

C. Notice of Certain Events.

The City shall file notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and 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 holders 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 City, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a

as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also repeal or amend the provisions of this Section 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, and the City also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented 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 City so amends the provisions of this Section, the City shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

E. Information Format -- Incorporation by Reference.

The City information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

Financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public through EMMA or filed with the SEC.

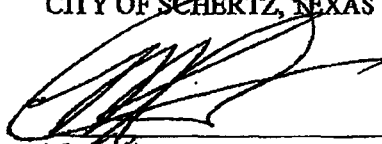
Section 3. Authorized Officials of the City will review and approve the Official Statement. Information appearing in the Official Statement concerning the City (including, particularly, the description of the Undertaking and Appendices B and E thereto), as of its date, were and are true and correct in all material respects. Insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable, and the City has no reason to believe that they are untrue in any material respect.

Section 4. Any Authorized Official, acting for and on behalf of the City, is authorized to execute the Approval Certificate attached hereto as Schedule I. The execution of the Approval Certificate shall evidence the sale date of the Bonds by the City to the Underwriters in accordance with the provisions of Texas law.

Section 5. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the City Council.

APPROVED THIS THE 26TH DAY OF AUGUST, 2014.

CITY OF SCHERTZ, TEXAS



Mayor

ATTEST:



City Secretary

(CITY SEAL)

Attachment # 4

Question # 25

City of Schertz Water/ Wastewater Certification Licenses

CITY OF SCHERTZ
Water/Wastewater Certification Licenses

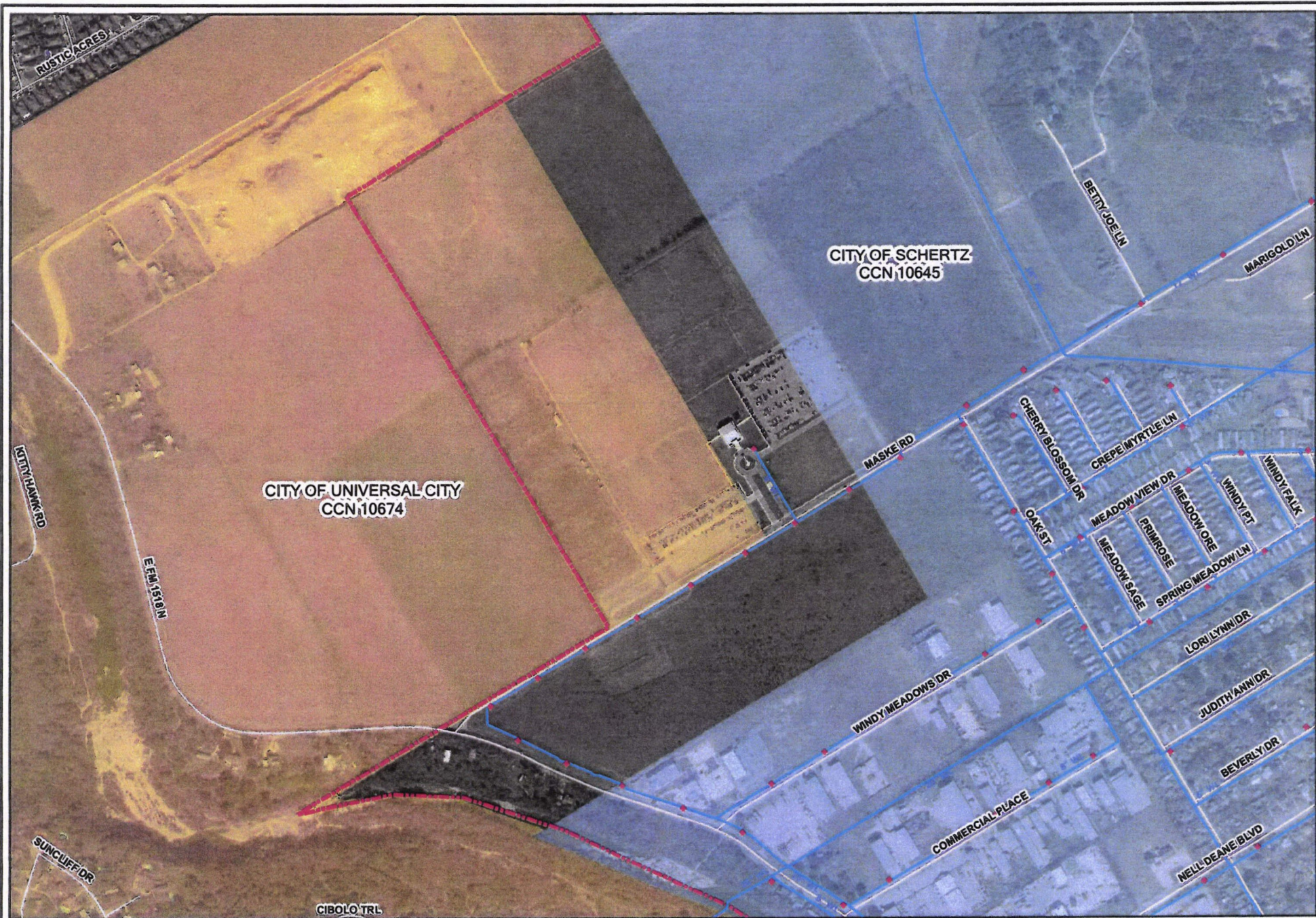
Name	License	Class	License Number	Expiration	Date of Hire
aron R. Dammann	Ground Water Treatment Operator	C	WG0009621	7/15/2020	6/1/2002
aron R. Dammann	Wastewater Collection System Operator	II	WW0032158	8/11/2021	
ber G. Busch	Customer Service Inspector		CI0007955	4/8/2021	10/1/1990
ber G. Busch	Wastewater Collection Operator	III	WW0040138	8/18/2021	
ber G. Busch	Ground Water Treatment Operator	C	WG0005402	2/5/2020	
ber G. Busch	Wastewater Treatment Operator	C	WW004039	3/21/2020	
ddie Diggs	Customer Service Inspector		CI0007246	10/17/2019	7/10/2006
ddie Diggs	Ground Water Treatment Operator	C	WG0011375	6/20/2020	
ddie Diggs	Wastewater Treatment Operator	C	WW0046716	6/12/2021	
ddie Diggs	Water Distribution Operator	C	WD0007477	4/18/2020	
ames Batten	Wastewater Collection Operator	III	WW0038310	9/13/2021	12/2/2013
ames Batten	Ground Water Treatment Operator	C	WG0015321	2/10/2021	
erad Moheit	Wastewater Treatment Operator	D	WW0040153	8/18/2021	11/6/2006
erad Moheit	Ground Water Treatment Operator	C	WG0013376	5/25/2020	
erad Moheit	Customer Service Inspector		CI0009268	5/28/2019	
erad Moheit	Wastewater Collection Operator	III	WW0053765	10/10/2021	
ames A. Hooks	Certified Floodplain Manager		0541-03	12/31/2019	12/11/1989
ames A. Hooks	Wastewater Treatment Plant Operator	C	WW0023348	10/30/2021	
ames A. Hooks	Ground Water Treatment Operator	B	WG0001769	9/2/2019	
llen Diaz	Ground Water Treatment Operator	D	W0041532	2/27/2021	11/28/2016
llen Diaz	Wastewater Collection Operator	I	WW0058093	8/31/2020	
aul Lopez	Ground Water Treatment Operator	C	WG0014825	1/30/2020	8/29/2011
aul Lopez	Wastewater Collection Operator	II	WW0052080	10/22/2020	
aul Lopez	Customer Service Inspector		CI30009991	1/7/2022	
raul Santoya	Ground Water Treatment Operator	C	WG0013005	9/13/2019	8/8/2006
raul Santoya	Wastewater Treatment Operator	D	WW0048652	4/15/2016	
raul Santoya	Wastewater Collection Operator	II		Pending	
sh Pardo	Ground Water Treatment Operator	D	WO0039194	9/16/2019	12/29/2014
sh Pardo	Wastewater Collection Operator	I	WW0053453	7/3/2018	
sh Pardo	Wastewater Collection Operator	II	WW0060437	9/13/2021	
sh Pardo	Ground Water Treatment Operator	C			Pending
Donald Sarten	Ground Water Treatment Operator	C	WG0001152	7/27/2020	3/19/2018
Donald Sarten	Wastewater Treatment Operator	C	WW0016684	1/17/2021	
Donald Sarten	Customer Service Inspector		CI0005336	5/15/2021	

Jeremy Ryel	Ground Water Treatment Operator	D	WO0040916	8/30/2020	10/20/2015
Jeremy Ryel	Wastewater Collection Operator	I	WW0057770	5/5/2020	
Jeremy Ryle	Ground Water Treatment Operator	C			Pending
Anthony Jimenez	Ground Water Treatment Operator	D	WO0042155	8/29/2021	3/21/2017
Anthony Jimenez	Wastewater Collection Operator	I			Pending

Attachment # 5

Question # 27

Map of Area Utilities



MASKE RD & FM 1518 WATER CCN

PUC CCN WATER

- CITY OF SCHERTZ
- CITY OF UNIVERSAL CITY
- SCHERTZ MUNICIPAL BOUNDARY

- WATER MAIN
- HYDRANT

0 300 600 1,200 1,800 Feet

Attachment # 6

Question # 30

Financial Information

Confidential

CITY OF SCHERTZ, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2018



OFFICIALS ISSUING REPORT

James M. Browne
City Manager

James Walters
Director of Finance



CITY OF SCHERTZ, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2018

	<u>PAGE</u>
INTRODUCTORY SECTION	iv
LETTER OF TRANSMITTAL.....	v
CITY OFFICIALS	ix
ORGANIZATIONAL CHART	x
CERTIFICATE OF ACHIEVEMENT	xi

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENTS DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS	14
STATEMENT OF NET POSITION.....	15
STATEMENT OF ACTIVITIES.....	17
BALANCE SHEET – GOVERNMENTAL FUNDS.....	19
RECONCILIATION OF BALANCE SHEET	21
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS.....	22
RECONCILIATION OF THE STATEMENT OF REVENUES, GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	24
STATEMENT OF NET POSITION - PROPRIETARY FUNDS	25
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS.....	27
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS.....	28
NOTES TO BASIC FINANCIAL STATEMENTS.....	30
REQUIRED SUPPLEMENTARY INFORMATION	66
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL - GENERAL FUND	67
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL - ECONOMIC DEVELOPMENT CORPORATION.....	69
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	70
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS	71
SCHEDULE OF CITY CONTRIBUTIONS	72
SCHEDULE OF CHANGES – TMRS OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS	73
SCHEDULE OF CHANGES – CITY RETIREE HEALTH OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS.....	74

