisal Districts.

CITY OF SCHERTZ, TEXAS
 RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities					Business-Type Activities					
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Financing Arrangement	Certificates of Obligation	Financing Arrangement	Tax Notes	Financing Arrangement	Total Primary Government	Percent of Gross Income	Per Capita
2023	\$ 54,504,618	\$ 25,983,440	\$ -	\$ 113,779	\$ 23,529,237	\$ 4,087,062	\$ -	\$ 410,877	\$ 108,629,013	5.82%	\$ 2,526
2022	58,837,302	27,869,333	-	109,228	24,216,388	5,111,592	-	327,685	116,471,528	5.24%	2,034
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	150,000	134,662	75,575,357	4.50%	1,769
2019	48,320,000	16,235,000	530,000	25,699	12,330,000	4,445,000	460,000	199,421	82,545,120	5.60%	1,932
2018	52,752,896	13,636,966	715,000	34,264	13,211,178	2,127,657	765,000	289,553	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	1,065,000	92,721	78,746,302	6.22%	1,996
2016	56,352,272	4,057,189	1,740,000	58,321	8,331,966	3,014,595	1,360,000	162,262	75,076,605	6.39%	1,979
2015	53,410,128	277,801	1,210,000	91,495	8,946,153	3,490,564	1,640,000	231,803	69,297,944	5.99%	1,830
2014	56,487,433	543,934	1,585,000	123,370	9,561,204	3,966,533	65,000	347,705	72,680,179	6.35%	1,992

TABLE 13
CITY OF SCHERTZ, TEXAS
 RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligation	Less: Amounts Available for Debt Service		
2023	\$ 58,591,680	\$ 49,512,677	\$ (867,965)	1.59%	\$ 2,493
2022	63,948,894	52,085,721	(1,550,080)	2.72%	2,581
2021	43,285,000	24,855,000	(934,899)	1.63%	1,558
2020	46,223,908	15,801,473	(1,051,874)	1.47%	1,481
2019	54,687,960	16,834,029	(1,084,908)	1.81%	1,785
2018	54,880,553	13,636,966	(809,427)	1.86%	1,785
2017	59,147,240	9,011,415	(924,989)	1.99%	1,776
2016	59,366,867	4,057,189	(813,306)	2.06%	1,716
2015	56,900,692	277,801	(847,178)	2.05%	1,568
2014	60,453,966	543,934	(517,199)	2.33%	1,753

TABLE 14
CITY OF SCHERTZ, TEXAS
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 CURRENT YEAR

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Alamo CCD	\$ 809,962,090	0.38%	\$ 3,077,856
Bexar County	2,207,225,000	0.38%	8,387,455
Bexar County Hospital District	1,168,200,000	0.38%	4,439,160
Comal County	121,175,000	3.59%	4,350,183
Comal ISD	1,049,362,848	3.98%	41,764,641
East Central ISD	101,935,155	3.34%	3,404,634
Guadalupe County	13,145,000	18.29%	2,404,221
Judson ISD	552,986,085	0.03%	165,896
Schertz-Cibolo-Universal ISD	374,839,507	46.55%	174,487,790
Subtotal, Overlapping Debt			242,481,835
City Governmental Activities Direct Debt			80,601,837
TOTAL NET OVERLAPPING DEBT			\$ 323,083,672

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

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

TABLE 15

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

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Water Revenue Bonds		Interest	Coverage
			Net Available Revenue	Principal		
2023	\$ 31,283,976	\$ 29,200,652	\$ 2,083,324	\$ 1,580,000	\$ 1,017,794	0.80
2022	30,876,559	24,362,098	6,514,461	1,180,000	912,019	3.11
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

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.

TABLE 16

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

Assessed Value	Fiscal Year		2022
	2020	2021	
\$ 6,740,344,392			\$ 6,740,344,392
Debt Limit - Texas statutes do not provide a legal debt limit for cities; however, through accepted practice a practical "economic" debt limit is considered to be 10% of the assessed value.			
Amount of Applicable Debt:			
General Bonded Debt	\$ 75,468,779		
Less Debt Service Net Position	(867,965)		74,600,814
DEBT MARGIN		\$ 599,433,625	
Total Net Debt as a Percentage of Debt Margin		12.45%	

Assessed Value	Fiscal Year		2022
	2020	2021	
\$ 3,900,769,022	\$ 4,152,459,607	\$ 4,070,815,340	\$ 6,740,344,392
Debt Limit	390,076,902	415,245,961	674,034,439
Total Net Debt Applicable to Limit	66,019,954	61,318,507	74,600,814
Total Debt Margin	\$ 324,056,948	\$ 353,927,454	\$ 599,433,625

Assessed Value	Fiscal Year		2015
	2016	2017	
\$ 3,375,850,131	\$ 3,647,504,903	\$ 3,783,027,833	
Debt Limit	337,585,013	364,750,490	378,302,783
Total Net Debt Applicable to Limit	61,181,169	65,792,916	66,329,699
Total Debt Margin	\$ 276,403,844	\$ 298,957,574	\$ 311,973,084

Assessed Value	Fiscal Year		2014
	2013	2014	
\$ 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

TABLE 18

CITY OF SCHERTZ, TEXAS

TOP TEN PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	2023			2014		
	Employees	Percentage of Total City Employment	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Percentage of Total City Employment
Schertz-Cibolo-Universal City ISD	1,900	8.33%	10.92%	1,753	-	-
Amazon	1,061	4.65%	4.20%	674	-	-
Sysco Central Texas, Inc	827	3.62%	5.04%	810	-	-
FedEx Ground - Doerr Lane, Schertz	700	3.07%	-	-	-	-
Republic National Distributing Company	639	2.80%	1.56%	250	-	-
Brandt Companies	527	2.31%	2.80%	450	-	-
Visionworks	450	1.97%	2.55%	410	-	-
City of Schertz	437	1.92%	2.15%	345	-	-
Hollingsworth Logistics Group	400	1.75%	-	-	-	-
FedEx Freight	300	1.31%	-	-	-	-
H.E.B Grocery Co.	-	-	-	350	-	2.18%
Wal-mart Stores	-	-	-	320	-	1.99%
CST Distribution	-	-	-	305	-	1.90%
TOTAL	7,241	31.74%	35.29%	5,667		

Source: City Economic Development Corporation

TABLE 17

CITY OF SCHERTZ, TEXAS

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
2023	43,010	\$ 1,734,335,240	\$ 40,324	39.0	15.9	15,573	3.6%
2022	44,360	1,722,143,920	38,822	37.9	15.9	15,877	3.3%
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%

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

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

Function	Full-Time Equivalent Employees as of September 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government	6	6	6	5	5	5	5	5	5	5
City Manager	-	-	-	-	-	-	-	-	-	-
Court Support	6	6	6	6	6	6	6	6	6	6
Municipal Court	5	5	5	5	5	5	5	5	5	5
Customer Relations	3	3	3	4	4	4	4	4	4	4
Planning and Zoning	13	13	13	-	-	-	-	-	-	-
General Services	2	2	2	2	2	2	2	2	2	2
City Secretary	4	4	4	4	4	4	4	4	4	4
Public Affairs	1	1	1	1	1	1	1	1	1	1
Records Management	2	2	2	2	2	2	2	2	2	2
Schertz Magazine	3	3	3	7	7	7	7	7	7	7
Engineer	2	2	2	2	2	2	2	2	2	2
GIS	6	6	6	7	8	8	8	8	8	8
Information Technology	4	4	4	5	5	5	5	5	5	5
Human Resources	6	6	6	8	8	8	8	8	8	8
Finance	6	6	6	8	8	7	7	7	7	7
Purchasing	3	3	3	3	3	3	3	3	3	3
Fleet Service	4	4	4	6	6	6	6	6	6	6
Building Maintenance	2	2	2	3	3	3	3	3	3	3
Facility Services	-	-	-	16	16	10	10	10	11	11
Public Safety	75	75	75	81	86	86	87	90	94	94
Police	33	33	33	39	45	45	46	46	50	50
Fire	8	8	8	8	11	12	12	12	14	14
Inspections	8	8	8	5	-	-	-	-	-	-
Marshal Services	7	7	7	8	7	7	8	9	9	9
Health	-	-	-	3	4	4	4	5	6	6
Animal Control	9	9	9	10	12	11	11	11	15	15
Environmental Health	-	-	-	-	-	-	-	-	-	-
Parks and Culture	14	14	14	14	15	14	14	14	15	15
Parks	14	14	14	14	14	14	14	17	17	17
Pools	1	1	1	1	1	1	1	1	1	1
Event Facilities	14	14	14	14	15	14	14	14	15	15
Library	14	14	14	14	14	14	14	14	15	15
Public Environment	14	14	14	14	14	14	14	17	17	17
Streets	6	6	6	4	4	4	4	4	4	4
Public Works	10	10	10	10	10	9	9	9	9	9
Business Office	16	16	16	16	19	19	19	21	21	21
Water and Sewer	8	8	8	6	8	8	8	8	8	8
Drainage	36	37	39	41	45	45	45	55	65	65
EMS	4	4	4	4	4	4	4	4	4	4
Economic Development	321	328	340	347	368	358	366	385	417	416
TOTAL										

Source: City Adopted Budgets

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

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
Building Project Permits Issued	2,869	3,087	5,919	4,800	5,251	4,748	2,993	4,474	4,000	3,500
Food Establishment Permits	82	135	145	201	181	55	189	159	173	172
Food Establishment Inspection	218	136	153	133	211	96	209	192	142	146
Foster/Adoption Inspections	16	22	21	21	18	8	10	11	5	9
Schertz Magazine										
Number of Magazines printed	180,000	180,000	180,000	180,000	180,000	180,000	187,500	189,700	191,700	192,000
Police										
CFS	19,067	36,138	39,064	34,428	45,190	41,327	57,149	29,007	32,170	30,667
Arrests	686	595	603	423	624	603	527	416	326	355
Traffic Violations	15,077	12,306	8,960	8,001	11,359	12,541	8,326	6,980	6,504	5,924
Accidents	1,823	2,040	2,119	2,057	2,244	2,304	1,752	2,076	2,341	2,085
Fire										
Number of Rescue/Other Responses	1,759	2,167	2,327	2,758	3,055	3,804	3,953	4,837	4,895	4,994
Number of Fire Responses	110	99	67	86	161	100	108	205	232	182
Number of Inspections	252	698	440	519	562	528	500	548	547	674
Number of Training Classes Conducted	125	150	460	340	600	804	763	770	632	1,032
Number of Pre-Plan Inspections	735	980	867	922	788	865	814	848	324	320
EMS										
Requests for Transport	8,840	9,286	9,723	9,956	10,059	10,759	10,713	12,251	13,520	14,495
Actual Transports	5,713	6,118	6,123	6,201	6,165	6,738	6,549	7,444	8,332	9,154
EMT Students	87	84	89	90	90	90	84	123	154	136
Marshal's Office										
Warrants Issues	2,354	3,798	2,587	2,816	1,598	2,036	1,738	2,095	1,708	1,083
Warrants Cleared	3,781	3,691	3,492	2,822	2,022	1,834	664	1,451	1,373	4,243
Parks										
Facility Reservations	301	275	240	251	248	241	75	237	294	334
Community and Civic Centers										
Civic Center Reservations	458	478	483	590	516	441	293	353	354	416
Community Center Reservations	437	455	370	455	326	326	193	291	299	276
North Community Center Reservations	244	209	185	230	235	188	92	153	197	196
Animal Services										
Number of Animals Handled	1,218	1,304	1,313	1,283	926	1,157	1,015	1,070	1,125	1,217
Number of Adoptions	309	357	410	348	319	366	450	329	371	419
Number of Return to Owners	222	213	205	228	218	233	233	284	252	279
Number of Transfers	316	296	316	326	297	227	188	152	205	202
Library										
Annual Circulation	395,998	394,766	399,622	385,206	414,790	447,379	254,643	281,659	359,272	397,156
Library Visits	253,237	259,413	255,109	235,428	258,695	237,821	102,297	91,291	157,428	194,260
Library Program Attendance	15,048	13,825	15,282	16,814	16,945	18,412	6,524	2,541	11,357	14,700
Registered Users	30,759	31,138	30,702	31,432	30,806	33,104	31,296	30,291	29,612	28,734

TABLE 20

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

Function	Fiscal Year										
	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	
Water											
New Connections	235	300	357	342	291	460	235	300	357	342	291
Water Main Breaks	50	52	65	38	64	64	50	52	65	38	64
Total Consumption (hundreds of gallons)	15,833,124	17,602,330	19,766,870	16,171,200	21,606,589	23,637,420	15,833,124	17,602,330	19,766,870	16,171,200	21,606,589
Daily Average Consumption (thousands of gallons)	43,378	48,225	54,155	59,377	59,190	64,760	43,378	48,225	54,155	59,377	59,190
Peak Daily Consumption (thousands of gallons)	9,083	11,094	14,011	9,160	8,429	16,037	9,083	11,094	14,011	9,160	8,429
Total Customers	14,678	16,434	13,683	15,861	16,228	16,037	14,678	16,434	13,683	15,861	16,228
Average Use Per Connection	5,294	4,587	5,600	101,955	133,143	5,156	5,294	4,587	5,600	101,955	133,143
Sewer											
Total Customers	12,866	12,853	13,112	14,128	14,295	14,334	12,866	12,853	13,112	14,128	14,295
Facilities Maintenance											
Number of Buildings Maintained	25	26	27	26	28	24	25	26	27	26	28
Square Footage	245,218	257,218	257,218	257,218	257,218	273,970	245,218	257,218	257,218	257,218	273,970

Source: Various City Department

TABLE 21

CITY OF SCHERTZ, TEXAS
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles	42	48	50	64	69	68	72	66	76	90
Fire										
Stations	2	2	2	2	3	3	3	3	3	3
Training Facility	-	-	-	-	-	-	-	-	-	-
Fire Vehicles	15	16	16	16	18	19	20	20	24	24
EMS										
Ambulances	7	9	9	8	8	9	9	10	11	12
Marshals Office										
Vehicles	7	7	7	7	7	7	7	7	3	NA
Streets										
Streets, paved (miles)	141	149	153	159	153	165	165	168	172	180
Streets, unpaved (miles)	5	5	5	5	5	5	5	5	5	5
Sidewalks (miles)										
Parks and Recreation										
Parks - Developed	13	14	15	20	21	21	21	21	21	21
Parks - Undeveloped	8	9	10	4	4	4	4	5	5	5
Playground	16	18	19	19	19	20	21	21	36	36
Swimming Pools	2	2	2	4	4	4	4	4	3	3
Baby Pools	2	2	2	2	2	2	2	2	1	1
Baseball/Softball Diamonds	12	15	15	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
Splash Pads										
Animal Services										
Control Vehicle	3	3	4	3	4	4	6	6	8	8
Library										
Facility	1	1	1	1	1	1	1	1	1	1
Volumes in Collection	100,478	113,085	97,412	107,382	110,266	150,972	139,447	149,965	155,715	160,533
Water										
Number of Reservoirs	-	-	-	-	-	-	-	-	-	-
Number of Pump Stations	5	5	5	5	5	5	6	7	6	6
Water Mains (miles)	199	210	213	221	225	228	229	231	236	246
Sewer										
Sanitary Sewers (miles)	90	96	98	110	113	116	116	120	124	133
Storm Sewers (miles)	11	12	12	12	14	14	14	15	16	17
Facilities Services										
Vehicles	5	6	6	6	11	11	10	8	10	9
Fleet										
Generators	3	4	4	4	7	10	7	8	11	11
Vehicles & Equipment	NA	NA	NA	NA	384	352	341	376	373	420

Source: Various City Department
 Notes: No Capital Asset indicators are available for the General Government or EMS function.