CITY OF SCHERTZ, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2018

FINANCIAL SECTION (CONTINUED)

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION.....	75
COMPARATIVE BALANCE SHEETS - GENERAL FUND	76
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND	77
COMPARATIVE BALANCE SHEETS - ECONOMIC DEVELOPMENT CORPORATION.....	78
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ECONOMIC DEVELOPMENT CORPORATION.....	79
COMPARATIVE BALANCE SHEETS - DEBT SERVICE FUND.....	80
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL - DEBT SERVICE FUND	81
COMPARATIVE BALANCE SHEETS - CAPITAL PROJECTS FUND	82
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CAPITAL PROJECTS FUND	83
NONMAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEETS	84
NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE	85
NONMAJOR CAPITAL PROJECTS FUNDS - COMBINING BALANCE SHEET.....	86
NONMAJOR CAPITAL PROJECTS FUND - STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES	87
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	88
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS.....	90
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - CAPITAL RECOVERY - AREA 1	92
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL - HOTEL OCCUPANCY FUND.....	93
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - PARK FUND.....	94
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL - TREE MITIGATION FUND.....	95
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - TREASURY FORFEITURES FUND.....	96
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - JUSTICE FORFEITURES FUND	97
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL - STATE FORFEITURES FUND	98
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - LIBRARY ADVISORY BOARD	99
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL - HISTORICAL COMMITTEE FUND.....	100

CITY OF SCHERTZ, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2018

STATISTICAL SECTION

	<u>PAGE</u>
NET POSITION, BY COMPONENT	102
CHANGE IN NET POSITION	104
FUND BALANCES - GOVERNMENTAL FUNDS	108
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS	110
TAX REVENUE BY SOURCE – GOVERNMENTAL FUNDS	112
TOTAL WATER AND SEWER CONSUMPTION AND RATES	113
PRINCIPAL WATER AND SEWER CONSUMERS	114
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY	115
DIRECT AND OVERLAPPING PROPERTY TAX RATES	116
PRINCIPAL PROPERTY TAX PAYERS	117
PROPERTY TAX LEVIES AND COLLECTIONS	118
TAXABLE ASSESSED VALUE	119
RATIOS OF OUTSTANDING DEBT BY TYPE	120
RATIOS OF GENERAL BONDED DEBT OUTSTANDING	122
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT	123
DEBT MARGIN INFORMATION	124
PLEDGED REVENUE COVERAGE	125
DEMOGRAPHIC AND ECONOMIC STATISTICS	126
TOP TEN PRINCIPAL EMPLOYERS	127
FULL-TIME EQUIVALENT CITY GOVERNMENTAL EMPLOYEES BY FUNCTION	128
OPERATING INDICATORS BY FUNCTION/PROGRAM	129
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM	131
COMPLIANCE SECTION	133
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	134



INTRODUCTORY SECTION

March 19, 2019

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, 2018.

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 Armstrong, Vaughan & Associates P.C. 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, 2018, 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, 2018, 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 40,092 in 2017 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, 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 66-67 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 2018. The Federal Reserve Bank of Dallas reported that the San Antonio Business-Cycle Index, of which Schertz data is incorporated, grew 2.6% year over year for September 2018. This increase in the Index shows this region is still in a state of economic expansion. As of October 2018, the unemployment rate for Texas was 3.9% and several metro areas including Austin, Dallas-Fort Worth, and San Antonio, are below the state average. Schertz in particular had an **unemployment rate of 3.1 percent during this time**. Per the Federal Reserve Bank of Dallas October 2018 Economic Update, this low unemployment rate combined with a higher wage pressure are major factors in preventing even faster growth in the State.

The City of Schertz realized a **17.1% increase year-over-year in sales tax collections** during the fiscal year. Sales Tax generated from the construction sector lead the increase in FY 2017-18. Revenue generated from these sources can fluctuate year by year with the amount of high value project.

During the 2018 calendar year, there were several significant construction projects completed in Schertz. The projects included 17745 Lookout Road (187,288 square feet), 17454 Campus Drive (17,850 sf), 17992 Red Iron (35,100 sf) and 5700 Schertz Parkway (25,138 sf). The facility located at 17745 Lookout Road is the fourth of an announced quintet of speculative buildings. The year saw the growth of multiple educational facilities. Danville Middle School (370 Hubertus Road), completed in Q3, is part of Comal Independent School District's overarching plan to address the region's growth. According to a district representative, the student population is experiencing a growth rate of 4.5%, or 1,000 students per year. Rose Garden Elementary's (10414 E. FM 1518) new location can accommodate twice the number of students as the facility it replaced. Samuel Clemens High School's (1001 Elbel Road) \$72 million renovation and expansion continued throughout the year and was 84% complete as of January 7, 2019. Founder's Classical Academy of Schertz (8453 E FM 1518 North) underwent a 30,281 square foot expansion of classroom space. Mondelēz International (also known by its subsidiaries Nabisco and Kraft), an existing Schertz business, completed a 21,620 square foot expansion. Ryder Truck neared completion of their new fleet and

maintenance facility which will add 22,756 square feet to their existing Schertz location. According to 2018 Q4 data provided by CoStar, the Schertz market has an industrial vacancy rate of 9.3%, down from the previous quarter's 10.2%. Average asking rates for this industrial sector stood at \$5.30 NNN, a decrease of \$0.51 from the third quarter of 2018. **Long-term financial planning.** The community approved bond propositions in November 2010 for quality of life projects which included an aquatics facility, improvements to the baseball fields and soccer fields, building a new animal adoption facility, and improvements to Main Street. The only remaining project are the Main Street improvements. Construction was completed for the aquatic facility in January 2017 while the Main Street improvements continue to be developed.

In November 2015, the City placed 2 bond propositions before the voters totaling \$15 million. \$7 million was for FM road ways 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. In June 2017, the second \$4 million was issued for the Fire Station to begin construction. Currently the Fire Station is estimated to be completed in 2019.

Current Year Budget Initiatives. In FY 2017-18, the City's main initiatives that had a major budget impact were the implementation of the third-year recommendation of the Classification and Compensation Study to bring the wages up to a more competitive level, new permit software to increase customer responsiveness, the new Moving on Main event, maintenance and improvements on public works and parks infrastructure, and 22 new personnel positions.

Financial Information:

The new personnel included 4 crossing guards, 2 patrol officers, a Plans Examiner, a new Code Enforcement Officer, the final 6 Fire Fighters needed to open Fire Station #3, 3 Emergency Medical Technicians (EMT), 3 Water & Sewer Servicemen, and 2 Drainage Workers.

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 109, 110 and 104. A more detailed summary of the City's Financial Performance is available in the Management Discussion and Analysis section on page 5.

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 Armstrong, Vaughan, & Associates P.C. Certified Public Accountants, has been included in this report.

Awards and Acknowledgements

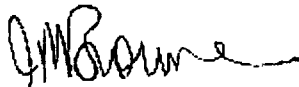
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Schertz for its comprehensive annual financial report for the fiscal year ended September 30, 2016. This was the 32nd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,



James M. Browne
City Manager



James P. Walters
Finance Director

CITY OF SCHERTZ, TEXAS

CITY OFFICIALS

MAYOR

MICHAEL CARPENTER

MAYOR PRO-TEM

DAVID SCAGLIOLA

CITY COUNCIL

MARK DAVIS

RALPH GUTIERREZ

SCOTT LARSON

CEDRIC EDWARDS, SR.

ANGELINA KISER

BERT CRAWFORD

CITY MANAGER

JAMES M. BROWNE

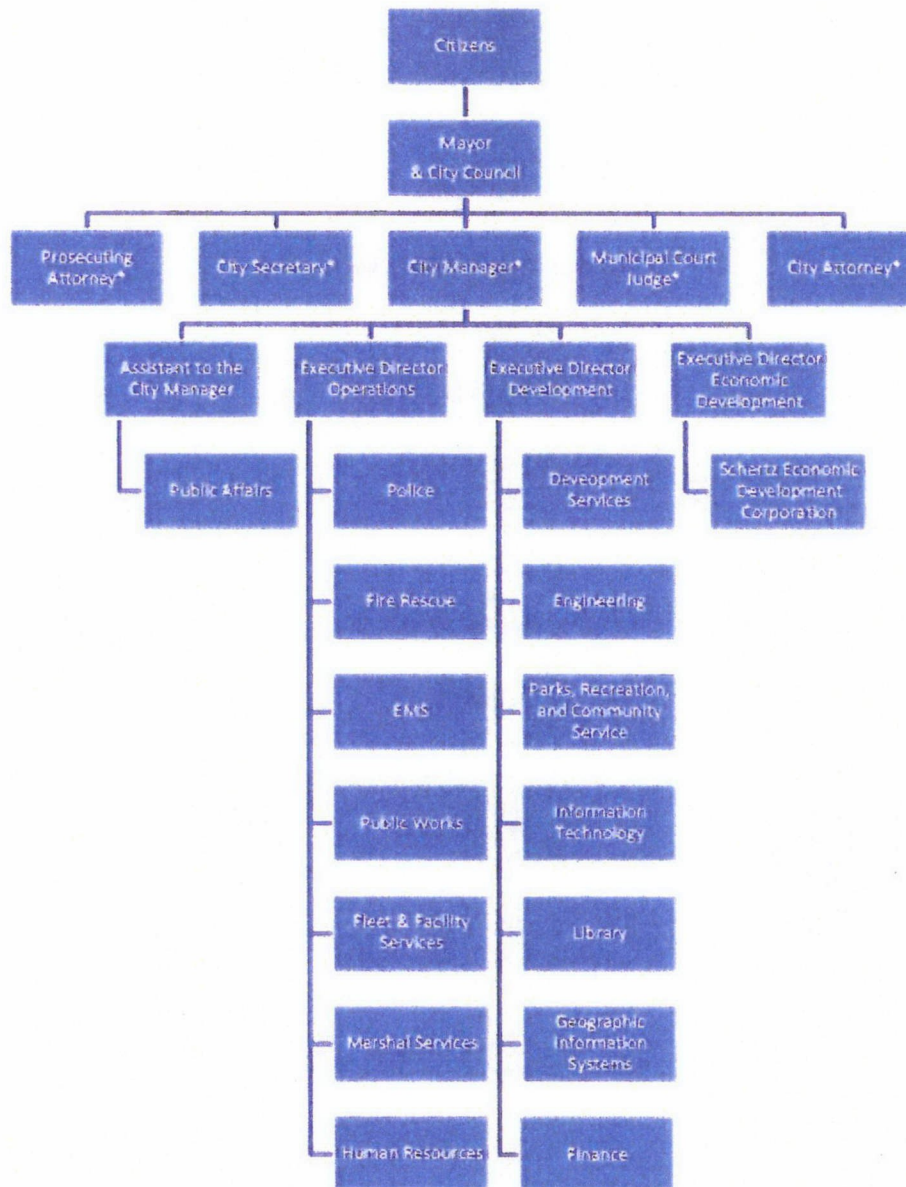
DIRECTOR OF FINANCE

JAMES WALTERS

CITY ATTORNEY

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

CITY OF SCHERTZ ORGANIZATIONAL CHART



*Appointed by City Council



Government Finance Officers Association

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

Presented to

**City of Schertz
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Merrill

Executive Director/CEO

FINANCIAL SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

Deborah F. Fraser

Phil S. Vaughan

Nancy L. Vaughan

Kimberly J. Roach

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Schertz, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Schertz's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Schertz, as of September 30, 2018, 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.

Emphasis of Matter

As discussed in Note 1T to the financial statements in 2018 the City adopted new accounting guidance from the Governmental Accounting Standards Board Statement No. 75 related to accounting for post-employment benefits. This resulted in a restatement of prior year balances. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liabilities and related ratios and the schedule of contributions, and other post employment benefits as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The budgetary comparison information is the responsibility of management and was 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 budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. We have applied certain limited procedures to 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 schedule of changes in net pension liabilities and related ratios and the schedule of contributions, and the other postemployment benefits because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The comparative financial statements and combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative, combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019 on our consideration of City of Schertz's 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 City of Schertz's internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.

March 19, 2019

MANAGEMENTS 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, 2018. 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 of the City of Schertz exceeded its liabilities at the close of the most recent fiscal year by \$213.4 million (net position). Of this amount, \$35.8 million (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 \$17.2 million. A significant portion of this increase, 45.9%, is attributable to capital contributions from developers.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$53.7 million, an increase of \$4.7 million in comparison with the prior year.

At the end of the fiscal year, the combined total of the General Fund assigned and unassigned fund balances was \$13.4 million which is 53% of the general fund expenditures not including capital outlay. The fund balance policy is to reserve at least a 26% balance.

During the fiscal year, the City issued \$16.475 million in general obligation bonds and certificates of obligation of which \$5.95 million is allocated to the proprietary fund.

Overview of the Financial Statements

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

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

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

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

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

activities of the City of Schertz include a water and sewer department and an emergency medical services department.

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Schertz, assets exceeded liabilities by \$213 million at the close of the most recent fiscal year.

The largest portion of the City's total net position (71%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding, plus bond proceeds that have not yet been signed. The City of Schertz uses these capital assets to provide services to citizens; consequently, these assets are not available for operational type of future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's total net position (10.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$35.8 million, 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.

TABLE A-1
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 58,907,201	\$ 53,489,898	\$ 43,350,389	\$ 34,305,074	\$ 102,257,590	\$ 87,794,972
Capital Assets	139,558,325	133,989,421	78,668,459	75,578,798	218,226,784	209,568,219
Total Assets	198,465,526	187,479,319	122,018,848	109,883,872	320,484,374	297,363,191
Deferred Outflows	2,896,350	3,637,434	732,459	997,659	3,628,809	4,635,093
Current Liabilities	7,846,103	7,331,101	5,190,642	5,029,905	13,036,745	12,361,006
Long-Term Liabilities	77,074,678	76,793,511	18,905,255	14,709,300	95,979,933	91,502,811
Total Liabilities	84,920,781	84,124,612	24,095,897	19,739,205	109,016,678	103,863,817
Deferred Inflows	1,431,927	344,220	286,584	-	1,718,511	344,220
Net Investment in						
Capital Assets	89,266,885	84,537,238	64,871,629	70,361,035	154,138,514	154,898,273
Restricted	23,391,047	20,437,116	-	-	23,391,047	20,437,116
Unrestricted	2,351,236	1,673,567	33,497,197	20,781,291	35,848,433	22,454,858
Total Net Position	\$ 115,009,168	\$ 106,647,921	\$ 98,368,826	\$ 91,142,326	\$ 213,377,994	\$ 197,790,247

Note: Comparative information for 2017 has not been restated for the effects of the adoption of GASB Statement No. 75 as the information is not available. See Note 1T for more detail.

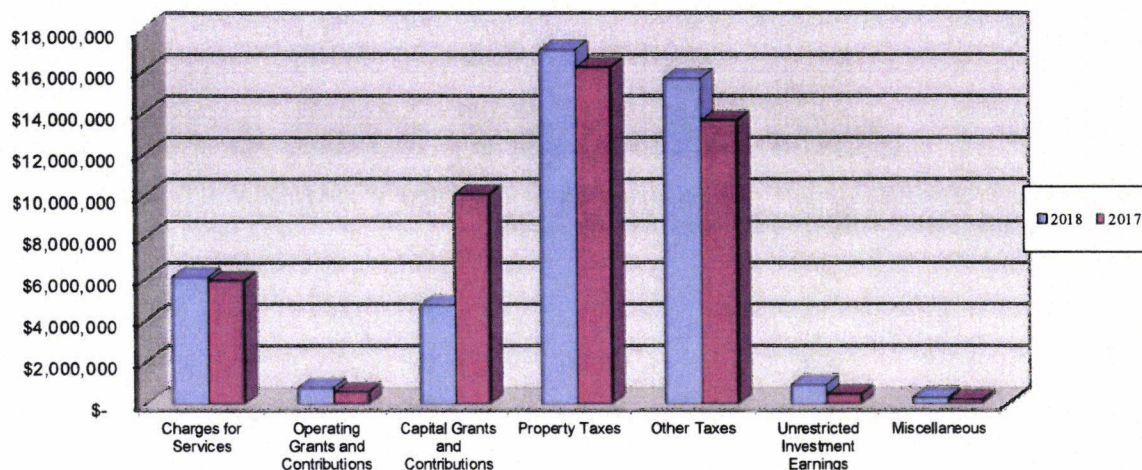
The government's net position increased by \$17.2 million during the current fiscal year. Forty six percent of this increase represents capital contributions from developers. The following table indicates changes in net position for governmental and business-type activities followed by graphs displaying total revenues and expenses by type:

TABLE A-2
CHANGES IN NET POSITION FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

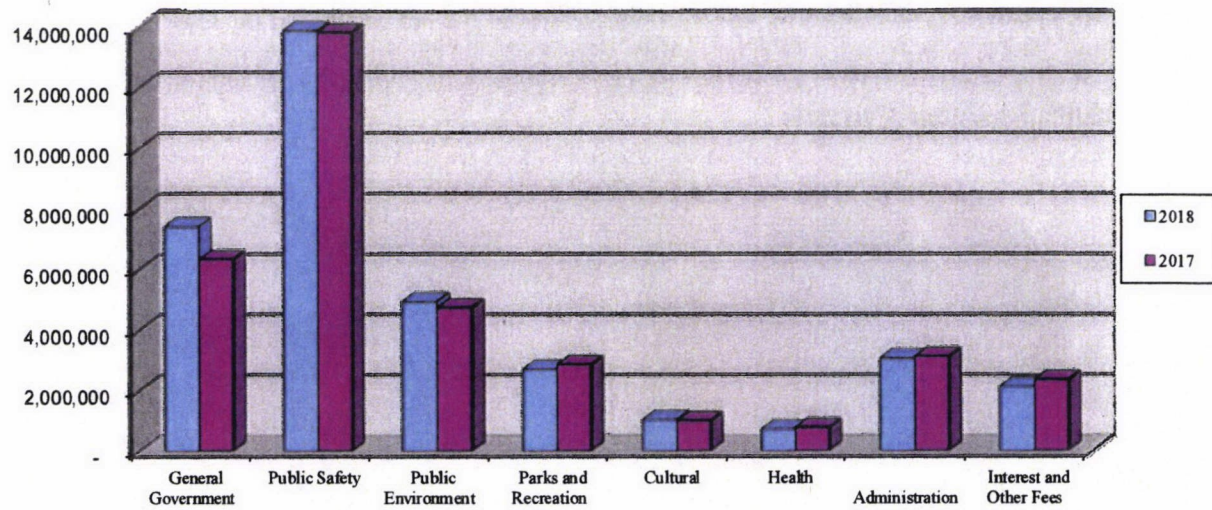
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,100,438	\$ 5,910,899	\$ 33,191,796	\$ 31,757,607	\$ 39,292,234	\$ 37,668,506
Operating Contributions	776,942	552,878	-	-	776,942	552,878
Capital Contributions	4,744,489	10,043,483	3,132,348	6,111,474	7,876,837	16,154,957
General Revenues						
Property Taxes	17,018,950	16,166,006	-	-	17,018,950	16,166,006
Other Taxes	15,625,556	13,595,041	-	-	15,625,556	13,595,041
Investment Earnings	909,985	448,408	532,367	211,466	1,442,352	659,874
Miscellaneous	283,496	182,754	453,374	475,733	736,870	658,487
Total Revenues	<u>45,459,856</u>	<u>46,899,469</u>	<u>37,309,885</u>	<u>38,556,280</u>	<u>82,769,741</u>	<u>85,455,749</u>
Expenses:						
General Government	7,421,918	6,328,926	-	-	7,421,918	6,328,926
Public Safety	13,899,278	13,840,802	-	-	13,899,278	13,840,802
Public Environment	4,930,723	4,728,907	-	-	4,930,723	4,728,907
Parks and Recreation	2,707,292	2,859,974	-	-	2,707,292	2,859,974
Cultural	1,042,085	1,004,747	-	-	1,042,085	1,004,747
Health	724,780	776,494	-	-	724,780	776,494
Administration	3,067,983	3,127,102	-	-	3,067,983	3,127,102
Interest and Other Fees	2,125,687	2,355,714	-	-	2,125,687	2,355,714
Water and Sewer	-	-	23,579,854	21,370,009	23,579,854	21,370,009
EMS	-	-	6,110,407	6,356,185	6,110,407	6,356,185
Total Expenses	<u>35,919,746</u>	<u>35,022,666</u>	<u>29,690,261</u>	<u>27,726,194</u>	<u>65,610,007</u>	<u>62,748,860</u>
INCREASE IN NET POSITION BEFORE TRANSFERS	9,540,110	11,876,803	7,619,624	10,830,086	17,159,734	22,706,889
Transfers	19,186	9,399	(19,186)	(9,399)	-	-
CHANGE IN NET POSITION	9,559,296	11,886,202	7,600,438	10,820,687	17,159,734	22,706,889
BEGINNING NET POSITION	105,449,872	93,563,670	90,768,388	79,947,701	196,218,260	173,511,371
ENDING NET POSITION	<u>\$ 115,009,168</u>	<u>\$ 105,449,872</u>	<u>\$ 98,368,826</u>	<u>\$ 90,768,388</u>	<u>\$ 213,377,994</u>	<u>\$ 196,218,260</u>

Note: Comparative information for 2017 has been restated for the effects of the adoption of GASB Statement No. 75. See Note 1T for more detail.