APPENDIX D

**General Purpose Financial Statements for the City of Seguin, Texas
For the Fiscal Year Ended September 30, 2023**

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It's real.

CITY OF SEGUIN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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CITY OF SEGUIN, TEXAS
ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2023

Prepared by: Finance Department
Susan Caddell
Director of Finance

CITY OF SEGUIN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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It's real.



March 7, 2024

The Honorable Mayor and City Council and Citizens of
The 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, 2023. 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, 2023, 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, 2023. 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 – Mimigrip, Alamo Group, 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 8,000 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 seaports. 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 #3 "Best Value" School for Western Regional Colleges, and the #11 "Regional College" for the Western Region. Seguin's Guadalupe Regional Medical Center (GRMC) was the proud recipient of the Healthgrades 2023 Outstanding Patient Experience Award, a distinction that recognizes GRMC as being among the top 15% 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.

2023 data provided by the Bureau of Labor Statistics indicates that labor force conditions within the State of Texas, the San Antonio-New Braunfels Metropolitan Statistical Area (MSA), Guadalupe County, and the City of Seguin remain steady compared to 2022 figures. In 2023, the average unemployment rate in the City of Seguin was 2023 was 3.9%, while the civilian labor force population averaged 14,420. Unemployment rates in 2023 averaged 3.5% for Guadalupe County, 3.8% for the San Antonio-New Braunfels MSA, and 4.1% for the State of Texas.

2023 was a successful year for the City of Seguin and the Seguin Economic Development Corporation as two major economic development projects that were announced. In April 2023, Premium Waters, Inc. announced plans to build a new state-of-the-art manufacturing facility in Seguin, Texas on a 27-acre site located at Freeport Way and Crossroads Boulevard. The Project, which is currently under construction, is expected to represent a total capital investment of at least \$80,000,000 by the Company. Premium Waters anticipates investing at least \$25,000,000 in the construction of the facility and other Real Property Improvements. The Company also anticipates investing at least \$55,000,000 in machinery and equipment. Premium Waters anticipates creating at least 60 new full-time jobs and \$3.6 million in total annualized payroll over a 3-year ramp-up period. Premium Waters, Inc., based in Minneapolis, Minnesota is an established, multifaceted bottled water company that offers convenient home and office delivery services, quality private and custom label bottled water, and accompanying products such as water coolers and filtration systems. In May 2023, Ackerman & Co., an industrial real estate developer purchased 120 acres at the intersection of FM 464 and Interstate 10. Ackerman intends to build up to 1.6 million square feet of speculative industrial real estate on

the site. Ackerman anticipates breaking ground on the Project in late 2024. 2023 was also a successful year for retail in Seguin, several national retailers including Marshalls, Ross Dress for Less, Boot Barn, Harbor Freight Tools, and Discount Tire all opened new retail stores in Seguin.

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 re-appropriated as part of the following year's budget.

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

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

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

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

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

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

OTHER INFORMATION

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

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

Respectfully submitted,



Steve Parker
City Manager



Susan Caddell
Director of Finance



Government Finance Officers Association

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Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Seguin
Texas**

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

September 30, 2022

Christopher P. Morill

Executive Director/CEO

**CITY OF SEGUIN, TEXAS
PRINCIPAL OFFICERS**

DONNA DODGEN.....Mayor
JOE REA.....Mayor Pro-Tem
JASON BIESENBACH.....Councilman
MONICA CARTER.....Councilwoman
PAUL GAYTAN.....Councilman
BILL KELLER.....Councilman
JIM LIEVENS.....Councilman
SONIA MENDEZ.....Councilwoman
CHRIS RANGEL.....Councilman

STEVE PARKER
City Manager

STEVE PARKER.....City Manager
NAOMI MANSKI.....City Secretary
SUSAN CADDELL.....Director of Finance
SAM AGUIRRE.....City Attorney



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, 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.

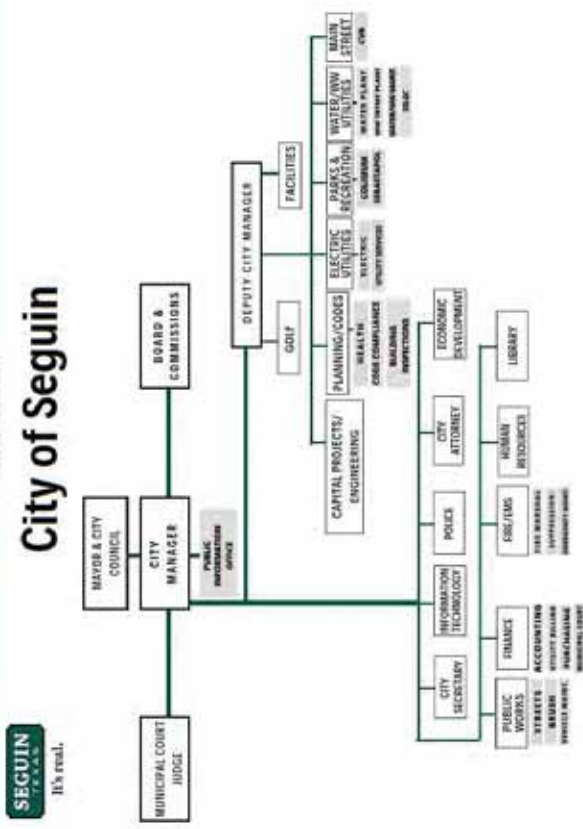
Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Seguin and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Seguin's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Seguin, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Seguin, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2024 on our consideration of the City of Seguin, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Seguin, Texas' internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.
March 7, 2024

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, 2023. 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, 2023, by \$186.5 million, (net position). Of this amount, \$74.2 million (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 \$27.7 million or 17.4% compared to the prior fiscal year.
- As of September 30, 2023, the City of Seguin's governmental funds reported combined ending fund balances of \$84.8 million, an increase of \$25.8 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$23 million, or 76.7% of total General Fund expenses.
- The City's total debt increased by \$259.8 million during the current fiscal year. The City issued 2022A Certificates of Obligation in the amount of \$87.6 million, and 2022 General Refunding Bonds in the amount of \$29.8 million, the proceeds of which were used to retire the outstanding principal of the 2014 General Obligation Bonds and the 2014 Utility Revenue Bonds. Additionally, Utility System Revenue Bonds were issued in the amount of \$182.8 million to fund improvements to the Wastewater Treatment Plant. In addition, police and utility system equipment purchased was financed through notes payable.
- During the year, the City's expenses were \$14 million less than the \$59.3 million generated in taxes and other revenues for governmental activities before transfers.
- The total cost of the City's governmental activity programs increased by \$5.7 million 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 (ACFR) 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 15 - 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, storm water drainage 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 - 69 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 70 - 81 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 82 - 131 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, 2023, the City of Seguin's assets and deferred outflows of resources exceeded liabilities by \$186.5 million. Table A-1 is a condensed version of the City's statement of net position for the years ended September 30, 2023 and 2022, respectively.

The largest portion of the City's total net position (48.9%) 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 (40%) is its unrestricted net position.

Table A-1
City of Seguin's Net Position

	Business-Type Activities				Total
	2023	2022	2023	2022	
Assets					
Current assets	\$ 58,772,302	\$ 58,633,256	\$ 60,991,026	\$ 46,220,846	\$ 104,854,102
Capital assets	117,243,219	109,551,164	116,548,877	111,547,587	221,098,751
Other non-current assets	38,110,361	13,955,701	293,631,677	48,737,305	331,742,038
Total assets	214,125,882	182,140,121	471,171,580	206,505,738	685,297,462
Deferred Outflows of Resources	11,106,385	5,079,779	4,632,667	3,524,721	15,739,652
Liabilities					
Current liabilities	9,865,276	11,494,735	12,659,516	9,408,755	22,534,792
Noncurrent liabilities	150,997,243	121,811,001	340,558,439	89,149,409	491,555,682
Total liabilities	160,862,519	133,305,736	353,217,955	98,558,164	514,080,474
Deferred Inflows of Resources	283,540	3,418,239	128,596	3,158,468	412,136
Net Position					
Invested in Capital Assets	36,396,299	32,708,278	54,691,814	48,719,693	91,088,113
Restricted	4,066,847	4,038,235	17,192,973	14,101,505	21,259,820
Unrestricted/Deficit	23,623,062	13,748,912	30,572,909	45,497,629	74,195,971
Total Net Position	\$ 64,086,208	\$ 50,495,925	\$ 122,457,696	\$ 106,313,827	\$ 158,609,752

An additional portion of the City of Seguin's net position (11.4%) is subject to external restrictions, including bond covenants, on how they must be used. The remaining balance of unrestricted net position of \$74.2 million 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 \$22.9 million or 18.9%. 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 \$19.1 or 19.6%. An increase in salaries and benefits was a major factor in the increase.

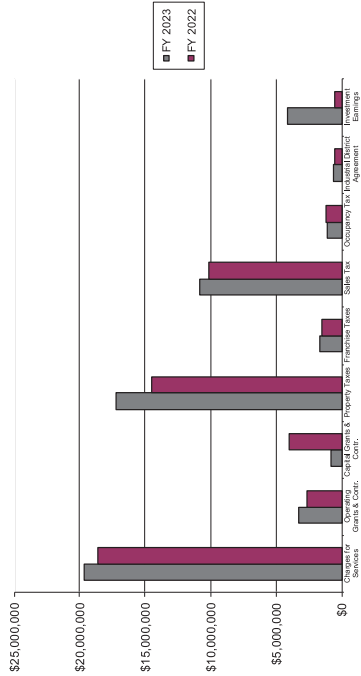
Table A-2
Changes in City of Seguin's Net Position

	Business-Type Activities				Total
	2023	2022	2023	2022	
Program Revenues:					
Charges for Services	\$ 19,667,522	\$ 18,656,479	\$ 74,469,020	\$ 66,615,679	\$ 94,136,542
Operating Grants and Contributions	3,252,101	2,647,696	-	-	3,252,101
Capital Grants and Contributions	829,397	4,008,991	-	190,303	829,397
General Revenues	17,193,980	14,800,532	-	-	17,193,980
Property Taxes	1,639,509	1,309,595	-	-	1,639,509
Franchise Taxes	10,860,709	10,118,330	-	-	10,860,709
Sales Tax	570,975	1,140,613	-	-	1,075,447
Occupancy Tax	4,135,440	500,692	10,365,396	533,638	14,500,836
Industrial District Agreement	58,639	207,721	713	60,144	59,332
Investment Earnings	59,283,719	53,806,605	84,833,129	67,399,764	144,118,848
Gain (Loss) on Sale of Assets	-	-	-	-	-
Total Revenues:	3,433,108	3,848,815	-	-	3,433,108
Expenses:					
General Government	22,793,768	18,432,214	-	-	22,793,768
Public Safety	15,216,461	14,004,359	-	-	15,216,461
Public Service	3,800,658	3,247,737	-	-	3,800,658
Interest on Long-Term Debt	45,243,995	39,533,125	71,140,701	57,744,855	71,140,701
Utility	14,039,724	14,273,480	13,694,428	9,654,909	27,734,152
Total Expenses	(449,441)	(439,999)	449,441	439,999	-
Excess (Deficiency) Before Transfers In (Out)	\$ 13,590,283	\$ 13,833,481	\$ 14,143,869	\$ 10,094,908	\$ 27,734,152
Increase (Decrease) in Net Position					
					\$ 23,928,389

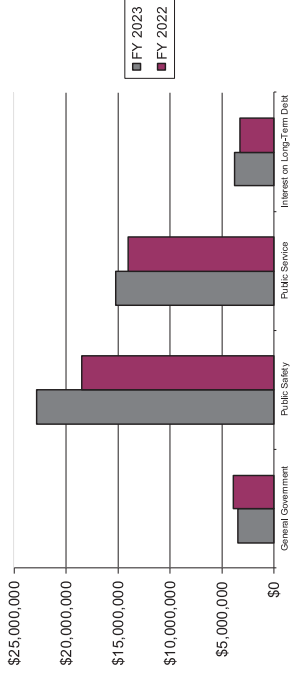
Governmental activities. The City's total governmental revenues increased by \$5.5 million or 10.2% over the prior year. The City's total governmental expenses increased by \$5.7 million or 14.4% above last year.

- Charges for Services increased by \$1.0 million or 5.5%. Refuse Collection Fees increased by \$288 thousand or 17.3%. ROW User Fees increased by \$299 thousand or 6.9%. Park Development Fees increased by \$450 thousand or 77%.
- Property Taxes increased by \$2.7 million or 18.7%. This was a combination of taxable values increased, increased debt service contribution and the increase above the "no new revenue rate".
- Sales Tax increased by \$742 thousand or 7.3%.
- Interest Earnings increased by \$3.6 million or 725.9%.
- The most significant governmental expense for the City was in providing public safety, which incurred expenses of \$22.8 million. 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 \$3.4 million. The major components of public safety are police and fire. Police accounted for \$10.2 million in public safety expense while Fire accounted for \$8.7 million in public safety expense.

Revenues - Governmental Activities



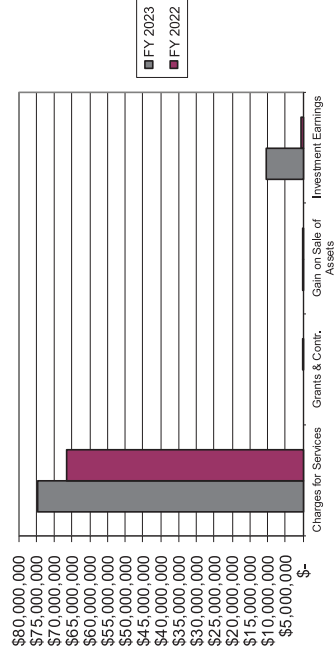
Expenses - Governmental Activities



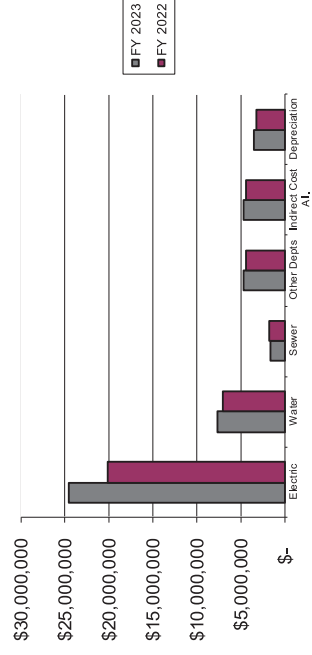
Business-type activities. The City's total business-type revenues increased by \$17.4 million or 25.9%. The City's total business-type expenses increased by \$13.4 million or 23.1%.

- Electric revenues make up \$33.3 million of the charges for services. This year electric revenues increased by \$1.3 million or a 4.0% increase.
- Water revenues make up \$17.1 million of the charges for services. This year water revenues increased by \$1.1 million or a 6.6% increase.
- Sewer revenues make up \$21.4 million of the charges for services. This year sewer revenues increased by \$5.1 million or 31.3% increase. Growth in our service area continues to increase both consumption and sewer impact fees.