TOTAL REVENUES-GOVERNMENT-WIDE

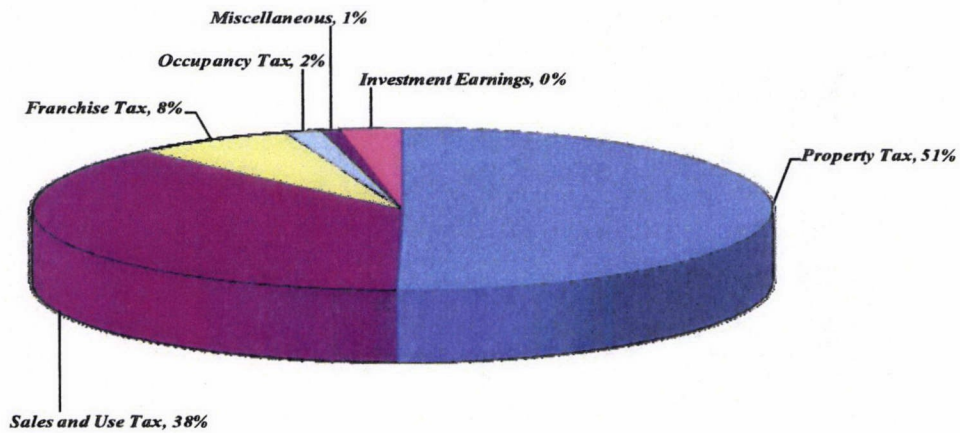


TOTAL EXPENSES-GOVERNMENT-WIDE



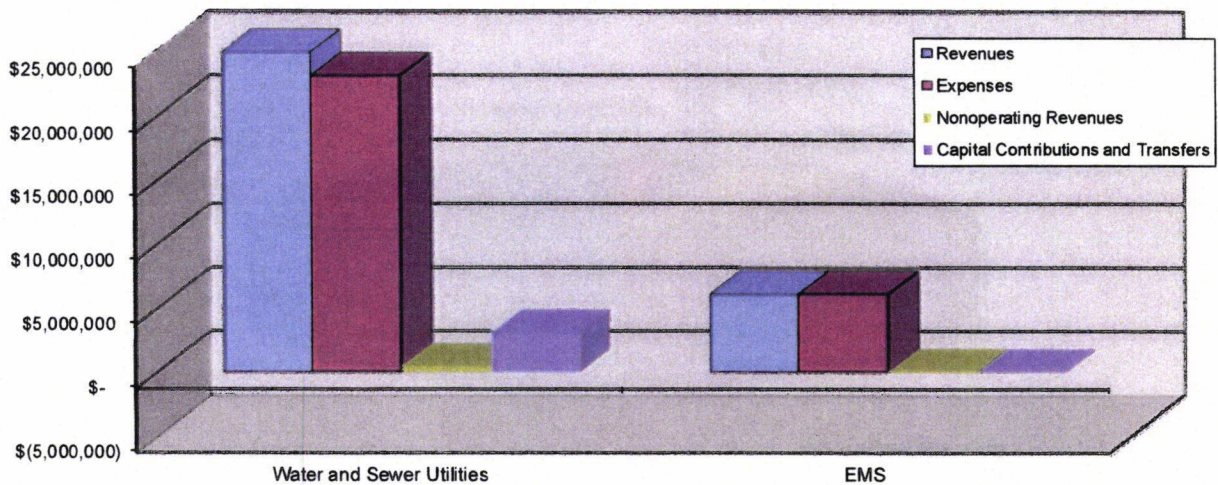
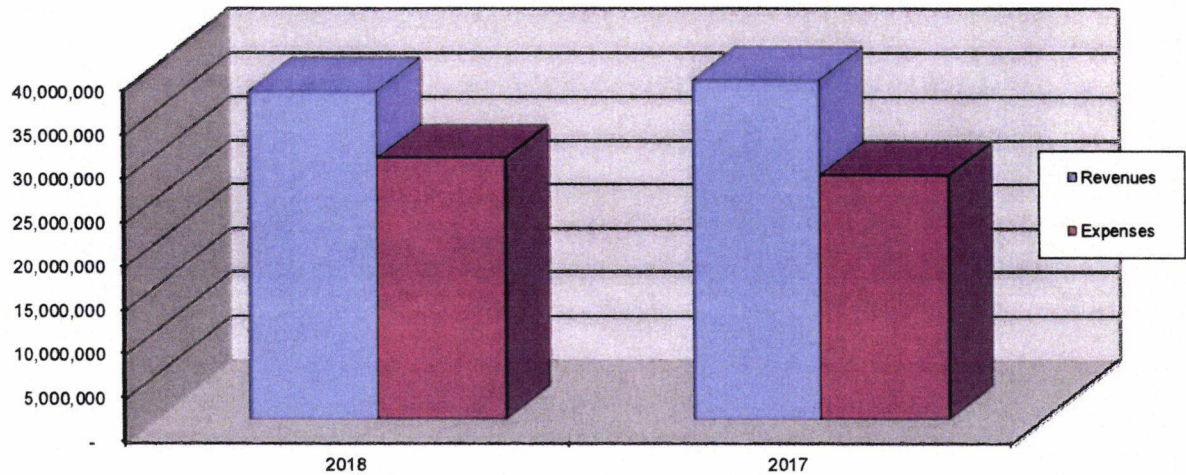
Revenues-Governmental Activities (Continued)

General Revenue by Source - Governmental Activities



Business-Type Activities

Business-Type activities accounted for 45.9% of the growth in the net position of the City of Schertz. Of this increase, 54.6% is the result of capital contributions from developers. For the most part, increases in expenses closely paralleled inflation and the change in revenues was primarily related to fluctuations in capital contributions from developers.



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 \$53.7 million. Of this total amount, \$12.6 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, or assigned to indicate that it is not available for new spending because it has already been committed to pay debt service, for capital improvement projects, and other assigned purposes.

The general fund is the chief operating fund of the City of Schertz. At the end of the current fiscal year, unassigned fund balance of the general fund was \$12.6 million, while total fund balance was \$15.6 million, an increase of \$2.7 million from the prior year. 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 53% of total general fund expenditures, not including capital.

The debt service fund has a total fund balance of \$1.1 million 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 \$0.4 million. The refunding resulted in a Net Present Value Saving of \$566,500 and a current loss of \$89,237.

The capital projects fund has a total fund balance of \$16.1 million, a decrease of \$.9 million. The City issued \$4.845 million in new governmental bonds to supplement capital project activity during the year.

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 \$33.0 million and those for the Schertz EMS fund amounted to \$.5 million. The proprietary fund issued \$5.595 million in new certificate of obligation to supplement capital project activity during the year.

General Fund Budgetary Highlights

The General Fund expenditures were \$2.7 million less than the \$25.5 million budget. This was the result of cost savings across most of the General Fund. Revenues were higher by \$2.3 than budgeted. Overall, the fund balance increased by \$3.3 million 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, 2018, amounts to \$218.2 million (net of accumulated depreciation). Developers contributed \$7.9 million in infrastructure during the year. The City also has several projects in progress from voter approved bonds. Additional information on the City's capital assets can be found in the note 6 to the basic financial statements.

TABLE A-3
CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 8,069,499	\$ 7,499,108	\$ 1,357,539	\$ 1,354,138	\$ 9,427,038	\$ 8,853,246
Water Rights	-	-	70,245	70,245	70,245	70,245
Buildings and Improvements	44,494,208	43,677,947	4,695,503	4,660,001	49,189,711	48,337,948
Machinery, Equipment, and Vehicles	12,299,312	10,347,015	5,441,459	5,013,077	17,740,771	15,360,092
Infrastructure	114,194,414	109,303,478	97,225,671	92,807,350	211,420,085	202,110,828
Construction in Progress	16,640,216	13,632,514	3,391,127	2,907,404	20,031,343	16,539,918
Accumulated Depreciation	(56,139,324)	(50,470,641)	(33,513,085)	(31,233,417)	(89,652,409)	(81,704,058)
TOTALS	\$ 139,558,325	\$ 133,989,421	\$ 78,668,459	\$ 75,578,798	\$ 218,226,784	\$ 209,568,219

Long-Term Debt. At the end of the current fiscal year, the City of Schertz had total bonded debt outstanding of \$80.9 million. The related principal and interest payment for the bonds are backed by an annual ad valorem tax levied against all taxable property within the City. The City of Schertz maintains a "AA+" rating from Standard and Poors. Additional information on the City's long-term debt can be found in note 9 to the basic financial statements.

TABLE A-4

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$51,485,000	\$55,225,000	\$ 2,125,000	\$ 2,530,000	\$53,610,000	\$57,755,000
Certificates of Obligation	12,940,000	8,560,000	12,815,000	8,050,000	25,755,000	16,610,000
Tax Notes and Leases	715,000	1,230,000	765,000	1,065,000	1,480,000	2,295,000
TOTALS	\$65,140,000	\$65,015,000	\$15,705,000	\$11,645,000	\$80,845,000	\$76,660,000

Economic Factors and Next Year's Budgets and Rates

At the end of the last fiscal year, the assigned and unassigned fund balance in the general fund increased to \$13.3 million. The City of Schertz has appropriated \$1.6 million of this amount for spending in the 2019 fiscal year budget in accordance to the City's fund balance policy. The approved tax rate increased to \$0.5146 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.

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, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 2,671,069	\$ 1,640,418	\$ 4,311,487
Investments	50,043,465	19,224,541	69,268,006
Receivables (net of allowances)			
Taxes	3,001,107	-	3,001,107
Accounts and Other	1,682,500	5,792,017	7,474,517
Current Service Concession Arrangement Receivable	90,909	-	90,909
Accrued Interest Income	7,949	6,324	14,273
Inventories	94,876	177,099	271,975
Internal Balances	(132,179)	132,179	-
<i>Total Current Assets</i>	<u>57,459,696</u>	<u>26,972,578</u>	<u>84,432,274</u>
<i>Noncurrent Assets:</i>			
Restricted Assets:			
Cash and Cash Equivalents	701,922	3,962,917	4,664,839
Investments	-	12,414,894	12,414,894
Service Concession Arrangement Receivable	745,583	-	745,583
Capital Assets:			
Land	8,069,499	1,357,539	9,427,038
Water Rights	-	70,245	70,245
Buildings and Improvements	44,494,208	4,695,503	49,189,711
Equipment and Vehicles	12,299,312	5,441,459	17,740,771
Infrastructure	114,194,414	97,225,671	211,420,085
Construction in Progress	16,640,216	3,391,127	20,031,343
Accumulated Depreciation	(56,139,324)	(33,513,085)	(89,652,409)
<i>Total Noncurrent Assets</i>	<u>141,005,830</u>	<u>95,046,270</u>	<u>236,052,100</u>
TOTAL ASSETS	<u>198,465,526</u>	<u>122,018,848</u>	<u>320,484,374</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Debt Refunding	743,718	71,061	814,779
Deferred OPEB Related Outflows	131,029	39,982	171,011
Deferred Pension Related Outflows	2,021,603	621,416	2,643,019
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,896,350</u>	<u>\$ 732,459</u>	<u>\$ 3,628,809</u>

See Accompanying notes to basic financial statements.

CITY OF SCHERTZ, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2018

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 1,673,922	\$ 1,891,230	\$ 3,565,152
Accrued Liabilities	633,179	187,520	820,699
Due to Other Governments	143,448	-	143,448
Unearned Revenue	35,720	431,098	466,818
Accrued Interest Payable	375,365	105,055	480,420
Compensated Absences	245,465	60,983	306,448
Customer Deposits	52,456	641,394	693,850
Current Service Concession Arrangement (Liability)	54,694	-	54,694
Current Portion of Long-Term Debt	4,631,854	1,873,362	6,505,216
<i>Total Current Liabilities</i>	<u>7,846,103</u>	<u>5,190,642</u>	<u>13,036,745</u>
<i>Noncurrent Liabilities:</i>			
Compensated Absences	981,859	243,931	1,225,790
Total Other Post-Employment Benefit Liability	2,023,758	619,807	2,643,565
Net Pension Liability	11,113,219	3,521,490	14,634,709
Service Concession Arrangement (Liability)	448,570	-	448,570
Long-Term Debt	62,507,272	14,520,027	77,027,299
<i>Total Noncurrent Liabilities</i>	<u>77,074,678</u>	<u>18,905,255</u>	<u>95,979,933</u>
TOTAL LIABILITIES	<u>84,920,781</u>	<u>24,095,897</u>	<u>109,016,678</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Service Concession Arrangement	333,228	-	333,228
Deferred Inflows - Pension Related	1,098,699	286,584	1,385,283
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,431,927</u>	<u>286,584</u>	<u>1,718,511</u>
NET POSITION			
Net Investment In Capital Assets	89,266,885	64,871,629	154,138,514
Restricted For:			
Police and Municipal Court	1,183,123	-	1,183,123
PEG Capital Fees	723,353	-	723,353
Tourism Development	1,846,947	-	1,846,947
Economic Development	17,811,968	-	17,811,968
Parks and Tree Mitigation	805,966	-	805,966
Debt Service	809,427	-	809,427
Scholarships and Other Purposes	210,263	-	210,263
Unrestricted	2,351,236	33,497,197	35,848,433
TOTAL NET POSITION	<u>\$ 115,009,168</u>	<u>\$ 98,368,826</u>	<u>\$ 213,377,994</u>

See Accompanying notes to basic financial statements.

CITY OF SCHERTZ, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
<i>Governmental Activities:</i>				
General Government	\$ 7,421,918	\$ 1,013,698	\$ 100,000	\$ 4,744,489
Public Safety	13,899,278	4,104,911	524,015	-
Public Environment	4,930,723	-	-	-
Parks and Recreation	2,707,292	640,231	132,332	-
Cultural	1,042,085	313,668	6,854	-
Health	724,780	27,930	13,741	-
Administration	3,067,983	-	-	-
Interest	2,125,687	-	-	-
<i>Total Governmental Activities</i>	<u>35,919,746</u>	<u>6,100,438</u>	<u>776,942</u>	<u>4,744,489</u>
<i>Business-Type Activities</i>				
Water and Sewer	23,579,854	27,099,237	-	3,132,348
EMS	6,110,407	6,092,559	-	-
<i>Total Business-Type Activities</i>	<u>29,690,261</u>	<u>33,191,796</u>	<u>-</u>	<u>3,132,348</u>
Total Primary Government	<u>\$ 65,610,007</u>	<u>\$ 39,292,234</u>	<u>\$ 776,942</u>	<u>\$ 7,876,837</u>
General Revenues:				
Taxes:				
Ad Valorem				
Sales				
Franchise Fees				
Hotel/Motel				
Mixed Drink				
Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Prior Period Adjustment				
Net Position at End of Year				

See Accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,563,731)		\$ (1,563,731)
(9,270,352)		(9,270,352)
(4,930,723)		(4,930,723)
(1,934,729)		(1,934,729)
(721,563)		(721,563)
(683,109)		(683,109)
(3,067,983)		(3,067,983)
(2,125,687)		(2,125,687)
<u>(24,297,877)</u>		<u>(24,297,877)</u>
	\$ 6,651,731	6,651,731
	<u>(17,848)</u>	<u>(17,848)</u>
	<u>6,633,883</u>	<u>6,633,883</u>
<u>(24,297,877)</u>	<u>6,633,883</u>	<u>(17,663,994)</u>
17,018,950	-	17,018,950
12,668,555	-	12,668,555
2,393,182	-	2,393,182
520,424	-	520,424
43,395	-	43,395
909,985	532,367	1,442,352
283,496	453,374	736,870
<u>33,837,987</u>	<u>985,741</u>	<u>34,823,728</u>
<u>19,186</u>	<u>(19,186)</u>	<u>-</u>
9,559,296	7,600,438	17,159,734
106,647,921	91,142,326	197,790,247
(1,198,049)	(373,938)	(1,571,987)
<u>\$ 115,009,168</u>	<u>\$ 98,368,826</u>	<u>\$ 213,377,994</u>

CITY OF SCHERTZ, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Capital Projects	Debt Service
ASSETS			
Cash and Cash Equivalents	\$ 1,391,876	\$ 361,260	\$ 27,896
Investments	13,202,101	16,469,940	1,071,962
Receivables (net of allowances)			
Taxes	2,136,274	-	84,934
Accounts and Other	1,682,001	-	-
Inventory	94,876	-	-
Restricted Assets:			
Cash and Cash Equivalents	701,922	-	-
TOTAL ASSETS	<u>\$ 19,209,050</u>	<u>\$ 16,831,200</u>	<u>\$ 1,184,792</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 892,564	\$ 658,395	\$ -
Accrued Salaries and Benefits	742,046	-	-
Customer Deposits	52,456	-	-
Due to Other Governments	143,448	-	-
Due to Other Funds	16,139	116,040	-
Unearned Revenues	35,720	-	-
Total Liabilities	<u>1,882,373</u>	<u>774,435</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Revenues	1,696,224	-	84,934
<i>Fund Balances:</i>			
Nonspendable			
Inventory	94,876	-	-
Restricted for			
Police and Public Safety/Municipal Court	101,842	-	-
Municipal Court	728,350	-	-
PEG Capital Fees	723,353	-	-
Capital Improvement	-	16,056,765	-
Debt Service	-	-	1,099,858
Tourism Development	-	-	-
Parks and Tree Mitigation	-	-	-
Historical Committee and Library	-	-	-
Economic Development	-	-	-
Animal Control	35,660	-	-
Veterans	4,796	-	-
Scholarships	84,989	-	-
Committed for Civic Center/CIED	454,376	-	-
Assigned for:			
Property Replacement	854,198	-	-
Unassigned	12,548,013	-	-
Total Fund Balances	<u>15,630,453</u>	<u>16,056,765</u>	<u>1,099,858</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 19,209,050</u>	<u>\$ 16,831,200</u>	<u>\$ 1,184,792</u>

See Accompanying notes to basic financial statements.

<u>Economic Development Corporation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 397,726	\$ 492,315	\$ 2,671,073
16,664,835	2,634,626	50,043,464
746,350	33,548	3,001,106
8,448	-	1,690,449
-	-	94,876
-	-	701,922
<u>\$ 17,817,359</u>	<u>\$ 3,160,489</u>	<u>\$ 58,202,890</u>
\$ 5,391	\$ 8,705	\$ 1,565,055
-	-	742,046
-	-	52,456
-	-	143,448
-	-	132,179
-	-	35,720
<u>5,391</u>	<u>8,705</u>	<u>2,670,904</u>
-	-	1,781,158
-	-	94,876
-	352,931	454,773
-	-	728,350
-	-	723,353
-	61,122	16,117,887
-	-	1,099,858
-	1,846,947	1,846,947
-	805,966	805,966
-	84,818	84,818
17,811,968	-	17,811,968
-	-	35,660
-	-	4,796
-	-	84,989
-	-	454,376
-	-	854,198
-	-	12,548,013
<u>17,811,968</u>	<u>3,151,784</u>	<u>53,750,828</u>
<u>\$ 17,817,359</u>	<u>\$ 3,160,489</u>	<u>\$ 58,202,890</u>



CITY OF SCHERTZ, TEXAS
RECONCILIATION OF BALANCE SHEET
SEPTEMBER 30, 2018

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 53,750,828

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. 139,558,325

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds. 1,781,158

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:

Bonds Payable	(65,140,000)	
Unamortized Premiums, Discounts, Losses on Refundings	(1,221,146)	
Capital Lease Payable	(34,264)	
Accrued Interest Payable	(375,365)	
Compensated Absences	<u>(1,227,324)</u>	(67,998,099)

Service Concession Arrangements (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in governmental funds:

Service Concession Arrangement (Liability)	(503,264)	
Service Concession Arrangement Receivable	836,492	
Deferred Service Concessions	<u>(333,228)</u>	-

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

OPEB Related Deferred Outflows	131,029	
net OPEB Liability	<u>(2,023,758)</u>	<u>(1,892,729)</u>

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

Net Pension Liability	(11,113,219)	
Pension Related Deferred Inflows	(1,098,699)	
Pension Related Deferred Outflows	<u>2,021,603</u>	<u>(10,190,315)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 115,009,168

CITY OF SCHERTZ, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Capital Projects	Debt Service Fund
REVENUES			
Taxes	\$ 21,741,184	\$ -	\$ 6,148,041
Permits and Fees	2,317,534	-	-
Service Fees	2,139,574	-	-
Fines and Fees	868,875	-	-
Intergovernmental	530,122	79,009	-
Investment Earnings	252,397	282,213	61,928
Miscellaneous	690,810	-	100,000
TOTAL REVENUES	<u>28,540,496</u>	<u>361,222</u>	<u>6,309,969</u>
EXPENDITURES			
<i>Current:</i>			
General Government	5,544,155	-	-
Public Safety	12,718,070	-	-
Public Environment	1,136,052	-	-
Parks and Recreation	1,672,789	-	-
Cultural	939,095	-	-
Health	628,054	-	-
Administration	2,478,964	-	-
<i>Capital Outlay</i>	1,083,044	6,346,147	-
<i>Debt Service.</i>			
Principal	24,116	-	4,720,000
Interest and Fiscal Charges	3,056	-	2,096,134
Bond Issue Costs	-	49,212	80,205
TOTAL EXPENDITURES	<u>26,227,395</u>	<u>6,395,359</u>	<u>6,896,339</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>2,313,101</u>	<u>(6,034,137)</u>	<u>(586,370)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of Debt	-	4,845,000	-
Issuance of Refunding Debt	-	-	6,035,000
Premiums from Issuance of Debt	-	269,212	-
Proceeds from Capital Lease	42,829	-	-
Payments to Refunding Escrow Agent	-	-	(6,159,623)
Transfers In	351,219	60,693	360,769
Transfers Out	(46,314)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>347,734</u>	<u>5,174,905</u>	<u>236,146</u>
Net Change in Fund Balance	2,660,835	(859,232)	(350,224)
Fund Balances at Beginning of Year	<u>12,969,618</u>	<u>16,915,997</u>	<u>1,450,082</u>
Fund Balances at End of Year	<u>\$ 15,630,453</u>	<u>\$ 16,056,765</u>	<u>\$ 1,099,858</u>

See accompanying notes to basic financial statements.