Business-Type Activities-Revenues



Business-Type Activities-Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$84.8 million. This is an increase of \$25.9 million. In 2023, the City issued \$87.6 million in Certificates of Obligation Bonds of which \$22.2 million was issued for the governmental uses and \$65.3 million for the

proprietary funds. Of this total amount of fund balance, \$23.0 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 \$332 thousand which are prepaids and inventory, 2) restricted fund balance in the amount of \$49.0 million, 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 \$3.3 million, which is committed to stabilization agreement and aquatic and golf fees, and 4) assigned fund balance in the amount of \$9.2 million, 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 \$23 million, while total fund balance reached \$26.1 million. Of this amount, \$89 thousand 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 \$89 thousand taken out of the equation, unassigned fund balance represents 76.4% of general fund expenditures, while total fund balance represents 86.9% of that same amount.

The General Fund Capital Projects Fund has a total fund balance of \$6.6 million, an increase of \$1.1 million. At the end of FY2023, Six bond funds had a total fund balance of \$37.4 million. This was an increase of \$16.2 million.

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 \$50.6 million. The restricted net position for debt services is \$6.3 million, while restricted net position for impact fees is \$10.9 million. Net position invested in capital assets amounted to \$55 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

For FY 2023, actual revenues on a budgetary basis were \$39.1 million compared to the final budget of \$34.3 million, which is \$4.6 million above budget. Sales tax exceeded the budget by \$1.5 million. Interest earnings exceeded the budget by \$989 thousand. Property tax exceeded the budget by \$625 thousand. Building permits exceeded the budget by \$625 thousand.

For FY 2023, actual expenditures on a budgetary basis were \$29.9 million compared to the final budget of \$34 million, which was \$4.1 million below final budget amounts. Some departments had employee turnover resulting in their personnel services being under budget and savings on other operating expenditures. The indigent health care payment was \$1.2 million less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of 2023, the City had invested \$233.8 million, 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 \$12.7 million or 5.7%. The increase was due in part to large bond projects being completed or underway begun during fiscal year 2023. More detailed information about the City's capital assets can be found in Note G, page 47-48.

Table A-3
City of Seguin's Capital Assets

	Governmental Activities		Business-Type Activities		Total	Total Percentage Change 2023-2022	
	2023	2022	2023	2022			
Land	\$ 5,494,955	\$ 5,494,955	\$ 1,200,302	\$ 877,233	\$ 6,695,257	\$ 6,372,188	5.1%
Buildings and Improvements	43,152,199	42,416,755	39,562,208	39,340,906	82,714,407	81,757,661	1.2%
Improvements Other than Buildings	101,802,667	96,582,811	137,155,824	128,800,152	238,958,491	225,207,963	6.1%
Transportation and Equipment	24,780,496	21,785,314	13,170,656	11,580,325	37,951,132	33,306,639	13.7%
Construction in Progress	24,052,422	20,031,274	20,598,113	19,732,104	44,650,535	39,763,378	12.3%
Total at Historical Cost	199,282,739	186,116,109	211,667,083	200,350,720	410,949,822	386,466,829	6.3%
Total Accumulated Depreciation	(68,209,520)	(76,564,945)	(95,118,206)	(88,803,133)	(177,157,276)	(165,568,078)	7.1%
Net Capital Assets	\$ 117,243,219	\$ 109,551,164	\$ 116,548,877	\$ 111,547,587	\$ 233,792,546	\$ 221,098,751	5.7%

Long-term debt. At year-end, the City had \$430.7million in bonds, loans and notes payable outstanding as shown in Table A-4. This was an increase of \$259.9 million or 152% from 2022. This fiscal year, the City issued \$87.6 million in 2022A Certificates of Obligation Bonds. In addition, \$182.8 million in Texas Water Development Utility System Revenue Bonds were issued.

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 12.9%. the pledged revenue coverage for the utility revenue bonds is 2.18%.

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

	Governmental Activities		Business-Type Activities		Total	Total Percentage Change 2021 - 2020	
	2023	2022	2023	2022			
Bonds Payable	\$ 33,740,000	\$ 38,775,000	\$ 321,420,000	\$ 78,445,000	\$ 355,160,000	\$ 117,220,000	203.0%
Certificates of Obligation	73,220,000	52,265,000	-	-	73,220,000	52,265,000	40.1%
Tax Anticipation Notes	495,000	715,000	-	-	495,000	715,000	-30.8%
Notes Payable	1,252,984	612,362	\$39,333	-	1,792,317	612,362	192.7%
Total Bonds & Notes Payable	\$ 108,707,984	\$ 92,367,362	\$ 321,959,333	\$ 78,445,000	\$ 430,667,317	\$ 170,812,362	152.1%

Net Pension Liability. The City's net pension liability is determined annually by an actuarial valuation. The City's net pension liability increased \$15.6 million, from \$27.4 million to \$43 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2023-24, 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 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 \$6,951,484, or 15.1% above the FY23 budget.

- Property tax revenue is budgeted to increase by \$3,540,000. This is based on increase in values, an increased debt service contribution and the increase above the no new revenue rate.
- Sales tax revenue is budgeted to increase by \$1,500,000. This is based on tax on residential utilities and historical increases.
- Interest Revenue is budgeted to increase by \$768,980. This is based upon increases in interest rates.
- Emergency Medical Services is budgeted to increase by \$400,000. This is based upon increased runs and the hiring of a new billing service.
- Right of way user fees are budgeted to increase by \$350,916. This is based on increased electric, water and sewer revenues.
- Salaries and benefits are budgeted to increase by \$3,616,946. This includes a 2% cost of living increase effective in January 2024. It also includes the addition of key positions as well as the implementation of the results of the new compensation study.
- Transfers to Building/Infrastructure Fund is budgeted to increase by \$557,780. This is to continue to transfer funds to provide for future purchases or construction of city buildings or to cover possible budget shortages on future projects.
- Indigent Health Care is budgeted to increase by \$134,699. This represents a 5.5% increase.

The projected revenues and expenditure for the Utility Fund are budgeted to increase by \$5,649,837, or 9.4% above the FY23 budget.

- The projected electric revenues are expected to increase by \$2,916,900, which is due to the growth and the increased demand.
- The projected water revenues are expected to increase by \$1,060,620, which is due to the approved rate adjustments from the updated water rate study and the increase in consumption with the new developments.
- Sewer revenues are projected to increase by \$883,400 based upon the approved rate adjustments from the updated sewer rate study for FY24 and an increase in the number of customers and increase in water consumption.
- Interest Revenue is budgeted to increase by \$748,325. This is based upon increases in interest rates.
- Salaries and benefits are budgeted to increase by \$1,928,219. This includes a 2% cost of living increase effective in January 2024. It also includes the addition of key positions as well as the implementation of the results of the new compensation study.
- Wholesale power costs is expected to increase by \$700,000 due to the increase in growth and demand.
- Water purchased is expected to increase by \$451,594 due to an increase in the rates paid to SSLGC as well as increased consumption.
- Right of way user fees are budgeted to increase by \$350,916. This is based on increased electric, water and sewer revenues.

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, 2023

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2023

	Primary Government		Component Unit
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 3,360,879	\$ 222,288	\$ 280,295
Investments	50,035,740	45,941,081	7,191,455
Receivables (net of allowances for uncollectibles)			
Taxes	3,292,845	-	-
Accounts	1,171,340	8,493,758	785
Grants	534,961	-	-
Miscellaneous	218,146	1,455,467	-
Interfund Receivables/Payables	(173,272)	173,272	-
Due From Component Unit/Primary Government	-	36,708	367,077
Inventories	52,192	4,539,589	-
Prepays	279,471	128,863	-
Restricted Assets:			
Cash and Cash Equivalents	63,173	1,716,384	-
Investments	38,047,188	291,730,666	-
Notes Receivable	-	184,627	235,143
Capital Assets, not depreciated	29,547,377	21,798,415	-
Capital Assets (Net)	87,695,842	94,750,462	327,059
Total Assets	214,125,882	471,171,580	8,401,814
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension/OPFB Related Outflows	10,869,790	4,539,934	-
Deferred Charge on Refunding	236,595	92,733	-
Total Deferred Outflows of Resources	\$ 11,106,385	\$ 4,632,667	\$ -

See accompanying notes to basic financial statements.

	Primary Government		Component Unit
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Accounts Payable and Other Current Liabilities	\$ 5,560,972	\$ 9,370,443	\$ 14,931,415
Unearned Revenue	3,488,008	1,632,527	5,120,535
Accrued Interest Payable	449,219	-	449,219
Due to Component Unit/Primary Government	367,077	-	367,077
Customer Deposits	-	622,308	622,308
<i>Payable from Restricted Assets:</i>			
Accrued Interest Payable	-	1,034,238	1,034,238
Current Portion of Long-Term Debt	-	3,600,000	3,600,000
<i>Noncurrent Liabilities:</i>			
Due within One Year	5,856,801	4,067,963	9,924,764
Due in more than One Year:			
Long-term Debt	112,184,365	320,952,580	433,136,945
Net Pension Liability	31,618,012	11,418,986	43,036,998
Net OPEB Liabilities	1,338,065	518,910	1,856,975
Total Liabilities	160,862,519	353,217,955	514,080,474
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension/OPFB Related Inflows	283,540	128,596	412,136
Total Deferred Inflows of Resources	283,540	128,596	412,136
NET POSITION			
Net Investment in Capital Assets	36,396,299	54,691,814	91,088,113
Restricted for:			
Tourism & Economic Development	2,026,739	-	2,026,739
Public Safety	501,472	-	501,472
Public Service	589,655	-	589,655
Debt Service	948,981	6,365,460	7,314,441
Impact Fees	-	10,827,513	10,827,513
Unrestricted (Deficit)	23,623,062	50,572,909	74,195,971
Total Net Position	\$ 64,086,208	\$ 122,457,696	\$ 186,543,904

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions and Programs	Expenses			Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Direct	Indirect Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Primary Government:									
Governmental Activities:									
General Government	\$ 10,478,181	\$ (7,045,073)	\$ 8,788,935	\$ 3,063,093	\$ 34,852	\$ 8,453,772	\$ -	\$ 8,453,772	\$ -
Public Safety	22,793,768	-	3,281,300	115,976	25,000	(19,371,492)	-	(19,371,492)	-
Public Service	15,216,461	-	7,597,287	73,032	769,545	(6,776,597)	-	(6,776,597)	-
Interest on Long-term Debt	3,800,658	-	-	-	-	(3,800,658)	-	(3,800,658)	-
Total Governmental Activities	52,289,068	(7,045,073)	19,667,522	3,252,101	829,397	(21,494,975)	-	(21,494,975)	-
Business-Type Activities									
Utility	64,095,628	7,045,073	74,469,020	-	-	-	3,328,319	3,328,319	-
Total Business-Type Activities	64,095,628	7,045,073	74,469,020	-	-	-	3,328,319	3,328,319	-
Total Primary Government	\$ 116,384,696	\$ -	\$ 94,136,542	\$ 3,252,101	\$ 829,397	(21,494,975)	3,328,319	(18,166,656)	-
Component Unit:									
Seguin Economic Development Corporation	\$ 2,061,082	\$ -	\$ -	\$ 52,270	\$ -	-	-	-	(2,008,812)
Total Component Unit	\$ 2,061,082	\$ -	\$ -	\$ 52,270	\$ -	-	-	-	(2,008,812)
General Revenues:									
Taxes									
Property Taxes						17,193,980	-	17,193,980	-
Franchise Taxes						1,639,509	-	1,639,509	-
Sales Taxes						10,860,709	-	10,860,709	2,145,676
Occupancy Taxes						1,075,447	-	1,075,447	-
Miscellaneous Revenues						570,975	-	570,975	-
Gain on Sale of Capital Assets						58,639	713	59,352	2,194,988
Interest and Investment Earnings						4,135,440	10,365,396	14,500,836	330,015
Total General Revenues						35,534,699	10,366,109	45,900,808	4,670,679
Transfers						(449,441)	449,441	-	-
Change in Net Position						13,590,283	14,143,869	27,734,152	2,661,867
Net Position at Beginning of Year						50,495,925	108,313,827	158,809,752	5,647,585
Net Position at End of Year						\$ 64,086,208	\$ 122,457,696	\$ 186,543,904	\$ 8,309,452

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund	2022A Certificates of Obligation	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,072,256	-	\$ 51,050	\$ 1,884,787	\$ 3,008,093
Investments	25,401,433	-	1,253,960	22,308,385	48,963,778
Receivables (net of allowances for uncollectibles):					
Taxes	2,863,316	-	229,034	200,495	3,292,845
Accounts	1,140,139	35,000	-	553,954	1,729,093
Grants	175,851	-	-	-	175,851
Miscellaneous	359,182	-	-	-	359,182
Due from Other Funds	1,500	-	-	-	1,500
Inventories	52,192	-	-	-	52,192
Prepaid Items	279,472	-	-	-	279,472
Restricted Assets:					
Cash and Cash Equivalents	-	13,010	-	14,699	27,709
Investments	-	19,396,306	-	18,650,882	38,047,188
Total Assets	\$ 31,345,341	\$ 19,444,316	\$ 1,534,044	\$ 43,613,202	\$ 95,936,903
LIABILITIES					
Accounts Payable	\$ 1,339,994	321,582	\$ 191	\$ 1,947,248	\$ 3,609,015
Accrued Expenditures	1,047,337	-	135,653	43,166	1,226,156
Due to Other Funds	175,216	-	-	1,500	176,716
Due to Component Unit	367,077	-	-	-	367,077
Unearned Revenues	318,851	-	-	-	318,851
Due to Others	660,636	-	-	70,070	730,706
Total Liabilities	\$ 3,909,111	\$ 321,582	\$ 135,844	\$ 5,229,084	\$ 9,595,621
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	1,319,122	-	217,652	-	1,536,774
Total Deferred Inflows of Resources	\$ 1,319,122	\$ -	\$ 217,652	\$ -	\$ 1,536,774
FUND BALANCE					
<i>Nonspendable:</i>					
Prepays and Inventory	331,664	-	-	-	331,664
<i>Restricted:</i>					
Tourism & Economic Development	-	-	-	2,026,739	2,026,739
Public Safety	38,847	-	-	462,625	501,472
Public Service	5,300	-	-	589,655	594,955
Capital Projects	-	19,122,734	-	25,574,374	44,697,108
Debt Service	-	-	1,180,548	-	1,180,548
<i>Committed:</i>					
Stabilization Arrangement	2,615,559	-	-	-	2,615,559
Aquatics/ Golf Fees	-	-	-	655,566	655,566
<i>Assigned</i>					
Assigned	169,946	-	-	9,080,459	9,250,405
<i>Unassigned</i>					
Unassigned	22,955,792	-	-	-	22,955,792
Total Fund Balances	\$ 26,117,108	\$ 19,122,734	\$ 1,180,548	\$ 38,384,118	\$ 84,804,508
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 31,345,341	\$ 19,444,316	\$ 1,534,044	\$ 43,613,202	\$ 95,936,903

CITY OF SEGUIN, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2023

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 84,804,508

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. 117,243,219

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. 1,125,520

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,536,776

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	107,455,000
Unamortized Premiums and Deferred Charges	7,074,927
Notes Payable	1,252,984
Net Other Post Employment Benefit Obligations (Net of Deferred Outflows & Inflows)	1,562,991
Net Pension Liability (Net of Deferred Outflows & Inflows)	20,806,836
Compensated Absences	2,021,658
	(140,174,396)

Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds. (449,219)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 64,086,208



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CITY OF SEGUIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	2022A Certificates of Obligation	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 22,361,273	\$ -	\$ 7,248,032	\$ 1,060,960	\$ 30,670,265
Licenses and Permits	3,552,124	-	-	3,034,683	6,586,807
Intergovernmental	1,406,659	-	-	3,745,356	5,152,015
Charges for Services	9,146,386	-	-	1,671,920	10,818,306
Fines and Forfeits	596,293	-	-	136,833	733,126
Interest	1,140,956	-	231,982	2,263,525	4,082,770
Miscellaneous	859,115	-	-	190,907	1,050,022
Total Revenues	39,062,806	446,307	7,480,014	12,104,184	59,093,311
EXPENDITURES					
Current:					
General Government	5,564,559	-	-	2,575,286	8,139,845
Public Safety	20,067,639	-	-	-	20,067,639
Public Service	7,629,284	-	-	13,195	7,642,479
Nondepartmental	3,720,292	-	-	451,162	4,171,454
Indirect Cost Allocation (Recovery)	(7,045,073)	-	-	-	(7,045,073)
Capital Projects/Outlay	-	3,323,572	-	11,414,859	14,738,431
Debt Service:					
Principal	-	-	20,679,800	498,743	21,178,543
Interest and Fiscal Charges	-	-	4,041,224	84,425	4,125,649
Bond Issue Costs	-	197,599	149,348	-	346,947
Total Expenditures	29,936,701	3,521,171	24,870,372	15,037,670	73,365,914
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,126,105	(3,074,864)	(17,390,358)	(2,933,486)	(14,272,603)
OTHER FINANCING SOURCES (USES)					
Transfers In	14,868	250,078	-	4,692,588	4,957,534
Transfers Out	(4,345,333)	-	(706,758)	(154,883)	(5,406,974)
Issuance of Debt	-	21,494,409	15,125,591	899,126	37,519,126
Premiums on Issuance of Debt	-	453,111	2,619,433	-	3,072,544
Total Other Financing Sources (Uses)	(4,330,465)	22,197,598	17,038,266	5,436,831	40,142,230
Net Change in Fund Balance	4,595,640	19,122,734	(352,092)	2,503,345	25,869,627
Fund Balances at Beginning of Year	21,521,468	-	1,532,640	35,880,773	58,934,881
Fund Balances at End of Year	\$ 26,117,108	\$ 19,122,734	\$ 1,180,548	\$ 38,384,118	\$ 84,804,508

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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 25,869,627

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	14,216,684
Current Period Depreciation	<u>(6,471,955)</u>
	7,744,729

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. (52,674)

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

Increase in Unavailable Revenues	186,414
----------------------------------	---------

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	(37,519,126)
Premiums on Debt Issues	(3,072,544)
Principal Payments	21,178,543
Amortization of Deferred Charges & Premiums	<u>(18,611,337)</u>

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. (1,138,285)

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. (427,910)

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. 19,719

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 13,590,283

See accompanying notes to basic financial statements.



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CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2023

CITY OF SEGUIN, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2023

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
ASSETS		
<i>Current Assets</i>		
<i>Cash and Cash Equivalents:</i>		
Restricted Cash	\$ 1,716,384	\$ -
Unrestricted Cash	222,287	388,248
<i>Investments:</i>		
Restricted Investments	291,730,666	-
Unrestricted Investments	45,941,081	1,071,963
Accounts Receivable (Net)	8,493,758	-
Miscellaneous Receivables	1,455,467	12,662
Due from Other Funds	173,272	1,944
Due from Component Unit	36,708	-
Current Portion of Notes Receivable	70,419	-
Inventories	4,539,589	-
Prepaid Items	128,863	-
<i>Total Current Assets</i>	<u>354,508,494</u>	<u>1,474,817</u>
<i>Noncurrent Assets</i>		
Notes Receivable (Net of Current)	114,208	-
	114,208	-
<i>Capital Assets (Net)</i>	<u>116,548,877</u>	<u>-</u>
<i>Total Noncurrent Assets</i>	<u>116,663,085</u>	<u>-</u>
Total Assets	<u>471,171,579</u>	<u>1,474,817</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension and OPEB Related Outflows	4,539,934	-
Deferred Charge on Refundings	92,733	-
Total Deferred Outflows of Resources	<u>\$ 4,632,667</u>	<u>\$ -</u>

Continued

See accompanying notes to basic financial statements.

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 4,552,670	\$ 349,497
Accrued Expenses	4,817,772	-
Unearned Revenue	1,632,527	-
Customer Deposits	622,308	-
Current Maturities of Notes Payable	57,061	-
<i>Current Liabilities</i>	<u>11,682,338</u>	<u>349,497</u>
<i>Current Liabilities Payable from Restricted Assets:</i>		
Accrued Interest Payable	1,034,238	-
Current Portion of Long-term Bonds	3,600,000	-
<i>Current Liabilities Payable from Restricted Assets</i>	<u>4,634,238</u>	<u>-</u>
<i>Total Current Liabilities</i>	<u>16,316,576</u>	<u>349,497</u>
<i>Noncurrent Liabilities:</i>		
Compensated Absences	248,060	-
Total Other Post Employment Benefit Liabilities	518,910	-
Net Pension Liability	11,418,986	-
Notes Payable (Net of Current Maturities)	482,272	-
Revenue & Refunding Bonds Payable	324,233,150	-
<i>Total Noncurrent Liabilities</i>	<u>336,901,378</u>	<u>-</u>
Total Liabilities	<u>353,217,954</u>	<u>349,497</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension and OPEB Related Inflows	128,596	-
Total Deferred Inflows of Resources	<u>128,596</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	54,691,814	-
Restricted for:		
Debt Service	6,365,460	-
Impact Fees	10,827,513	-
Unrestricted	50,572,909	1,125,320
Total Net Position	<u>\$ 122,457,696</u>	<u>\$ 1,125,320</u>

See accompanying notes to basic financial statements.

CITY OF SEGUIN, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
OPERATING REVENUES		
Charges for Utility Service	72,543,446	4,939,674
Charges for Premiums	-	-
Miscellaneous Revenues	1,925,574	-
Total Operating Revenues	<u>74,469,020</u>	<u>4,939,674</u>
OPERATING EXPENSES		
Administration	2,635,134	4,972,632
Engineering	1,152,592	-
Operation and Maintenance:		
Electric Distribution	23,437,899	-
Utility Services	1,768,359	-
Water Production	7,619,769	-
Water/Sewer Maintenance	9,050,113	-
Sewer	2,362,276	-
Storm Water Drainage	31,748	-
Economic Development	521,984	-
Facilities Maintenance	1,185,609	-
Information Technology	1,118,501	-
City Attorney	240,704	-
Nondepartmental	1,989,156	-
Indirect Cost Allocation	7,045,073	-
Total Operating Expenses	<u>60,158,917</u>	<u>4,972,632</u>
OPERATING INCOME (LOSS)	<u>14,310,103</u>	<u>(32,958)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	10,365,397	52,677
Gain (Loss) on Sale of Assets	713	-
Interest and Fiscal Charges	(6,755,868)	-
Bond Issue Costs	(4,225,917)	-
Total Nonoperating Revenues (Expenses)	<u>(615,675)</u>	<u>52,677</u>
Net Income (Loss) Before Contributions and Transfers	<u>13,694,428</u>	<u>19,719</u>
Transfers In (Out)	449,441	-
	<u>449,441</u>	<u>-</u>
Change in Net Position	<u>14,143,869</u>	<u>19,719</u>
NET POSITION AT BEGINNING OF YEAR	<u>108,313,827</u>	<u>1,105,601</u>
NET POSITION AT END OF YEAR	<u>\$ 122,457,696</u>	<u>\$ 1,125,320</u>

See accompanying notes to basic financial statements.



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CITY OF SEGUIN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities	Governmental Activities
	Utility Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 73,259,084	\$ 4,949,817
Cash Paid for Employee Wages & Benefits	(11,390,518)	-
Cash Paid to Suppliers for Goods & Services	(34,496,077)	(4,633,619)
Cash Paid General Fund for Indirect Costs	(7,045,073)	-
Net Cash Provided (Used) by Operating Activities	20,327,416	316,198
Cash Flows From Noncapital Financing Activities:		
Transfers From Other Funds	449,441	-
Net Cash Provided (Used) by Noncapital Financing Activities	449,441	-
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Capital Assets	(11,316,363)	-
Proceeds from Revenue and Refunding Bonds	263,565,000	-
Premiums on Bonds	4,143,420	-
Proceeds from Notes Payable	539,333	-
Principal Payments on Long-term Bonds	(20,590,000)	-
Interest and Fiscal Charges Paid	(6,709,687)	-
Bond Issue Costs	(4,225,917)	-
Proceeds from Sale of Capital Assets	713	-
Net Cash Provided (Used) by Capital and Related Financing Activities	225,406,499	-
Cash Flows From Investing Activities:		
(Purchase) of Investment Securities	(257,848,093)	(49,888)
Investment Interest Received	10,365,397	52,677
Principal Received on Notes Receivable	1,217,677	-
Net Cash Provided (Used) by Investing Activities	(246,265,019)	2,789
Net Increase (Decrease) in Cash and Cash Equivalents	(81,663)	318,987
Cash and Equivalents at Beginning of Year:		
Cash and Cash Equivalents	1,078,514	124,581
Restricted Cash and Cash Equivalents	941,820	-
	<u>2,020,334</u>	<u>124,581</u>
Cash and Cash Equivalents at End of Year:		
Cash and Cash Equivalents	222,287	443,568
Restricted Cash and Cash Equivalents	1,716,384	-
	<u>\$ 1,938,671</u>	<u>\$ 443,568</u>

Continued

CITY OF SEGUIN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	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)	\$ 14,310,103	\$ (32,958)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation:	6,315,073	-
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(1,328,301)	11,378
Short-Term Interfund Advances	(43,339)	(1,944)
Inventory/Prepaid Items	(1,744,158)	-
Net Deferred Pension/OPEB Related Outflows	(1,129,931)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	707,007	339,722
Accrued Expenses	1,475,254	-
Unearned Revenue	97,217	-
Customer Deposits	21,148	-
Total Other Postemployment Benefit Liability	(177,283)	-
Net Pension Liability	4,854,498	-
Net Deferred Pension/OPEB Related Inflows	(3,029,872)	-
	<u>\$ 20,327,416</u>	<u>\$ 316,198</u>

CITY OF SEGUIN, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023

CITY OF SEGUIN, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 9,615
Investments	238,263
Inventory	359,431
Total Assets	607,309
LIABILITIES	
Accounts Payable/Due to Others	-
Total Liabilities	-
NET POSITION	
Restricted for:	
Individuals Organizations and other governments	607,309
Total Net Position	\$ 607,309

	Custodial Funds
ADDITIONS	
Interest	\$ 11,518
Total Additions	11,718
DEDUCTIONS	
Distributions to Participants	38,136
Total Deductions	38,136
Change in Net Position	(26,418)
Net Position, Beginning of Year	633,727
Net Position, End of Year	\$ 607,309

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. REPORTING ENTITY

Component Units

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

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

Joint Ventures

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

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



It's real.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. REPORTING ENTITY (Continued)

Joint Ventures (Continued)

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

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

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate **fund financial statements** are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, 2022A 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.

2022A 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, 2022 and past due after January 31, 2023. 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 assets 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 assets 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 the city council. 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, 2023, 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 (\$168,598).
- 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 \$169,946. Total assigned balances in nonmajor capital project funds were \$9,080,460.

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, 2023, the City allocated \$7,045,073 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 2022 financial statements to conform to the 2023 financial statement presentation. The reclassifications had no effect on the changes in financial position.

23. CHANGES IN ACCOUNTING POLICIES

As of October 1, 2022, the City implemented Governmental Accounting Standards Board Statement 96 regarding subscription bases information technology arrangements (SBITAs) (contracts that confer the right to use another's information technology asset). The City performed an evaluation of its significant contracts and found no significant SBITAs at this time that would require changes in their treatment or disclosure.

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE B – DEPOSITS AND INVESTMENTS

As of September 30, 2023, the City of Seguin had the following investments:

Investment Type	Fair Value	Input Level	Weighted Average Maturity (Days)		Rating	Agency
			Input	Maturity (Days)		
<i>Primary Government</i>						
Local Government Investment Pools:						
TexPool	\$ 5,328,485	1	26	AAA	Standard & Poor's	
Texas Class	138,532,419	1	23	AAA	Standard & Poor's	
LOGIC	97,790,277	1	39	AAA	Standard & Poor's	
U.S. Treasury Money Market	184,341,757	1	35	AA+	Standard & Poor's	
	<u>\$ 425,992,938</u>					
Portfolio Weighted Average Maturity			32			
<i>Component Unit</i>						
Local Government Investment Pools:						
TexPool	\$ 1,026,921	1	26	AAA	Standard & Poor's	
Texas Class	3,811,295	1	23	AAA	Standard & Poor's	
LOGIC	2,353,239	1	39	AAA	Standard & Poor's	
	<u>\$ 7,191,455</u>					
Portfolio Weighted Average Maturity			29			

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, 2023, the investments in TexPool, Texas Class, and LOGIC were rated AAA 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. Texpool, Texas Class, 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, 2023. 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, 2023, 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, 2023, the City and the Component Unit were not exposed to custodial credit risk.

Concentration of Credit Risk – Forty-three percent (43%) 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, 2022, upon which the fiscal 2023 levy was based, was \$3,444,080,545 (i.e., market value less exemptions). The estimated market value was \$5,177,366,601 making the taxable value 67% 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, 2023, was \$0.5225 per \$100 of assessed value, which means that the City has a tax margin of \$1.9775 for each \$100 value and could increase its annual tax levy by approximately \$68,106,693 based upon the present assessed valuation of \$3,444,080,545 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 no new revenue 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.

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

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, 2023, balances of interfund amounts receivable or payable have been recorded as follows:

	Due From	Due To
General Fund		
Enterprise Fund	\$ -	\$ 173,272
Enterprise Fund		
General Fund	173,272	-
Totals	<u>\$ 173,272</u>	<u>\$ 173,272</u>
Primary Government		
General Fund	\$ -	\$ 367,077
Enterprise Fund	36,708	-
	<u>36,708</u>	<u>367,077</u>
Component Unit		
General Fund	367,077	-
Enterprise Fund	-	36,708
	<u>367,077</u>	<u>36,708</u>
Totals	<u>\$ 403,785</u>	<u>\$ 403,785</u>

NOTE E – NOTES RECEIVABLE

Primary Government

The City loaned money to the Seguin Economic Development Corporation (component unit) to purchase land to be sold and/or developed for economic development in the city. The note receivable, in the amount of \$1,161,614, 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. The loan was fully paid in December 2022.

The City sold property located at 2460 Crossroads Blvd, consisting of a 49,120 square foot building and improvements, to Pure and Gentle Soap Products, Inc. The original term of the note was for twenty (20) years and carried interest at 5.75%. Payments are due monthly with 40 payments remaining, for a total outstanding balance of \$184,627.

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, 2023 and matures in 2026 with a 3% annual interest rate.