Economic Development Corporation	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,223,053	\$ 520,424	\$ 32,632,702
-	239,522	2,557,056
-	19,619	2,159,193
-	181,114	1,049,989
-	-	609,131
264,686	48,454	909,678
-	60,797	851,607
<u>4,487,739</u>	<u>1,069,930</u>	<u>40,769,356</u>
650,753	132,225	6,327,133
-	10,152	12,728,222
-	-	1,136,052
-	25,083	1,697,872
-	16,058	955,153
-	-	628,054
468,670	67,605	3,015,239
-	279,434	7,708,625
-	-	4,744,116
-	-	2,099,190
-	-	129,417
<u>1,119,423</u>	<u>530,557</u>	<u>41,169,073</u>
<u>3,368,316</u>	<u>539,373</u>	<u>(399,717)</u>
-	-	4,845,000
-	-	6,035,000
-	-	269,212
-	-	42,829
-	-	(6,159,623)
-	4,806	777,487
<u>(625,769)</u>	<u>(86,219)</u>	<u>(758,302)</u>
<u>(625,769)</u>	<u>(81,413)</u>	<u>5,051,603</u>
2,742,547	457,960	4,651,886
<u>15,069,421</u>	<u>2,693,824</u>	<u>49,098,942</u>
<u>\$ 17,811,968</u>	<u>\$ 3,151,784</u>	<u>\$ 53,750,828</u>



CITY OF SCHERTZ, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 4,651,886

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. In addition, capital assets contributed to governmental activities are not recorded on the fund statements.

Capital Outlay	7,476,978	
Capital Contributions	4,744,489	
Depreciation Expense	<u>(6,279,969)</u>	5,941,498

Proceeds from capital asset dispositions produce current financial resources in the fund statements, while the net gain (loss) is recognized in the Statement of Activities. This is net book value of capital assets disposed. (372,594)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (11,446)

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

Proceeds from the Issuance of Debt	(10,880,000)	
Premiums Received from the Issuance of Debt	(269,212)	
Payment to Refunding Escrow Agent	6,159,623	
Principal Repayments	4,629,089	
Amortization of Premiums, Discounts, Losses	<u>29,856</u>	(248,850)

Governmental funds report required contributions to employee pensions and OPEB's as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that actuarially determined pension and OPEB's expense exceeded contributions. (313,730)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	(157,475)	
Accrued Interest	<u>70,007</u>	<u>(87,468)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 9,559,296

CITY OF SCHERTZ, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total	Internal Service Fund
ASSETS				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 1,448,185	\$ 192,233	\$ 1,640,418	\$ -
Investments	19,167,541	57,000	19,224,541	-
Accounts Receivable, Net of Allowance:				
Customer Accounts	2,907,299	2,884,718	5,792,017	-
Due from Other Funds	116,040	16,139	132,179	-
Accrued Interest	6,324	-	6,324	-
Inventory	89,871	87,228	177,099	-
<i>Total Current Assets</i>	<u>23,735,260</u>	<u>3,237,318</u>	<u>26,972,578</u>	<u>-</u>
<i>Noncurrent Assets:</i>				
Restricted Assets:				
Cash and Cash Equivalents	3,962,917	-	3,962,917	-
Investments	12,414,754	140	12,414,894	-
Capital Assets:				
Land	1,357,539	-	1,357,539	-
Water Rights	70,245	-	70,245	-
Buildings and Improvements	4,689,003	6,500	4,695,503	-
Machinery, Equipment, and Vehicles	2,579,173	2,862,286	5,441,459	-
Infrastructure	97,225,671	-	97,225,671	-
Construction in Progress	3,391,127	-	3,391,127	-
Less: Accumulated Depreciation	(31,934,511)	(1,578,574)	(33,513,085)	-
<i>Total Noncurrent Assets</i>	<u>93,755,918</u>	<u>1,290,352</u>	<u>95,046,270</u>	<u>-</u>
TOTAL ASSETS	<u>117,491,178</u>	<u>4,527,670</u>	<u>122,018,848</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Refunding	71,061	-	71,061	-
Deferred OPEB Related Outflows	13,430	26,552	39,982	-
Deferred Pension Related Outflows	236,543	384,873	621,416	-
TOTAL DEFERRED OUTFLOWS	<u>\$ 321,034</u>	<u>\$ 411,425</u>	<u>\$ 732,459</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

CITY OF SCHERTZ, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total	Internal Service Fund
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 1,777,190	\$ 114,040	\$ 1,891,230	\$ -
Accrued Liabilities	55,669	131,851	187,520	-
Customer Deposits	641,394	-	641,394	-
Accrued Interest Payable	95,729	9,326	105,055	-
Unearned Revenue	431,088	10	431,098	-
Current Portion of Compensated Absences	22,699	38,284	60,983	-
Current Portion of Long-Term Debt	1,509,710	363,652	1,873,362	-
<i>Total Current Liabilities</i>	<u>4,533,479</u>	<u>657,163</u>	<u>5,190,642</u>	<u>-</u>
<i>Noncurrent Liabilities:</i>				
Compensated Absences	90,795	153,136	243,931	-
Total Other Post-Employment Benefit Liability	208,194	411,613	619,807	-
Net Pension Liability	1,423,125	2,098,365	3,521,490	-
Long-Term Debt (Net of Current Portion)	13,808,605	711,422	14,520,027	-
<i>Total Noncurrent Liabilities</i>	<u>15,530,719</u>	<u>3,374,536</u>	<u>18,905,255</u>	<u>-</u>
TOTAL LIABILITIES	<u>20,064,198</u>	<u>4,031,699</u>	<u>24,095,897</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Related Inflows	69,675	216,909	286,584	-
TOTAL DEFERRED INFLOWS				
NET POSITION				
Net Investment in Capital Assets	64,656,352	215,277	64,871,629	-
Unrestricted	33,021,987	475,210	33,497,197	-
TOTAL NET POSITION	<u>\$ 97,678,339</u>	<u>\$ 690,487</u>	<u>\$ 98,368,826</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

CITY OF SCHERTZ, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total	Internal Service Fund
OPERATING REVENUES				
Fees Charged to Users	\$ 26,906,716	\$ 6,092,559	\$ 32,999,275	\$ -
Charges for Premiums	-	-	-	2,441,307
Other Charges	192,521	-	192,521	-
TOTAL OPERATING REVENUES	27,099,237	6,092,559	33,191,796	2,441,307
OPERATING EXPENSES				
Personnel Services	2,052,660	4,043,032	6,095,692	2,441,307
Contribution to Joint Ventures	3,206,068	-	3,206,068	-
Water Purchase	3,217,917	-	3,217,917	-
Garbage Contractor	4,687,548	-	4,687,548	-
Sewage Treatment	4,066,299	-	4,066,299	-
General and Administrative	2,770,165	533,268	3,303,433	-
Contractual Services	405,756	699,858	1,105,614	-
Supplies and Maintenance	395,850	449,999	845,849	-
Depreciation	2,333,982	371,827	2,705,809	-
TOTAL OPERATING EXPENSES	23,136,245	6,097,984	29,234,229	2,441,307
OPERATING INCOME (LOSS)	3,962,992	(5,425)	3,957,567	-
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	521,727	10,640	532,367	-
Lease Income	263,469	-	263,469	-
Miscellaneous	131,631	58,274	189,905	-
Interest Expense	(391,609)	(12,423)	(404,032)	-
Amortization	(52,000)	-	(52,000)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	473,218	56,491	529,709	-
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	4,436,210	51,066	4,487,276	-
Transfers In (Out)	(15,546)	(3,640)	(19,186)	-
Capital Contributions	3,132,348	-	3,132,348	-
CHANGE IN NET POSITION	7,553,012	47,426	7,600,438	-
NET POSITION AT BEGINNING OF YEAR	90,252,474	889,852	91,142,326	-
PRIOR PERIOD ADJUSTMENT	(127,147)	(246,791)	(373,938)	-
NET POSITION AT END OF YEAR	\$ 97,678,339	\$ 690,487	\$ 98,368,826	\$ -

See accompanying notes to basic financial statements.