NOTE E – NOTES RECEIVABLE (CONTINUED)

Component Unit (Continued)

In addition, SEDC provided an interest-free loan to a local distillery for a period of 10 years. The note calls for forgiveness of partial payments if certain grant conditions are met. The note calls for monthly payments in the amount of \$4,500. The balance remaining on the note is \$30,375.

SEDC also provided an interest-free loan to a local business as part of an economic incentive package. The loan calls for monthly payments at zero interest over a five-year period. The loan has provisions to forgive up to 10% of the loan, dependent on certain performance criteria.

Requirements to amortize notes receivable for the primary government and component unit are as follows:

Fiscal Year	Primary Government			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 70,419	\$ 35,566	\$ 105,985	\$ 46,345	\$ 106	\$ 46,451
2025	88,546	17,440	105,986	46,401	50	46,451
2026	25,662	1,002	26,664	45,145	12	45,157
2027	-	-	-	97,252	-	97,252
2028	-	-	-	-	-	-
	<u>\$ 184,627</u>	<u>\$ 54,008</u>	<u>\$ 238,635</u>	<u>\$ 235,143</u>	<u>\$ 168</u>	<u>\$ 235,311</u>

NOTE F – SUMMARY OF PENSION AND OPEB LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES AND EXPENSES

	Net Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Expenditures
Pension	\$ 43,036,998	\$ 15,324,000	-	\$ 8,365,771
Retiree Health OPEB	677,455	25,667	381,566	86,301
TMRS SDBF OPEB	1,179,520	60,057	30,571	42,112
Subtotal OPEB	<u>1,856,975</u>	<u>85,724</u>	<u>412,137</u>	<u>128,413</u>
Total	<u>\$ 44,893,973</u>	<u>\$ 15,409,724</u>	<u>\$ 412,137</u>	<u>\$ 8,494,184</u>

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

<i>Governmental Activities</i>	Balance 10/1/2022	Additions	Disposals	Transfers/ Adjustments	Balance 9/30/2023
Land	\$ 5,494,955	-	-	-	\$ 5,494,955
Construction in Progress	20,031,274	8,507,457	-	(4,486,309)	24,052,422
Total Assets Not Depreciated	25,526,229	8,507,457	-	(4,486,309)	29,547,377
Buildings and Improvements	42,416,755	735,444	-	-	43,152,199
Improvements Other Than Buildings	96,387,811	928,547	-	4,486,309	101,802,667
Transportation and Equipment	21,785,314	4,045,236	(1,050,054)	-	24,780,496
Totals at Historical Cost	186,116,109	14,216,684	(1,050,054)	-	199,282,739
Less Accumulated Depreciation:					
Buildings and Improvements	(12,110,024)	(881,211)	-	-	(12,991,235)
Improvement Other Than Buildings	(46,727,805)	(4,128,669)	-	-	(50,856,474)
Transportation and Equipment	(17,727,116)	(1,762,075)	997,380	-	(18,491,811)
Totals at Historical Cost	(76,564,945)	(6,471,955)	997,380	-	(82,039,520)
Governmental Capital Assets, Net	\$ 109,551,164	\$ 7,744,729	\$ (52,674)	\$ -	\$ 117,243,219
<i>Business-Type Activities</i>	Balance 10/1/2022	Additions	Disposals	Transfers/ Adjustments	Balance 9/30/2023
Land	\$ 877,433	\$ 323,069	\$ -	\$ -	\$ 1,200,502
Construction in Progress	19,732,104	6,414,869	-	(5,548,860)	20,598,113
Total Assets Not Depreciated	20,609,537	6,737,938	-	(5,548,860)	21,798,415
Buildings and Improvements	39,340,906	221,302	-	-	39,562,208
Utility System	128,820,152	2,766,812	-	5,548,860	137,135,824
Transportation and Equipment	11,580,525	1,590,311	-	-	13,170,836
Totals at Historical Cost	200,350,720	11,316,363	-	-	211,667,083
Buildings and Improvements	(21,657,078)	(569,827)	-	-	(22,226,905)
Improvement Other Than Buildings	(57,973,850)	(3,634,141)	-	-	(61,607,991)
Transportation and Equipment	(9,172,205)	(2,111,105)	-	-	(11,283,310)
Totals at Historical Cost	(88,803,133)	(6,315,073)	-	-	(95,118,206)
Business-Type Capital Assets, Net	\$ 111,547,587	\$ 5,001,290	\$ -	\$ -	\$ 116,548,877
<i>Discretely Presented Component Unit</i>					
Land	\$ 2,170,638	\$ -	\$ -	\$ (1,911,613)	\$ 259,025
Buildings and Improvements	89,547	-	-	-	89,547
Accumulated Depreciation	(19,793)	(1,720)	-	-	(21,513)
	\$ 2,240,392	\$ (1,720)	\$ -	\$ (1,911,613)	\$ 327,059

NOTE G – CAPITAL ASSETS (Continued)

Primary Government

Depreciation Expense was charged to functions as follows:

<i>Governmental Activities:</i>	
General Government	\$ 96,320
Public Safety	1,476,576
Public Service	4,455,351
Nondepartmental	443,708
<i>Total Governmental Activities</i>	<u>\$ 6,471,955</u>
<i>Business-Type Activities:</i>	
Administration	\$ 1,336
Engineering	6,721
Electric	1,029,369
Water Production	1,212,521
Water Distribution	2,821,883
Sewer Plant	459,232
Other	784,011
<i>Total Business-Type Activities</i>	<u>\$ 6,315,073</u>

NOTE H – NOTES PAYABLE

The City has entered into notes payable agreement to finance the acquisition of public safety, public works and golf equipment.

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2024	\$ 529,725	\$ 21,151	\$ 550,876	\$ 57,061	\$ 25,820
2025	195,797	51,631	247,428	52,323	30,558
2026	210,112	36,786	246,898	55,638	27,243
2027	213,344	26,692	240,036	59,164	23,717
2028	104,006	-	104,006	62,912	19,969
2029	-	-	-	252,235	15,982
	<u>\$ 1,252,984</u>	<u>\$ 136,260</u>	<u>\$ 1,389,244</u>	<u>\$ 539,333</u>	<u>\$ 143,289</u>
					<u>\$ 682,622</u>

CITY OF SEGUIN, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

CITY OF SEGUIN, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE 1 – LONG-TERM DEBT

Bonded debt and obligations payable at September 30, 2023, comprise the following individual issues:

<i>General Obligation Bonds:</i>	
\$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%	\$ 3,165,000
\$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%	6,365,000
\$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%	8,125,000
\$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%	1,675,000
\$14,410,000 2023 General Obligation Refunding Bonds due in annual installments of \$195,000 to \$3,935,000 through September 1, 2037; interest at 5.0%	14,410,000
<i>Total General Obligation Bonds</i>	<u>33,740,000</u>
<i>Certificates of Obligation</i>	
\$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%	850,000
\$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%	11,300,000
\$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%	7,800,000
\$6,450,000 2018 Certificates of Obligation due in annual installments of \$200,000 to \$1,430,000 through September 1, 2038; interest at 3.0% to 5.0%	5,450,000
\$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%	8,450,000
\$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%	10,710,000
\$6,500,000 2022 Certificates of Obligation due in annual installments of \$50,000 to \$1,800,000 through September 1, 2042; interest at 3.0% to 4.0%	6,450,000
\$22,210,000 2022A Certificates of Obligation due in annual installments of \$135,000 to \$2,650,000 through September 1, 2046; interest at 4.25% to 5.0%	22,210,000
<i>Total Certificate of Obligations</i>	<u>73,220,000</u>
<i>Tax Anticipation Notes</i>	
\$775,000 Tax Notes, Series 2017 due in annual installments of \$85,000 to \$135,000 through February 2024; interest at 1.785%	85,000
\$705,000 Tax Notes, Series 2021 due in annual installments of \$135,000 to \$160,000 through February 2026; interest at 0.8% to 1.25%	410,000
<i>Total Tax Anticipation Notes</i>	<u>495,000</u>
Total Governmental Bonded Debt	<u>\$ 107,455,000</u>

NOTE 1 – LONG-TERM DEBT (CONTINUED)

<i>Utility Fund Revenue Bonds/Certificates of Obligation:</i>	
\$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%	\$ 3,730,000
\$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%	7,255,000
\$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%	9,210,000
\$3,550,000 Utility System Revenue, Series 2020, due in annual installments of \$120,000 to \$245,000 through February 1, 2038; interest at 3.25% to 5.0%	3,065,000
\$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%	13,015,000
\$13,815,000 Certificates of Obligation, Series 2022, due in annual installments of \$100,000 to \$1,000,000 through February 1, 2051; interest at 3.0% to 4.0%	13,715,000
\$65,345,000 Certificates of Obligation, Series 2022A, due in annual installments of \$270,000 to \$6,970,000 through September 1, 2057; interest at 4.25% to 5.25%	65,345,000
\$182,760,000 Utility System Revenue, Series 2023, due in annual installments of \$940,000 to \$10,695,000 through February 1, 2053; interest at 1.44% to 2.81%	182,760,000
<i>Total Utility Revenue Bonds</i>	<u>298,095,000</u>
<i>General Obligation Bonds - Utility Portion</i>	
\$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%	1,700,000
\$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%	6,165,000
\$15,460,000 2023 General Obligation Refunding Bonds due in annual installments of \$20,000 to \$2,250,000 through September 1, 2037; interest at 5.0%	15,460,000
<i>Total GO Refunding Bonds</i>	<u>23,325,000</u>
Total Business-Type Bonded Debt	<u>\$ 321,420,000</u>

The City is required by the revenue bond ordinances to establish certain accounts to maintain and operate the Utility System and to provide for the payment of bond principal and interest. A reserve fund is not required as long as the net revenues for each fiscal year are equal to at least 110% of the average annual debt service requirements of all bonds similarly secured (*Springing Reserve Fund Covenant*). The City is in compliance with the Covenant and, accordingly, a reserve fund is not maintained.

CITY OF SEGUIN, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

CITY OF SEGUIN, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE 1 – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all bonded debt and obligations outstanding as of September 30, 2023, including interest payments, are as follows:

Year Ending September 30,	Public Offerings		
	Governmental Activities	Business-Type Activities	Interest
2024	\$ 4,270,000	\$ 2,460,000	\$ 5,612,581
2025	4,110,000	2,835,000	5,487,831
2026	4,255,000	2,930,000	5,361,756
2027	4,305,000	3,802,381	5,222,744
2028	4,465,000	3,100,000	5,080,594
2029-2033	25,855,000	17,670,000	23,232,530
2034-2038	31,145,000	21,580,000	18,962,066
2039-2043	21,565,000	9,180,000	15,834,794
2044-2048	7,485,000	15,255,000	13,379,875
2049-2053	-	21,005,000	9,884,538
2054-2057	-	26,605,000	3,519,863
	<u>\$ 107,455,000</u>	<u>\$ 125,645,000</u>	<u>\$ 111,579,172</u>

Year Ending September 30,	Private Placement		
	Governmental Activities	Business-Type Activities	Interest
2024	\$ -	\$ 1,140,000	\$ 4,673,098
2025	-	1,510,000	4,653,084
2026	-	1,810,000	4,629,286
2027	-	1,965,000	4,603,064
2028	-	2,315,000	4,573,528
2029-2033	-	15,525,000	22,258,120
2034-2038	-	21,675,000	20,671,410
2039-2043	-	47,600,000	16,574,423
2044-2048	-	49,475,000	10,457,602
2049-2053	-	52,760,000	3,630,953
	<u>\$ -</u>	<u>\$ 195,775,000</u>	<u>\$ 96,724,568</u>

NOTE 1 – LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

Governmental Activities	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
General Obligation Bonds	\$ 38,775,000	\$ 14,410,000	\$ (19,445,000)	\$ 33,740,000	\$ 2,315,000
Bond Premiums	5,077,498	3,072,544	(838,521)	7,311,521	-
Certificates of Obligation	52,265,000	22,210,000	(1,255,000)	73,220,000	1,735,000
Tax Anticipation Notes	715,000	-	(220,000)	495,000	220,000
Notes Payable	612,362	899,126	(258,504)	1,252,984	529,725
Net Pension Liability	20,882,859	6,911,939	3,823,215	31,618,012	-
Net OPEB Liability -SDBF	1,217,942	89,454	(454,807)	852,589	-
Net OPEB Liability -Retiree Health	518,953	26,433	(9,910)	485,476	-
Compensated Absences	1,746,386	1,217,377	(942,105)	2,021,658	1,057,076
Total Governmental Activities	121,811,000	48,836,873	(19,650,633)	150,997,240	5,856,800
<i>Business-Type Activities</i>					
<i>Private Placement</i>					
TWDB Utility System Revenue Bonds	13,140,000	182,760,000	(125,000)	195,775,000	1,140,000
Public Offering					
Revenue Bonds	56,220,000	65,345,000	(19,245,000)	102,320,000	1,300,000
General Obligation Refunding Bonds	9,085,000	15,460,000	(1,220,000)	23,325,000	1,160,000
Bond Premiums	2,942,376	4,143,420	(672,646)	6,413,150	-
Notes Payable	-	539,333	-	539,333	57,061
Net Pension Liability	6,564,488	2,303,980	2,550,519	11,418,986	-
Net OPEB Liability -SDBF	492,146	29,818	(195,033)	326,931	-
Net OPEB Liability -Retiree Health	204,047	9,777	(21,845)	191,979	-
Compensated Absences	556,756	398,695	(296,489)	658,962	410,902
Total Business-Type Activities	89,204,813	270,990,022	(19,225,494)	340,969,341	4,067,963
Total Primary Government	\$ 211,015,813	\$ 319,826,895	\$ (38,876,127)	\$ 491,966,581	\$ 9,924,764

Compensated absences for governmental activities are generally liquidated by the general fund.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022A, were issued in the amount of \$87,555,000 to fund, \$22,210,000 to the governmental activities and \$65,345,000 to the business type activities. The bonds are to fund permanent public improvements for the water and wastewater utility systems and constructing street and drainage improvements.

General Obligation Refunding Bonds, Series 2023 were issued in the amount of \$29,870,000. The proceeds were used to retire the outstanding principal of the General Obligation Bonds, Series 2014, and Utility Renewal Bonds, Series 1014. The current refunding will result in a net present value savings of \$1,902,127.

Utility System Revenue Bonds, Series 2023 were issued in the amount of \$182,760,000 to fund improvements to the Wastewater Treatment Plant. The bonds were issued through the Texas Water Development Board.

NOTE I – LONG-TERM DEBT (CONTINUED)

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 (5 remaining) annual installments of \$250,000 beginning May 1, 2020 and carries no interest (see Note E). During 2023 for loan was paid in full.

Long-term debt activity for the component unit is summarized as follows:

	Balance Outstanding 10/1/2022	Increases	Decreases	Balance Outstanding 9/30/2023
Notes Payable	\$ 1,161,614	\$ -	\$ (1,161,614)	\$ -

NOTE J – EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

Plan Description

The City participates as one of 892 plans in the defined benefit cash-balance 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the system with a six-member, Governor-appointed Board of Trustee, however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (AFCR) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS retirement system

NOTE J – EMPLOYEES' RETIREMENT SYSTEMS (CONTINUED)

Texas Municipal Retirement System (Continued)

Benefits Provided

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

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

At the December 31, 2022 valuation and measurement dates, the following employees were covered by the benefit terms:

	Plan Year 2022	Plan Year 2021
Inactive employees or beneficiaries currently receiving benefits	282	272
Inactive employees entitled to but not yet receiving benefits	251	243
Active employees	423	415
	<u>956</u>	<u>930</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The 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, 2023, 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 21.79% and 22.2% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$6,702,533, and were equal to the required contributions. The General fund is used to liquidate pension liabilities for governmental activities.