CITY OF SCHERTZ, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total	Internal Service Fund
Cash Flows From Operating Activities:				
Cash Received From Customers and Users	\$ 27,080,410	\$ 6,332,268	\$ 33,412,678	\$ -
Cash Received from Interfund Services	-	-	-	2,441,307
Cash Paid to Employees for Services	(1,980,148)	(3,976,477)	(5,956,625)	(2,441,307)
Cash Paid to Supplier for Goods & Services	(19,047,974)	(1,631,429)	(20,679,403)	-
Net Cash Provided (Used) by Operating Activities	6,052,288	724,362	6,776,650	-
Cash Flows From Noncapital Financing Activities:				
Cash Advances From/(To) Other Funds	15,546	(187,583)	(172,037)	-
Net Cash Provided (Used) by Noncapital Financing Activities	15,546	(187,583)	(172,037)	-
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(1,808,605)	(854,517)	(2,663,122)	-
Proceeds from Issuance of Debt/Capital Leases	5,595,000	332,967	5,927,967	-
Interest Paid on Long-Term Debt	(423,338)	(13,828)	(437,166)	-
Principal Paid on Long-Term Debt	(1,275,000)	(396,134)	(1,671,134)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	2,088,057	(931,512)	1,156,545	-
Cash Flows From Investing Activities:				
Sale (Purchase) of Investments	(7,609,944)	576,326	(7,033,618)	-
Premium from Issuance of Debt	282,000	-	282,000	-
Payments from Leases	263,469	-	263,469	-
Interest and Investment Earnings	521,727	10,640	532,367	-
Net Cash Provided (Used) by Investing Activities	(6,542,748)	586,966	(5,955,782)	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,613,143	192,233	1,805,376	-
Cash and Cash Equivalents at Beginning of Year:				
Cash and Cash Equivalents	2,353,733	-	2,353,733	-
Restricted Cash and Cash Equivalents	1,444,226	-	1,444,226	-
	3,797,959	-	3,797,959	-
Cash and Cash Equivalents at End of Year:				
Cash and Cash Equivalents	1,448,185	192,233	1,640,418	-
Restricted Cash and Cash Equivalents	3,962,917	-	3,962,917	-
	\$ 5,411,102	\$ 192,233	\$ 5,603,335	\$ -

See accompanying notes to basic financial statements.

CITY OF SCHERTZ, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Schertz EMS	Total	Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income	\$ 3,962,992	\$ (5,425)	\$ 3,957,567	\$ -
Revenues from Other Sources	131,631	58,274	189,905	-
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	2,333,982	371,827	2,705,809	-
Decrease (Increase) in Assets:				
Accounts Receivable (net)	(187,804)	207,987	20,183	-
Prepaid Expenses	-	-	-	-
Inventory	(38,081)	(5,588)	(43,669)	-
Deferred Pension Outflows	122,706	163,539	286,245	-
Deferred OPEB Related Outflows	(13,430)	(26,552)	(39,982)	-
Increase (Decrease) in Liabilities:				
Accounts Payable	(260,290)	57,284	(203,006)	-
Accrued Liabilities	10,299	1,062	11,361	-
Customer Deposits	50,776	-	50,776	-
Unearned Revenue	-	-	-	-
Compensated Absences	17,435	(23,146)	(5,711)	-
Net Pension Liability	(180,199)	(356,261)	(536,460)	-
Deferred Pension Inflows	69,675	216,909	286,584	-
Net Other Post-employment Benefit Payable	32,596	64,452	97,048	-
Net Cash Provided (Used) by Operating Activities	\$ 6,052,288	\$ 724,362	\$ 6,776,650	\$ -
Noncash Capital and Related Financing Transactions:				
Developer Contributions of Capital Assets	\$ 3,132,348	\$ -	\$ -	\$ -

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

1. 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. For financial reporting purposes, the SEDC is reported as if it were part of the City's operations because its purpose is to benefit the citizens of the City. 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.

1. 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.
2. 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.

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Cibolo Creek Municipal Authority (CCMA) – was created in 1971 and provides regional wastewater services to the area northeast of San Antonio. The City and CCMC entered into a joint project to develop a new treatment facility that will currently only serve the City. The project will have excess capacity to serve other users in the future. The City is solely responsible for funding the project until other users need capacity.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 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 Capital Projects Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities and is principally financed by the sale of bonds or certificates of obligation and grants.

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

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

The government reports the following major proprietary 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.

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

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

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

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

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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. The fair value of the City's position in each pool is the same as the net asset value value of the pool shares.

The city reports investments at fair value based on 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. 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.

F. Receivables and Payables

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

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

Property taxes for the City are levied each October 1 on the taxable value as of the preceding January 1, the date a lien attaches, for all taxable real and personal property located in the City. Taxes are due by

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables and Payables (Continued)

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

G. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements and in the fund financial statements are offset by a nonspendable fund balance which indicates they do not represent "available spendable resources".

H. Restricted Assets

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

I. Capital Assets

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

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

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction will not be capitalized in the governmental activities on the government-wide financial statements; however capitalization of interest is required for business-type activities. There was no capitalized interest during the current fiscal year.

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

Assets	Useful Lives (Years)
Buildings and Improvements	10 - 50
Machinery, Equipment, and Vehicles	2 - 20
Infrastructure	15 - 30

J. Deferred Inflows/Outflows of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

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.

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Other Post-Employment Benefits

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

N. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and losses on defeasance are amortized over the life of the bonds using the effective interest 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 Equity

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.

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Equity (Cont.)

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

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

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 assets are reported as restricted when there are limitations imposed by creditors, grantors, or laws or regulations of other governments.

Q. Estimates

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

R. Budgetary Information

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

S. Reclassifications

Certain reclassifications have been made in the presentation of the September 30, 2018 financial statements. All comparative information for prior periods has been reclassified to match the new presentation. The changes in presentation had no impact on the changes in net position or fund balance.

T. Adoption of Statement No. 75

In accordance with GASB Statement No. 75, the City has recorded a prior period adjustment to recognize the Other Post-Employment Benefits Liability as described in Note. The OPEB liability was allocated between the general and proprietary funds to restate beginning balances in accordance with the statement. The restatement is noted as a prior period adjustment on the Government-wide Statement of Activities, as well as the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The City's operating deposits are held at one institution. The institution provides a combination of pledged collateral and FDIC insurance to completely collateralize the City's deposits.

As of September 30, 2018, the City had the following pooled investment funds:

Investment Type	Value	Input Level	Weighted Average Maturity in Days	Value Method
LOGIC	\$ 19,740,226	1	34	NAV
Lone Star Investment Pool	33,252,622	1	42	NAV
Texas CLASS	22,367,413	1	79	NAV
Schertz Bank & Trust - Certificates of Deposit	3,182,350	1	82	Amortized Cost
Capital One - U.S. Agency Securities	3,140,289	1	429	Amortized Cost
Total	<u>\$ 81,682,900</u>		<u>67</u>	

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, 2018, the City's investments in the pooled investment funds were rated AAAM by Standard & Poor's. The City has also invested in debt securities provided by the Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit Banks, and U.S Treasury Notes. As of September 30, 2018, 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, 2018, 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.

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 3 - PROPERTY TAX

Taxes are levied on and payable as of October 1. The City has contracted with the Guadalupe County Tax Assessor-Collector to collect taxes on its behalf. Current taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action. The total taxable value as of October 1, 2017, upon which the fiscal 2018 levy was based, was \$3,431,208,548 (i.e., market value less exemptions). The estimated market value was \$4,546,451,734 making the taxable value 75.5% 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, 2018, was \$0.4910 per \$100 of assessed value, which means that the City has a tax margin of \$2.009 for each \$100 value and could increase its annual tax levy by approximately \$68,932,979 based upon the present assessed valuation before the limit is reached.

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

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

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 4 - RECEIVABLES

Receivables as September 30, 2018 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				Proprietary Funds	
	General	Economic Development	Debt Service	Nonmajor Funds	Water and Sewer Fund	Schertz EMS
<i>Receivables:</i>						
Property Taxes	\$ 168,137	\$ -	\$ 90,355	\$ -	\$ -	\$ -
Sales Taxes	1,492,700	746,350	-	-	-	-
Occupancy Taxes	-	-	-	33,548	-	-
Franchise Taxes	485,525	-	-	-	-	-
Customers	143,826	-	-	-	3,011,818	18,450,194
Court Fines	3,779,300	-	-	-	-	-
Grants	-	-	-	-	-	-
Other	-	8,448	-	-	-	41,932
Gross Receivables	6,069,488	754,798	90,355	33,548	3,011,818	18,492,126
Less: Allowance for Uncollectibles	2,251,213	-	5,421	-	104,519	15,607,408
Net Total Receivables	<u>\$ 3,818,275</u>	<u>\$ 754,798</u>	<u>\$ 84,934</u>	<u>\$ 33,548</u>	<u>\$ 2,907,299</u>	<u>\$ 2,884,718</u>

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. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned/ unavailable revenue* and *unavailable revenue* reported in the governmental funds were as follows:

	Unavailable
<i>General Fund</i>	
Delinquent Property Taxes Receivable	\$ 158,049
Court Fines	1,538,175
<i>Total General Fund</i>	<u>1,696,224</u>
<i>Debt Service Fund</i>	
Delinquent Property Taxes Receivable	84,934
<i>Total Debt Service Fund</i>	<u>84,934</u>
<i>Total Governmental Funds</i>	<u>\$ 1,781,158</u>

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2018 is as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects Fund	Water & Sewer	\$ 116,040	Structured funding for Waterline Project
EMS	General	16,139	Short-term pooled cash loan

The following schedule briefly summarizes the City's transfer activity for the year ending September 30, 2018:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Governmental	General	\$ 86,219	Supplement DEA expenditures
EMS	Capital Projects	3,640	Supplement capital purchases
Economic Development	Debt Service	360,769	Pledge in support of debt service
Economic Development	General	265,000	Pledge support of General Fund
General	Nonmajor Governmental	4,806	Supplement expenses
Water & Sewer	Capital Projects	15,546	Supplement capital purchases
General	Capital Projects	41,508	Supplement capital purchases

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
<i>Capital Assets, Not Being Depreciated:</i>					
Land	\$ 7,499,108	\$ 570,391	\$ -	\$ -	\$ 8,069,499
Construction in Progress	13,632,514	5,871,553	(2,863,851)	-	16,640,216
<i>Total Capital Assets Not Being Depreciated</i>	<u>21,131,622</u>	<u>6,441,944</u>	<u>(2,863,851)</u>	<u>-</u>	<u>24,709,715</u>
<i>Capital Assets, Being Depreciated:</i>					
Buildings and Improvements	43,677,947	977,816	(161,555)	-	44,494,208
Machinery, Equipment, and Vehicles	10,347,015	2,774,622	(822,325)	-	12,299,312
Streets and Infrastructure	109,303,478	4,890,936	-	-	114,194,414
<i>Total Capital Assets Being Depreciated</i>	<u>163,328,440</u>	<u>8,643,374</u>	<u>(983,880)</u>	<u>-</u>	<u>170,987,934</u>
<i>Accumulated Depreciation:</i>					
Buildings and Improvements	(12,280,121)	(1,577,757)	12,117	-	(13,845,761)
Machinery, Equipment, and Vehicles	(5,813,559)	(981,491)	599,169	-	(6,195,881)
Streets and Infrastructure	(32,376,961)	(3,720,721)	-	-	(36,097,682)
<i>Total Accumulated Depreciation</i>	<u>(50,470,641)</u>	<u>(6,279,969)</u>	<u>611,286</u>	<u>-</u>	<u>(56,139,324)</u>
Total Capital Assets Being Depreciated, Net	<u>112,857,799</u>	<u>2,363,405</u>	<u>(372,594)</u>	<u>-</u>	<u>114,848,610</u>
Governmental Activities Capital Assets, Net	<u>\$ 133,989,421</u>	<u>\$ 8,805,349</u>	<u>\$ (3,236,445)</u>	<u>\$ -</u>	<u>\$ 139,558,325</u>