NOTE J – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	2.75% per year
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

NOTE J – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding the expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in the fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
	<u>100.00%</u>	

Discount Rate

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

NOTE J – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2022:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2021:	\$ 138,467,000	\$ 111,019,653	\$ 27,447,347
Changes for the year:			
Service Cost	4,753,834	-	4,753,834
Interest	9,294,231	-	9,294,231
Change of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	1,471,074	-	1,471,074
Changes of Assumptions	-	-	-
Contributions - Employer	-	6,075,497	(6,075,497)
Contributions - Employee	-	1,951,920	(1,951,920)
Net Investment Income	-	(8,111,484)	8,111,484
Benefit Payments, Including Refunds of Employee Contributions	(6,303,221)	(6,303,221)	-
Administrative Expense	-	(70,128)	70,128
Other Changes	-	83,683	(83,683)
Net Changes	9,215,918	(6,373,733)	15,589,651
Balance at December 31, 2022:	\$ 147,682,918	\$ 104,645,920	\$ 43,036,998

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%	7.75%
Net Pension Liability (Asset)	\$ 48,156,013	\$ 27,447,347
		\$ 10,636,905

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.tmrsm.com

NOTE J – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Texas Municipal Retirement System (Continued)

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

For the year ended September 30, 2023, the City recognized pension expense of \$8,365,771. Also, as of September 30, 2023, 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	\$ 3,103,167	\$ -
Changes in Actuarial Assumptions	14,133	-
Differences between Projected and Actual Investment Earnings	7,194,496	-
Contributions subsequent to the Measurement Date	5,012,204	-
	\$ 15,324,000	\$ -

Deferred outflows of resources in the amount of \$5,012,204 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, 2023 (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,			
	2023	2024	2025	2026
	\$ 2,037,716	2,933,248	2,219,773	3,121,059
				\$ 10,311,796

NOTE K – OTHER POST-EMPLOYMENT BENEFITS

TMRS Supplemental Death Benefits Other Post-Employment Benefit

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

CITY OF SEGUIN, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

TMRS Supplemental Death Benefits Other Post-Employment Benefit (Continued)

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB. Membership in the plan at December 31, 2022, the valuation and measurement date, consisted of:

	2022
Inactive Employees or Beneficiaries Currently Receiving Benefits	208
Inactive Employees Entitled to but Not Yet Receiving Benefits	56
Active Employees	423
	<u>687</u>

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

	For the Plan Year Ended December 31,	
	2023	2022
Inflation	2.50%	3.50% to 11.50% including inflation
Salary Increases	3.50%	4.05%
Discount Rate *	4.05%	4.05%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68	
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.	
Mortality Rates - Disabled Retirees	2019 Municipal retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.	

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. 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 pre-fund retiree term life insurance during employees' entire careers. The following key assumptions were used in developing the actuarial valuation:

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate *	4.05%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF SEGUIN, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

TMRS Supplemental Death Benefits Other Post-Employment Benefit (Continued)

The City's contributions to TMRS were \$100,672 for the fiscal year ended September 30, 2023 and were equal to the required contributions. The SDBF required contribution rates of .36% and .25% for the plan years 2023 and 2022, respectively. The retiree portion to SDBF was .09% and .10% for the same years.

Total City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2022, the measurement and actuarial valuation date were calculated as follows:

	Total OPEB Liability
Balance at December 31, 2021	\$ 1,710,088
Changes for the year:	
Service Cost	103,162
Interest	32,004
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(50,227)
Changes in Assumptions or Other Inputs	(570,896)
Benefit Payments	(44,611)
Net Changes	(530,568)
Balance at December 31, 2022	\$ 1,179,520

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 1.84% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (0.84%) and 1-percentage point higher (2.84%) than the current rate:

Total OPEB Liability	Discount Rate 3.05%	Discount Rate 4.05%	Discount Rate 5.05%
\$ 1,398,984	\$ 1,179,520	\$ 1,006,911	

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

TMRS Supplemental Death Benefits Other Post-Employment Benefit (Continued)

For the year ended September 30, 2023, the City recognized OPEB expense of \$86,301. Also, as of September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the TMRS OPEB from the following sources:

Changes in Actuarial Assumptions Differences in Expected and Actual Experience	Deferred Outflows of Resources	Deferred Inflows of Resources
89,223	\$ 292,343	
Contributions After the Measurement Date	25,667	-
	<u>\$ 25,667</u>	<u>\$ 381,566</u>

Deferred outflows of resources in the amount of \$25,667 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, 2023. 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,	
2023	\$ (57,248)
2024	(62,190)
2025	(107,073)
2026	(116,602)
2027	(38,453)
Thereafter	<u>\$ (381,566)</u>

City of Seguin Retiree Health Other Post-Employment Benefit Plan

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

The City provides post-employment benefits for eligible participants enrolled in City-sponsored plans. The benefits are provided in the form of an implicit rate subsidy where the City contributes towards the retiree health premiums before achieving Medicare eligibility. While the Plan offers retiree only rates, a very small implicit liability still exists. Membership in the plan as of September 30, 2023, the measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	2023
Inactive Employees Entitled to but Not Yet Receiving Benefits	13
Active Employees	59
	<u>337</u>
	<u>409</u>

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

City of Seguin Retiree Health Other Post-Employment Benefit Plan (Continued)

Current active employees must be eligible for service retirement under the Texas Municipal Retirement System. To attain this eligibility active employees must be at least age 60 with 5 years of service or have at least 20 years of employment with the City. Furthermore, there is a subsidy offered only to employees hired prior to January 2008.

Minimum Years of Continuous Service	Minimum Age	City Contributions
15	57	0%
20	57	50% *
25	57	100% *

* The City Contribution toward retiree coverage is based on a percentage of the City Contribution made for active-duty employees. Retiree rates are actuarially established and adopted annually by the City/Employee Benefit Trust. Qualification for 100% contribution entitles the retiree to 100% of the contribution made for an active employee but does not necessarily mean retiree insurance coverage will be at no cost.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.00%
Discount Rate	4.06% (Bond Buyer 20-Bond GO index)
Mortality Rates	PUB 2010 mortality table with generational scale MP-2021 applied on a gender-specific and job class basis.
Health Care Cost Trend Rates	7% for 2022. Decreasing 0.25% each year reaching ultimate rate of 4.0%

The City's Retiree Health OPEB Liability (TOL), based on the above actuarial factors, as of September 30, 2023, the measurement and actuarial valuation date was calculated as follows:

Balance at September 30, 2022	Total OPEB Liability
\$ 723,167	<u>723,167</u>
Changes for the year:	
Service Cost	9,905
Interest	27,823
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions or Other Inputs	(1,518)
Benefit Payments	<u>(81,922)</u>
Net Changes	<u>(45,712)</u>
Balance at September 30, 2021	<u>\$ 677,455</u>

CITY OF SEGUIN, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE K – OTHER POST-EMPLOYMENT BENEFITS (Continued)

City of Seguin Retiree Health Other Post-Employment Benefit Plan (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued):

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement NO. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 4.06% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (3.06%) and 1-percentage point higher (5.62%) than the current rate:

	Discount Rate	Discount Rate	Discount Rate	Discount Rate
Total OPEB Liability	5.06%	4.06%	3.06%	1% Increase
	\$ 640,000	\$ 677,455	\$ 717,000	\$ 727,000
	1% Decrease	Current Trend	1% Increase	
	\$ 632,000	\$ 677,000	\$ 727,000	

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:

For the year ended September 30, 2023, the City recognized OPEB expense of \$42,112. Also as of September 30, 2023, 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	\$ 60,057	\$ -
Changes in assumptions/inputs	\$ 60,057	\$ 30,571
	<u>\$ 60,057</u>	<u>\$ 30,571</u>

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:

	2024	2025	2026	2027	2028	Thereafter
For the Plan Year ended September 30,	\$ 4,384	4,384	4,384	4,384	5,396	6,554
	<u>\$ 29,486</u>					

The aggregate amount of expense recognized for all OPEB plans for the fiscal year ending September 30, 2023 was \$128,413.

CITY OF SEGUIN, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE L – INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2023, were as follows:

Receiving Fund/Activity	Transferring Fund/Activity	Amount
Utility Fund	Debt Service	\$ 706,758
Major Capital Projects	Utility Fund	(250,078)
Nonmajor Capital Projects	Utility Fund	(7,239)
Total Transfers		<u>\$ 449,441</u>

NOTE M -- COMMITMENTS AND CONTINGENCIES

Litigation

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

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Construction Commitments

The City has entered into construction and engineering contracts for the improvement of various streets and utility systems, as well as park improvements. Estimated future commitments associated with these contracts as of September 30, 2023 are as follows:

	Total Commitments	Incurred Thru September 2023	Estimated Future Commitments
General Government			
Bldgs, Streets & Drainage	\$ 14,446,669	\$ 7,340,772	\$ 7,205,897
Professional Services	18,829,034	8,220,648	10,608,386
	<u>33,275,703</u>	<u>15,461,420</u>	<u>17,814,283</u>
Utility System			
Utility System Improvements	10,766,460	3,788,336	6,978,124
Professional Services (Engineering)	23,212,164	11,409,196	11,802,968
	<u>33,978,624</u>	<u>15,197,532</u>	<u>18,781,092</u>
Total Primary Government Commitments	<u>\$ 67,254,327</u>	<u>\$ 30,658,952</u>	<u>\$ 36,595,375</u>
Component Unit			
Professional Services	\$ 463,000	\$ 203,815	\$ 259,185
	<u>\$ 463,000</u>	<u>\$ 203,815</u>	<u>\$ 259,185</u>

NOTE M -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

Economic Development Agreements

Yukon Ventures Partners, LLC Agreement

The SEDC entered into a Performance Agreement with Yukon Ventures Partners, LLC (YV) which provides that the SEDC shall provide certain financial incentives to YV for development of a warehouse facility of at least 150,000 square feet on a 15.8 acre tract of land and is committing to a minimum capital investment of at least \$30 million in the development of the property. The SEDC will provide a cash grant of \$250,000 which shall be paid in three installments of \$83,333 as compliance with specific obligations have been met. Reimbursement for the year ended September 30, 2023 was \$0.

Maruichi Stainless Tube Texas Corporation

The SEDC entered into a Performance Agreement with Maruichi Stainless Tube Texas Corporation (Maruichi) which provides that the SEDC shall provide certain financial incentives to Maruichi for development of a manufacturing facility of at least 125,000 square feet designed to produce high growth products including stainless steel pipes and tubes and Maruichi will make a capital investment of \$55 million. The company is obligated to create at least 106 new full-time jobs with an annual payroll of \$4.7 million. The SEDC will provide a cash grant of \$1,013,249 which shall be paid in three installments of \$253,312 as compliance with specific obligations have been met. Reimbursement for the year ended September 30, 2023 was \$239,516.

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, 2023.

NOTE M -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

Guadalupe Regional Medical Center

The City of Seguin is contingently liable for 50% of operating deficits produced by Guadalupe Regional Medical Center (GRMC), if any, with Guadalupe County contingently responsible for the remainder. As of September 30, 2023, long-term debt of GRMC consisted of Revenue Bonds in the amount of \$105,190,000, and capital lease obligations in the amount of \$7,225,459.

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, 2023:

Assets:	
Current Assets	\$ 94,717,200
Other Assets	26,403,818
Capital Assets (Net)	111,003,340
Other Long Term Assets	15,122,945
Deferred Outflows of Resources	15,724,666
<u>Total Assets and Deferred Outflows</u>	<u>262,971,969</u>
Liabilities & Net Assets:	
Long Term Debt, current and noncurrent	104,595,651
Lease liabilities, current and noncurrent	6,639,829
Other current and noncurrent liabilities	51,676,275
<u>Total Liabilities</u>	<u>162,911,755</u>
Deferred Inflows of Resources	3,298,071
<u>Net Position</u>	<u>96,762,143</u>
Operating Revenues:	
Net Revenues from Patient Services	\$ 317,757,281
Other Operating Revenues	22,343,760
<u>Total Operating Revenues</u>	<u>340,101,041</u>
Operating Expenses:	
Total Net Operating Income	4,574,683
Nonoperating Revenues and (Expenses)	(882,238)
<u>Increase (Decrease) in Net Position</u>	<u>3,692,445</u>

NOTE M -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

Schertz/Seguin Local Government Corporation

The City of Seguin is jointly liable, together with the City of Schertz, for operating deficits and long-term debt of the Schertz/Seguin Local Government Corporation (See Note A1). Following is a summary of financial data as reported in the Corporation's most recent audited financial statements dated 2022:

Assets:		
Current Assets	\$	18,248,979
Restricted Cash and Cash Equivalents		42,758,747
Property, Plant & Equipment		135,121,768
Total Assets & Deferred Charges		196,129,494
Deferred outflows of resources related to Pension Liabilities & Net Position:		2,272,296
Current Liabilities		9,935,267
Revenue Bonds (Less Current Maturities and Unamortized Discounts)		150,367,663
Total Liabilities		160,302,930
Lease Inflows		648,661
Net Position:		5,605,857
Net Investment in Capital Assets		8,214,760
Restricted		23,629,582
Unrestricted		37,450,199
Total Net Position	\$	37,450,199

The Corporation had revenue bonds outstanding in the amount of \$150,850,000 (as of September 30, 2023) to provide funds to build, improve, extend, enlarge and repair the Corporation's utility system, fund a reserve, and pay the costs of bond issuance. The bond resolution pledges intergovernmental contract revenues from the cities of Schertz and Seguin (the participating governments) to bond holders. Under the intergovernmental water supply contract, the participating governments are unconditionally obligated to pay their respective shares of annual contract revenue bond debt service from the operation of their respective utility systems.

NOTE N – 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, 2023 were \$545,015 for property and casualty and \$274,687 for workers' compensation coverage.

NOTE O – 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, 2023, the City has four active tax abatement agreements with four entities. The gross amount of property tax abated during 2023 was \$245,831.

Minigrip, Personal Property Tax Abatement Agreement is for a period of five years beginning January 1, 2019, and expiring December 31, 2024, for the installation of manufacturing machinery and equipment with a current appraised value of \$4,236,414.

CSF of Texas Real and Personal Property Tax Abatement Agreement is for a period of five years beginning January 1, 2021, and expiring December 31, 2030, for 25% of the taxable value of real and eligible personal property used in its manufacturing process with an estimated investment value of \$50,000,000 and the creation of 200 full time jobs within the city.

United Alloy Texas LLC Real and Personal Property Tax Abatement Agreement is for a period of five years beginning January 1, 2021, and expiring December 31, 2026, for 25% of the taxable value of real and eligible personal property used in its manufacturing process with an estimated investment value of \$18,000,000 and the creation of 100 full time jobs within the city.

Tyson Farms, Inc. Real and Personal Property Tax Abatement Agreement for a period of five years beginning January 1, 2023, and expiring December 31, 2027, for 50% of the taxable value of construction and operation of an additional 40,000 square foot facility with an estimated investment value of \$58,000,000.

Maruichi Stainless Steel Tube Texas Corporation Real and Personal Property Tax Abatement Agreement is for a period of five years beginning January 1, 2025, and expiring December 31, 2029, for 25% of the taxable value of real and eligible personal property used in its manufacturing process with an estimated investment value of \$55,000,000.

CITY OF SEGUIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE O – TAX ABATEMENT DISCLOSURES (CONTINUED)

Yukon Venture Partners, LLC Real and Personal Property Tax Abatement Agreement for a period of four years beginning January 1, 2025, and expiring December 31, 2029, for a declining abatement (75% to 45%) of taxable value of a 150,000 square foot cold storage warehouse with an estimated investment value of \$30,000,000.



It's real.

APPENDIX E

**General Purpose Financial Statements for the
Schertz/Seguin Local Government Corporation
For the Fiscal Year Ended September 30, 2023**

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SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

CORPORATE OFFICIALS

AS OF SEPTEMBER 30, 2023

PRESIDENTJACK HAMLETT
VICE-PRESIDENTROBIN DWYER
SECRETARYHEATH ANDERS
ASSISTANT SECRETARYRICHARD DZIEWIT
TREASURERRICHARD BRAUD
GENERAL MANAGERANDREW MCBRIDE

SCHERTZ/SEGUIN
LOCAL GOVERNMENT CORPORATION
ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2023 and 2022



SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2023



Armstrong, Vaughan & Associates, P. C.
Certified Public Accountants

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INDEPENDENT AUDITOR’S REPORT

Members of the Board of Directors
Schertz/Seguin Local Government Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Schertz/Seguin Local Government Corporation as of and for the years ended September 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the financial position of the Schertz/Seguin Local Government Corporation, as of September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Schertz/Seguin Local Government Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Schertz/Seguin Local Government Corporation’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Schertz/Seguin Local Government Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Schertz/Seguin Local Government Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 7 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.

February 7, 2024

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, 2023. Please read it in conjunction with the Corporation's financial statements.

HIGHLIGHTS

Financial Highlights

- The Corporation's net position was \$42.4 million at September 30, 2023.
- Total operating revenues were \$20.3 million, while total operating expenses were \$12.9 million.
- The Corporation did not issue any new debt during the current fiscal year, however, additional bonds were issued subsequent to year end.

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 \$42.4 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

	2023	2022	2021
Current Assets	\$ 17,092,216	\$ 18,248,979	\$ 23,834,102
Restricted Assets	29,185,792	42,758,747	60,687,769
Net Property, Plant & Equipment	148,876,207	135,121,768	108,086,938
TOTAL ASSETS	195,154,215	196,129,494	192,608,809
Deferred Charge on Refunding	2,082,977	2,272,296	2,608,516
TOTAL DEFERRED OUTFLOWS	2,082,977	2,272,296	2,608,516
Current Liabilities	8,905,385	9,935,267	9,433,330
Revenue Bonds Payable	145,633,684	150,367,663	150,094,421
TOTAL LIABILITIES	154,539,069	160,302,930	159,527,751
Lease Inflows	324,330	648,661	972,992
TOTAL DEFERRED INFLOWS	324,330	648,661	972,992
Net Investment in Capital Assets	8,941,679	5,605,857	9,044,360
Restricted	9,354,495	8,214,760	7,634,597
Unrestricted	24,077,619	23,629,582	18,037,625
TOTAL NET POSITION	\$ 42,373,793	\$ 37,450,199	\$ 34,716,582

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

	2023	2022	2021
Total Operating Revenues	\$ 20,256,814	\$ 20,015,907	\$ 19,617,505
Interest Income	2,162,776	441,540	32,848
TOTAL REVENUES	22,419,590	20,457,447	19,650,353
Total Operating Expenses	12,941,112	12,402,530	11,659,831
Interest Expense & Fiscal Agent Fees	4,554,884	4,485,536	4,850,727
Other Nonoperating (Income) Expenses	-	835,764	(14,895)
TOTAL EXPENSES	17,495,996	17,723,830	16,495,663
Change in Net Position	4,923,594	2,733,617	3,154,690
Net Position at Beginning of Year	37,450,199	34,716,582	31,561,892
TOTAL NET POSITION	\$ 42,373,793	\$ 37,450,199	\$ 34,716,582

Change in Net Position was \$4.9 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal year 2023, the Corporation had \$148.9 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 \$13.8 million due to current additions in excess of current depreciation. Several projects are still ongoing resulting in a balance of Projects in Progress of \$60.0 million. Accumulated Depreciation increased by \$3.1 million.

Table 3
Schertz-Seguin Local Government Corporation's Assets

	2023	2022	2021
Land	\$ 19,254,028	\$ 19,254,028	\$ 19,254,028
Water Distribution System	103,873,667	101,423,044	100,351,880
Buildings and Improvements	1,703,377	1,703,377	1,703,377
Equipment and Vehicles	704,134	690,214	690,214
Accumulated Depreciation	(36,230,852)	(33,166,677)	(30,212,794)
	89,304,354	89,903,986	91,786,705
Projects in Progress	59,571,853	45,217,782	16,300,233
Net Property, Plant & Equipment	\$ 148,876,207	\$ 135,121,768	\$ 108,086,938

Long Term Debt

At year-end, the Corporation had a total of \$147.3 million bonds outstanding as compared to \$151.7 million the previous year. During the current year, the Corporation did not issue any new debt, however, additional bonds were issued subsequent to year end for \$5.0 million.

Bond Ratings
 The Corporation's bonds presently carry "AAA" ratings with underlying ratings as follows: Fitch "A-" and Standard & Poors "A-".

Table 4
Schertz-Seguin Local Government Corporation's
Long-Term Debt

	2023	2022	2021
Bonds Payable	\$ 147,320,000	\$ 151,710,000	\$ 149,455,000
Total Bonds Payable	<u>\$ 147,320,000</u>	<u>\$ 151,710,000</u>	<u>\$ 149,455,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Starting in 2023, SSLGC began the Rehabilitation of Existing Pressure Filters in Water Treatment Train #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 current project cost is \$1,420,065 for two filters and additional valve work on a third filter. Fiscal year 2024 has \$1,000,000 allocated for one filter and additional valve work on two filters. Fiscal year 2025 is predicted to include approximately \$2,500,000 for additional filters. The Repair/Replacement and bond funding will be utilized for this project. SSLGC will continue this project over the next several years in an effort to rehabilitate all 12 filters.
- In 2024, SSLGC will begin a multi-year well upgrade project for Gonzales Wells 1-8, with 2 wells anticipated to be 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 each well is \$1,500,000. A combination of Repair/Replacement monies and bond funding will be utilized.
- A \$5,000,000 bond issuance was secured in FY2024 to fund the following projects: The Gonzales Wells rehabilitation, The Gonzales Water Treatment Plant Train #1 pressure filter vessel rehabilitation. The initial phase of conditional assessment for the original pipeline, erosion control efforts at the Nockenut site and some appraisal/easement acquisition funding for the Cowey & Elm Creek Pipeline.
- SSLGC submitted their Emergency Preparedness Plan per Senate Bill 3 Requirements. While waiting for a formal response from the Texas Commission on Environmental Quality (TCEQ), the Corporation has begun to include various modifications on the new Guadalupe wellfield sites to accommodate emergency generation, as well as part of the Gonzales well rehabilitation project. Additional projects will be prioritized based on anticipated responses from TCEQ.

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.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF NET POSITION
SEPTEMBER 30, 2023 AND 2022

ASSETS	2023	2022
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 14,306,371	\$ 15,516,917
Accounts Receivable	2,255,228	1,857,160
Lease Receivable	406,643	793,922
Other Receivables	42,994	-
Inventory	80,980	80,980
<i>Total Current Assets</i>	<u>17,092,216</u>	<u>18,248,979</u>
<i>Restricted Assets:</i>		
Cash and Cash Equivalents	29,185,792	42,758,747
<i>Total Restricted Assets</i>	<u>29,185,792</u>	<u>42,758,747</u>
<i>Property, Plant & Equipment:</i>		
Land	19,254,028	19,254,028
Water Distribution System	103,873,667	101,423,044
Buildings & Improvements	1,703,377	1,703,377
Equipment & Vehicles	704,134	690,214
Projects in Progress	59,571,853	45,217,782
Accumulated Depreciation	(36,230,852)	(33,166,677)
<i>Net Property, Plant & Equipment</i>	<u>148,876,207</u>	<u>135,121,768</u>
Total Assets	<u>195,154,215</u>	<u>196,129,494</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	2,082,977	2,272,296
Total Deferred Outflows of Resources	<u>\$ 2,082,977</u>	<u>\$ 2,272,296</u>

The accompanying notes are an integral part of these statements. 8

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2023 AND 2022

LIABILITIES	2023	2022
<i>Current Liabilities:</i>		
Accounts Payable - Trade	\$ 1,172,818	\$ 2,823,782
Accounts Payable - Construction	2,341,177	1,871,751
Accrued Wages	48,564	43,515
Accrued Compensated Absences	55,133	40,962
Accrued Interest Payable	777,093	764,657
Unearned Revenue	600	600
Current Portion of Revenue Bonds	4,510,000	4,390,000
<i>Total Current Liabilities</i>	<u>8,905,385</u>	<u>9,935,267</u>
Revenue Bonds Payable (Less Current Maturities and Net of Unamortized Discounts and Premiums)	145,633,684	150,367,663
Total Liabilities	<u>154,539,069</u>	<u>160,302,930</u>
DEFERRED INFLOWS OF RESOURCES		
Lease Inflows	324,330	648,661
Total Deferred Inflows of Resources	<u>324,330</u>	<u>648,661</u>
NET POSITION		
Net Investment in Capital Assets	8,941,679	5,605,857
Restricted:		
Debt Service	2,868,551	1,763,858
Repairs and Replacement	500,000	500,000
Impact Fees	5,985,944	5,950,902
Unrestricted	24,077,619	23,629,582
Total Net Position	<u>\$ 42,373,793</u>	<u>\$ 37,450,199</u>

The accompanying notes are an integral part of these statements. 9

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Operating Revenue		
Water Usage Fees	\$ 19,161,375	\$ 18,770,839
Impact Fees	478,808	697,236
Royalties and Miscellaneous Fees	616,631	547,832
Total Operating Revenues	20,256,814	20,015,907
Operating Expenses		
<i>Operations & Maintenance:</i>		
Personnel Costs	1,641,000	1,572,906
Professional Services	566,211	676,448
Technical Services	364,797	364,347
Utilities	2,051,830	2,063,481
Repairs and Maintenance	752,250	928,586
General Supplies	1,220,087	897,887
Insurance	154,237	136,691
Other Operating Costs	97,559	100,093
<i>Total Operations & Maintenance</i>	6,847,971	6,740,439
<i>Other Operating Expenses:</i>		
Annual Lease Payments - Water Rights	3,028,966	2,708,208
Depreciation	3,064,175	2,953,883
<i>Total Other Operating Expenses</i>	6,093,141	5,662,091
Total Operating Expenses	12,941,112	12,402,530
Operating Income (Loss)	7,315,702	7,613,377
Nonoperating Revenues (Expenses):		
Interest Income	2,162,776	441,540
Interest Expense and Fiscal Fees	(4,554,884)	(4,485,536)
Bond Issuance Costs	-	(835,764)
Total Nonoperating Revenues (Expenses)	(2,392,108)	(4,879,760)
Change in Net Position	4,923,594	2,733,617
Net Position - Beginning of Year	37,450,199	34,716,582
Net Position - End of Year	\$ 42,373,793	\$ 37,450,199

The accompanying notes are an integral part of these statements.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Cash Received From Customers	\$ 19,878,700	\$ 19,334,560
Cash Paid to Employees for Services	(1,621,780)	(1,488,429)
Cash Paid to Suppliers	(9,886,901)	(5,549,506)
Net Cash Provided (Used) by Operating Activities	8,370,019	12,296,625
Cash Flows From Capital and Related Financing Activities		
Payments Toward Projects in Progress	(16,297,153)	(32,141,786)
Purchase of Building & Improvements	(38,115)	(99,009)
Purchase of Equipment and Vehicles	(13,920)	-
Proceeds from Revenue & Refunding Bonds	-	43,043,377
Payments to Escrow Agent to Refund Bond Issue	-	(38,826,380)
Bond Interest and Fiscal Fees Paid	(4,577,108)	(4,599,608)
Bond Principal Payment	(4,390,000)	(3,895,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(25,316,296)	(36,518,406)
Cash Flows From Investing Activities		
Interest Received	2,162,776	441,540
Net Cash Provided (Used) by Investing Activities	2,162,776	441,540
Net Increase (Decrease) In Cash and Cash Equivalents	(14,783,501)	(23,780,241)
Cash and Cash Equivalents at Beginning of Period	58,275,664	82,055,905
Cash and Cash Equivalents at End of Period	\$ 43,492,163	\$ 58,275,664
Cash and Cash Equivalents as Reported on Balance Sheet:		
Cash and Cash Equivalents	\$ 14,306,371	\$ 15,516,917
Restricted Cash and Cash Equivalents	29,185,792	42,758,747
	\$ 43,492,163	\$ 58,275,664

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, 2023 AND 2022

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

	2023	2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 7,315,702	\$ 7,613,377
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	3,064,175	2,953,883
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(398,068)	(451,791)
Lease Receivable	387,279	179,070
Other Receivables	(42,994)	6,625
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(1,650,964)	2,326,235
Accrued Wages	5,049	43,515
Accrued Compensated Absences	14,171	40,962
Unearned Revenue	-	(90,920)
Increase (Decrease) in Deferred Inflows:		
Lease Inflows	(324,331)	(324,331)
Net Cash Provided (Used) by Operating Activities	\$ 8,370,019	\$ 12,296,625

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Reporting Entity

The Schertz/Seguin Local Government Corporation was incorporated December 23, 1998 pursuant to the provisions of the Texas Transportation Corporation Act and the Texas Local Government Code. The Corporation was organized to aid, assist, and act on behalf of the Cities of Schertz and Seguin, collectively, in acquiring, constructing, improving or extending, and maintaining and operating a water utility system for public use.

The Corporation meets the criteria of a joint venture between the cities of Schertz and Seguin with an ongoing financial responsibility. The Cities have pledged revenues from existing water utility systems to finance the operations and long-term debt of the Corporation, either through purchasing water from the Corporation or subsidizing through direct payments (reflected as "Contributions from Participating Governments"). The Corporation continues to actively pursue the development of alternate water sources.

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Enterprise Fund

The Corporation is an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public. The activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

3. Basis of Accounting

The statements are presented on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is used whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

4. Cash and Cash Equivalents

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the Corporation. Cash and cash equivalents also include investments in local government pools because the pools seek to maintain a \$1 per share value and average dollar weighted maturity of not more than 90 days (see also Note A-5).

SCHERTZ/SEGUN LOCAL GOVERNMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023 AND 2022

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

5. Investments

Investments consist of certificates of deposit; investments in TexPool and Texas Class (public funds investment pools); and obligations of the U.S. government and its agencies. Investments are recorded at fair value, except for short-term (one year or less to maturity at time of purchase) participating interest-earning investment contracts which are reported at amortized cost. In addition, non-participating contracts (such as nonnegotiable certificates of deposit) are reported at amortized cost.

Following Statement No. 72, "Fair Value Measurement and Application," the Corporation categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

6. Accounts Receivable

Accounts receivable consists of amounts due from member entities and customers. Management considers all outstanding amounts to be collectible and has not recorded an allowance for doubtful accounts.

7. Inventory

Inventory of replacement parts for the water distribution system are valued at cost on a first-in, first-out basis.

8. Restricted Assets

Certain proceeds of bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Funds are segregated to report those proceeds of revenue bond issuances that are restricted for construction. Funds are also segregated to provide for debt service as provided under bond indenture agreements.

Part of the agreement for bond proceeds from the Texas Water Development Board required reserve funds to be kept in a restricted bank account to serve as collateral. These funds are shown as Investments Held in Escrow and included as Cash and Cash Equivalents under the Restricted Assets on the Statement of Net Position.

SCHERTZ/SEGUN LOCAL GOVERNMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023 AND 2022

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, 2023 and 2022, depreciation in the amount of \$3,064,175 and \$2,953,883, respectively, was recognized.

10. 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.

11. Unearned Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

12. Long-Term Obligations

Long-term obligations are reported as liabilities in the Corporation's balance sheet. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

SCHERTZ/SEGUN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023 AND 2022

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

13. 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, 2023, 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”.

14. 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.

15. 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.

SCHERTZ/SEGUN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023 AND 2022

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, 2023, the carrying amount of the Corporation’s deposits was \$3,292,564 and the bank balance was \$2,897,726. The bank balance was fully collateralized.

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:

	2023	2022
	<u>Carrying Value</u>	<u>Carrying Value</u>
Local Government Investment Pools	\$ 32,124,486	\$ 44,516,207
FIMM Govt. Portfolio - Held in Escrow	<u>8,075,113</u>	<u>11,015,795</u>
	<u>\$ 40,199,599</u>	<u>\$ 55,532,002</u>

All of the Corporation’s investments are valued using prices quoted in active markets (Level 1 inputs) except for local government investment pools which are reported at net asset value.

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.

SCHERTZ/SEGUN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023 AND 2022

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

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, 2023, the Corporation had investments in TexPool and 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, Texas Class Portfolio Holdings, and FMM Govt. Portfolio – Class II are rated AAA/m 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, 2023, the Corporation was not subject to custodial credit risk.

NOTE C -- LEASE RECEIVABLE

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. Total inflows for the year ended September 30, 2022, were \$179,070 and \$48,650 for lease and interest revenue, respectively for a total payment of \$227,720. Total inflows for the year ended September 30, 2023, were \$387,279 and \$39,696 for lease and interest revenue, respectively for a total payment of \$426,975.

SCHERTZ/SEGUN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023 AND 2022

NOTE D-- 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, and Projects in Progress costs are as follows:

	Balance 10/1/2022	Additions	(Retirements)	Balance 9/30/2023
Land and Rights of Way	\$ 19,254,028	\$ -	\$ -	\$ 19,254,028
Water Distribution System	101,423,044	2,450,623	-	103,873,667
Buildings & Improvements	1,703,377	-	-	1,703,377
Equipment and Vehicles	690,214	13,920	-	704,134
Projects in Progress	45,217,782	16,766,579	(2,412,508)	59,571,853
Accumulated Depreciation	(33,166,677)	(3,064,175)	-	(36,230,852)
Total Property, Plant & Equipment	<u>\$ 135,121,768</u>	<u>\$ 16,166,947</u>	<u>\$ (2,412,508)</u>	<u>\$ 148,876,207</u>

Land and Rights of Way, as well as, Projects in Progress are not depreciated.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023 AND 2022

NOTE E -- LONG-TERM DEBT

Following is a summary of the Corporation's long-term debt transactions for the year ended September 30, 2023:

	Balance 10/1/2022	Additions	(Payments)/ Amortization	Balance 9/30/2023
Revenue Bonds, Series 2001 Original Issue \$41,040,000 3.70% to 5.375% Less Unamortized Discount	\$ 10,000,000 (41,206)	-	-	\$ 10,000,000 (41,206)
Revenue Refunding Bonds, Series 2015 Original Issue \$41,720,000 2.00% to 5.00% Plus Unamortized Premium	860,000 67,448	-	(860,000) (67,448)	-
Contract Revenue Bonds, Series 2016, TWDB SWIRFT Original Issue \$43,670,000 0.66% to 3.11%	38,660,000	-	(1,270,000)	37,390,000
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% Plus Unamortized Premium	17,425,000 570,507	-	(590,000) (31,695)	16,835,000 538,812
Revenue Refunding Bonds, Series 2019 Original Issue \$19,575,000 2.25% to 5.00% Plus Unamortized Premium	18,285,000 2,221,773	-	(675,000) (116,935)	17,610,000 2,104,838
Revenue Refunding Bonds, Series 2022 Original Issue \$39,150,000 1.372% to 3.50%	39,150,000	-	(995,000)	38,155,000
Revenue Bonds, Series 2022A Original Issue \$4,500,000 4.00% to 5.00% Plus Unamortized Premium	4,500,000 229,141	-	-	4,500,000 221,240
	<u>\$ 154,757,663</u>	<u>\$ -</u>	<u>\$ (4,613,979)</u>	<u>\$ 150,143,684</u>
Less Current Maturities				<u>(4,510,000)</u>
Net Long-Term Bonds Payable				<u>\$ 145,633,684</u>

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023 AND 2022

NOTE E -- 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, 2023 was \$1,441,542.

The total unamortized deferred loss on debt refunding is \$2,082,977 as of September 30, 2023 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, 2023, the Corporation has drawn \$61,089,181. The remaining funds after issuance costs are held in escrow by the Texas Water Development Board in the Corporation's name (see Note B). The bonds were privately placed with the Texas Water Development Board and contain no subjective acceleration clauses, events of default with finance-related consequences or termination events with finance-related consequences.

SCHERTZ/SEGUN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023 AND 2022

NOTE E -- LONG-TERM DEBT (Continued)

Annual Requirements to amortize all long-term debt outstanding as of September 30, 2023, including interest payments, are as follows:

Year Ending September 30	Public Offerings		
	Principal	Interest	Total
2024	\$ 3,225,000	\$ 3,226,066	\$ 6,451,066
2025	3,305,000	3,144,799	6,449,799
2026	3,520,000	3,054,830	6,574,830
2027	3,605,000	2,956,731	6,561,731
2028	3,725,000	2,842,463	6,567,463
2029 - 2033	20,940,000	11,899,701	32,839,701
2034 - 2038	25,880,000	6,935,731	32,815,731
2039 - 2043	19,065,000	2,091,144	21,156,144
2044 - 2048	2,135,000	694,056	2,829,056
2049 - 2051	1,700,000	129,752	1,829,752
	<u>\$ 87,100,000</u>	<u>\$ 36,975,273</u>	<u>\$ 124,075,273</u>

Year Ending September 30	Private Placement		
	Principal	Interest	Total
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	1,335,000	1,718,796	3,053,796
2028	1,350,000	1,697,303	3,047,303
2029 - 2033	7,170,000	11,525,706	18,695,706
2034 - 2038	11,380,000	8,948,316	20,328,316
2039 - 2043	15,765,000	4,965,151	20,730,151
2044 - 2048	13,995,000	2,224,278	16,219,278
2049 - 2051	5,325,000	385,565	5,710,565
	<u>\$ 60,220,000</u>	<u>\$ 35,981,929</u>	<u>\$ 96,201,929</u>

The Corporation also entered into a Cost Allocation Agreement, along with the Cities of Schertz and Seguin, whereby the City of Schertz has agreed to fund 100% of the debt service for the bonds issued to fund the Guadalupe Project in exchange for delivery of sufficient water to Schertz. The agreement contains provisions for an annual review (with modifications as necessary), the possibility of other third-party users, and separate rates established for water produced by the project.

SCHERTZ/SEGUN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023 AND 2022

NOTE F -- COMMITMENTS

Water Rights Agreements

The Corporation has entered into 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 agreements 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 agreement is ten years, but if the Corporation continues the royalty payments, the agreements remain in effect. Changes in maximum allowable production by the Gonzales County Underground Conservation District may decrease the future commitment for some agreements.

As of September 30, 2023, the Corporation had agreements for a total of 18,761 acre feet. Total estimated annual costs of \$2,873,806 are expected for the year ended September 30, 2024, assuming the agreements remain in effect.

Contract Commitments

The Corporation had the following outstanding contract commitments as of September 30, 2023:

	Original Commitment	Incurred to Date	Outstanding Commitment
Consulting	\$ 651,500	\$ 605,426	\$ 46,074
Engineering	4,776,285	4,465,842	310,443
Improvements & Repairs	62,983,020	52,078,323	10,904,697
Totals	<u>\$ 68,410,805</u>	<u>\$ 57,149,591</u>	<u>\$ 11,261,214</u>

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, 2022, the Fund Balance fell below \$250,000 and the Corporation was responsible for making an additional payment in the amount of \$65,397.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023 AND 2022

NOTE F -- COMMITMENTS (Continued)

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, 2023, total payments received from SAWS for water treatment, water purchases and debt service were \$5,899,603.

NOTE G -- 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.

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, 2023 are not likely to have a material adverse effect on the Corporation's financial position.

NOTE H -- 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.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023 AND 2022

NOTE I -- 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.

NOTE J -- SUBSEQUENT EVENT

Subsequent to year end, the Corporation issued Contract Revenue Improvement Bonds, Series 2023, in the amount of \$5,000,000. The bonds are payable over 24 years at initial rates of 5.25% - 6.00%. The bonds were issued for the purpose of construction projects related to Gonzales wells, condition assessment of original pipeline, rehabilitation of pressure filter vessel, and other various projects.



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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 *Bond Fund* shall mean the special Fund or account created and established by the provisions of Section 13 of this Resolution.

H. The term *Bond Payment* shall have the meaning ascribed thereto in the Contract.

I. The term *Bonds* shall mean the \$____,____,____ “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2025”, dated March 15, 2025, authorized by this Resolution and issued by the Corporation as the seventh series of New Series Bonds.

J. The term *Closing Date* shall mean the date of physical delivery of the Initial Bonds for the payment in full by the Purchasers.

K. 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.

L. 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.

M. 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.

N. 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.

O. 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.

P. 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.

Q. The term *Depository* shall mean an official depository bank of the Corporation.

R. 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.

S. 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.

T. 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.

U. The term *Holder* or *Holder*s shall mean the registered owner, whose name appears in the Security Register, for any Bond.

V. 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.

W. 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.

X. 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.

Y. The term *Insurer* means _____, or its successors or assigns.

Z. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being February 1 and August 1 of each year, commencing August 1, 2025, while any of the Bonds remain Outstanding.

AA. 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.

BB. 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).

CC. The term *Operation and Maintenance Expenses* shall have the meaning ascribed thereto in the Contract.

DD. The term *Overhead Expenses* shall have the meaning ascribed thereto in the Contract.

EE. 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.

FF. 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) \$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;

(2) \$22,830,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION TEXAS WATER DEVELOPMENT BOARD PARTICIPATION PROGRAM 2016", dated November 1, 2016;

(3) \$19,045,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, NEW SERIES 2018", dated November 15, 2018;

(4) \$39,150,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, TAXABLE NEW SERIES 2022”, dated January 15, 2022;

(5) \$4,500,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2022A”, dated September 1, 2022; and

(6) \$5,000,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2023”, dated November 1, 2023.

GG. 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.

HH. 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.

II. 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.

JJ. The term *Purchasers* shall mean the initial purchaser or purchasers of the Bonds named in Section 35 of this Resolution.

KK. The term *Rating Agency* shall mean any nationally recognized securities rating agency which has assigned a rating to the Bonds.

LL. 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.

MM. The term *Resolution* shall mean this resolution adopted by the Board on January 16, 2025.

NN. The term *Special Project Bonds* shall mean bonds which the Corporation expressly reserves the right to issue in Section 22 of this Resolution.

OO. 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.

PP. 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.

QQ. 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.

RR. The term *TWDB* shall mean the Texas Water Development Board or any successor entity thereof.

SS. 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 2025 Interest and Sinking Fund” (the *Bond Fund*). The Corporation covenants that the Bond Payment portion of the Annual Payments shall be deposited upon receipt by the Corporation into the Bond Fund. The Authorized Officials covenant that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Bond Payment portion of the Annual Payments an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and the principal of the New Series

Bonds then falling due and payable, such deposits to pay maturing principal and accrued interest on the New Series Bonds to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers. If the Bond Payment portion of the Annual Payments in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month. For the avoidance of doubt, and for purposes of clarity, the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract shall be utilized by the Corporation, as received, in the following manner for so long as any Priority Bonds remain Outstanding:

- **FIRST:** to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds created and established for the payment and security of the currently outstanding Priority Bonds and the Renewal and Replacement Fund, in the times and in the amounts (if at all) specified in the Priority Bonds Resolution.
- **SECOND:** to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund, created and established for the payment and security of the New Series Bonds (and including any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds).

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the New Series Bonds shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all outstanding New Series Bonds (principal and interest) or (ii) the New Series Bonds are no longer Outstanding.

Accrued interest received from the Purchasers, as well as any Net Revenues deposited to the Bond Fund at the Corporation's discretion, shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments. Additionally, any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments.

SECTION 14: Reserve Fund. The Corporation hereby reserves the right to establish, at the time of issuance of any series of Additional New Series Bonds, a debt service reserve fund, as either a segregated fund created for the benefit of a particular series of Additional New Series Bonds or a combined fund applicable to all New Series Bonds at such time Outstanding, and to provide for the funding of any such debt service reserve fund in the manner (which may be in any manner then or thereafter permitted by applicable law) and amount as prescribed in the Corporation resolution authorizing the issuance of the series of Additional New Series Bonds in conjunction with which such reserve fund is created. No debt service reserve was created in the issuance of the currently outstanding Priority Bonds, the currently outstanding New Series Bonds, and no debt service reserve is created in connection with the issuance of the Bonds.

SECTION 15: Renewal and Replacement Fund. There has been previously created and established under the Priority Bonds Resolutions that there shall be maintained at the Depository, and accounted for separate and apart from all other funds of the Corporation a separate fund entitled the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds Renewal and Replacement Fund” (the *Renewal and Replacement Fund*). The amount deposited initially into the Renewal and Replacement Fund from proceeds of the previously issued Priority Bonds was \$500,000.00 (the *Emergency Amount*) which amount may not be decreased while any Priority Bonds are Outstanding. The Renewal and Replacement Fund shall be used for the purpose of (1) paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or (2) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, or (3) paying unexpected or extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, or (4) paying the debt service requirements on the currently outstanding Priority Bonds for which other System revenues are not available, or (5) for any other lawful purpose in support of the System.

Though it has not exercised such right with respect to the issuance of the Bonds, the Corporation hereby reserves the right to provide, in any prospective Corporation resolution authorizing the issuance of any series of Additional New Series Bonds, for an increase in the amount to be maintained from time to time in the Renewal and Replacement Fund and to provide that the amounts on deposit from time 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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March 26, 2025

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IN REGARD to the authorization and issuance of the “Schertz/Seguin Local Government Corporation Contract Revenue Improvement Bonds, New Series 2025” (the *Bonds*), dated March 15, 2025, 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 2026 through 2036, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the 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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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 2025”

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 Resolution 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 who are individuals.

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, corporations subject to the alternative minimum tax on adjusted financial statement income, 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.

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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.

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