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 6 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Business-Type Activities:					
<i>Capital Assets, Not Being Depreciated.</i>					
Land	\$ 1,354,138	\$ 3,401	\$ -	\$ -	\$ 1,357,539
Water Rights	70,245	-	-	-	70,245
Construction in Progress	2,907,404	1,805,198	(1,321,475)	-	3,391,127
<i>Total Assets Not Being Depreciated</i>	<u>4,331,787</u>	<u>1,808,599</u>	<u>(1,321,475)</u>	<u>-</u>	<u>4,818,911</u>
<i>Capital Assets, Being Depreciated:</i>					
Buildings and Improvements	4,660,001	35,502	-	-	4,695,503
Machinery, Equipment, and Vehicles	5,013,077	854,523	(426,141)	-	5,441,459
Infrastructure	92,807,350	4,418,321	-	-	97,225,671
<i>Total Capital Assets Being Depreciated</i>	<u>102,480,428</u>	<u>5,308,346</u>	<u>(426,141)</u>	<u>-</u>	<u>107,362,633</u>
<i>Accumulated Depreciation.</i>					
Buildings and Improvements	(2,474,006)	(156,004)	-	-	(2,630,010)
Machinery, Equipment, and Vehicles	(2,995,600)	(1,932,717)	-	-	(4,928,317)
Infrastructure	(25,763,811)	(617,088)	426,141	-	(25,954,758)
<i>Total Accumulated Depreciation</i>	<u>(31,233,417)</u>	<u>(2,705,809)</u>	<u>426,141</u>	<u>-</u>	<u>(33,513,085)</u>
Total Capital Assets Being Depreciated, Net	<u>71,247,011</u>	<u>2,602,537</u>	<u>-</u>	<u>-</u>	<u>73,849,548</u>
Business-Type Activities Capital Assets, Net	<u>\$ 75,578,798</u>	<u>\$ 4,411,136</u>	<u>\$ (1,321,475)</u>	<u>\$ -</u>	<u>\$ 78,668,459</u>

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

Governmental Activities:

General Government	\$ 659,064
Public Safety	803,019
Public Environment	3,747,059
Parks and Recreation	886,559
Cultural	58,617
Health	90,164
Administration	35,487
<i>Total Depreciation Expense - Governmental Activities</i>	<u>\$ 6,279,969</u>

Business-Type Activities:

Water and Sewer System	\$ 2,333,982
EMS	371,827
<i>Total Depreciation Expense - Business Type Activities</i>	<u>\$ 2,705,809</u>

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 7 - OPERATING LEASE

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

Fiscal Year Ending September 30,	Total
2019	\$ 260,569
2020	273,597
2021	287,277
2022	301,641
2023	316,756
2024-2028	1,827,598
	<u>\$ 3,267,438</u>

NOTE 8 - CAPITAL LEASE

In 2014, the City entered into two lease agreements qualifying as capital leases for accounting purposes based on a bargain purchase option. Therefore, capital assets and a related capital lease obligation have been recorded at the present value of the future minimum lease payments at the inception date. The assets acquired through capital lease are reported in capital assets with the following accumulated depreciation at September 30, 2018:

	Governmental Activities	Business-type Activities
<i>Assets:</i>		
Equipment	\$ 42,825	\$ 680,671
Less Accumulated Depreciation	-	(364,637)
Total	<u>\$ 42,825</u>	<u>\$ 316,034</u>

Future minimum lease payments are as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities
2018	\$ 8,565	\$ 89,671
2019	\$ 8,565	\$ 67,313
2020	\$ 8,565	\$ 67,313
2021	8,569	66,875
Total Payments	34,264	291,172
Less: Amount Representing Interest	-	(1,619)
Present Value of Minimum Lease Payments	<u>\$ 34,264</u>	<u>\$ 289,553</u>

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 9 - 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 capital leases. These debt obligations are secured by primarily future property tax revenues. In some cases, these bonds are also secured by a pledge of net revenues from the utility system, emergency medical services and economic development sales taxes. However, the amount of the formal pledge is generally limited to \$1,000.

In August 2018, the City issued \$10,440,000 in Certificates of Obligations Series 2018 pursuant to the constitution and general laws of the State of Texas, particularly, Subchapter C of Chapter 271 of the Texas Local Government Code, as amended, and in ordinance adopted by the City Council. The certificates constitute direct and general obligations of the City payable from ad valorem taxes levied against all payable property within the City, as well as pledged revenue of up to \$1,000 of the surplus revenues from proprietary funds. The bonds and certificates were issued for the purpose of paying contractual obligations of the City for street improvements, designing, constructing, acquiring, purchasing renovating, equipping and enlarging the utility system, upgrading the security locks in city buildings, designing and constructing a new fleet building, parks and recreational facilities for pool and bathrooms and various other item.

In January of 2018, the City issued \$6,035,000 in General Obligation Refunding Bonds, Series 2018. The proceeds were to be used within 90 days of issuance to pay off the outstanding balance of the General Obligation Bond, Series 2008 remaining balance of \$6,035,000. The refunding resulted in a Net Present Value Saving of \$566,500 and a current loss of \$89,237.

A summary of the terms of general obligation bonds and combination of tax and revenue certificates of obligation outstanding at September 30, 2018, follows:

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

	<u>Issue Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Balance</u>
<u>Primary Government</u>				
General Obligation Bonds				
2007 Series	\$ 6,000,000	2027	4.07%	\$ 3,205,000
2008 Series	9,900,000	2028	4.13%	-
2009 Series	9,500,000	2033	2.0% - 5.50%	4,915,000
2010 Series, Refunding	2,865,000	2021	2.0% - 4.0%	930,000
2011 Series	8,250,000	2036	3.0% - 6.0%	6,830,000
2011A Series, Refunding	6,745,000	2024	2.33%	3,450,000
2012 Series	7,625,000	2032	2.00%	5,785,000
2014 Series, Refunding	8,450,000	2030	2.0%-4.0%	8,100,000
2015 Series, Refunding	4,185,000	2031	2.0%-3.25%	3,165,000
2016 Series	5,880,000	2036	2.0%-4.0%	5,270,000
2017 Series	3,935,000	2037	2.0%-4.0%	3,800,000
2018 Series, Refunding	6,035,000	2028	2.12%	6,035,000
Tax Notes				
2015 Notes	245,000	2021	1.75%	110,000
2015A Notes	1,020,000	2023	1.54%	605,000
Certificates of Obligation				
2016 Series A	2,375,000	2036	2.0% - 4.0%	2,040,000
2016 Series B	1,475,000	2036	3.0%-3.75%	1,365,000
2017 Series	4,935,000	2037	3.0%-3.75%	4,690,000
2018 Series	4,845,000	2038	3.0%-5.0%	4,845,000
Total Governmental Long-Term Obligations				<u>\$ 65,140,000</u>

	<u>Issue Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Balance</u>
<u>Primary Government (Continued)</u>				
General Obligation Bonds				
2011 Series, Refunding	\$ 2,675,000	2021	2.0% - 3.0%	\$ 705,000
2013 Series, Refunding	2,130,000	2025	2.58%	1,420,000
Certificates of Obligation				
2007 Series CIB 1	6,600,000	2026	4.01%	3,290,000
2013 Series	4,965,000	2033	2.0%-4.0%	3,490,000
2017 Series	540,000	2022	3.0%-3.75%	440,000
2018 Series	5,595,000	2028	3.0%-5.0%	5,595,000
Tax Notes				
2015 Notes	1,880,000	2021	1.75%	765,000
Total Business-Type Long-Term Obligations				<u>\$ 15,705,000</u>

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 9 - LONG-TERM DEBT (Continued)

Changes in long-term debt for the year ending September 30, 2018 are as follows:

	Balance 9/30/2017	Additions	Reductions	Balance 9/30/2018	Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds	\$ 38,070,000	\$ -	\$ (8,265,000)	\$ 29,805,000	\$ 1,470,000
Unamortized Premium	751,168	-	(49,489)	701,679	49,403
General Obligation Refunding Bonds	17,155,000	6,035,000	(1,510,000)	21,680,000	2,095,000
Unamortized Premium	637,446	-	(71,229)	566,217	66,659
Certificates of Obligation	8,560,000	4,845,000	(465,000)	12,940,000	720,000
Unamortized Premium	451,415	269,212	(23,661)	696,966	37,227
Tax Notes	1,230,000	-	(515,000)	715,000	185,000
Capital Lease	25,147	42,829	(33,712)	34,264	8,565
Compensated Absences	1,069,849	361,984	(204,509)	1,227,324	245,465
<i>Total Governmental Activities</i>	<u>\$ 67,950,025</u>	<u>\$ 11,554,025</u>	<u>\$ (11,137,600)</u>	<u>\$ 68,366,450</u>	<u>\$ 4,877,319</u>
<i>Business-Type Activities:</i>					
General Obligation Refunding Bonds	\$ 2,530,000	\$ -	\$ (405,000)	\$ 2,125,000	\$ 420,000
Unamortized Premium	3,626	-	(969)	2,657	969
Certificates of Obligation	8,050,000	5,595,000	(830,000)	12,815,000	1,030,000
Unamortized Premium	124,779	282,000	(10,601)	396,178	27,620
Tax Notes	1,065,000	-	(300,000)	765,000	305,000
Capital Lease	92,721	332,966	(136,134)	289,553	89,773
Compensated Absences	310,625	55,652	(61,363)	304,914	60,983
<i>Total Business-Type Activities</i>	<u>\$ 12,176,751</u>	<u>\$ 6,265,618</u>	<u>\$ (1,744,067)</u>	<u>\$ 16,698,302</u>	<u>\$ 1,934,345</u>

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 9 - LONG-TERM DEBT (Continued)

Annual debt service requirements of bonded debt as of September 30, 2018, are as follows:

September 30,	Governmental Activities		
	Principal	Interest	Total
2019	4,470,000	2,299,780	6,769,780
2020	4,615,000	2,118,038	6,733,038
2021	4,680,000	1,938,866	6,618,866
2022	4,535,000	1,774,650	6,309,650
2023	4,530,000	1,628,247	6,158,247
2024-2028	20,200,000	6,062,986	26,262,986
2029-2033	15,510,000	2,668,949	18,178,949
2034-2038	6,600,000	425,131	7,025,131
Total	<u>\$ 65,140,000</u>	<u>\$ 18,916,647</u>	<u>\$ 84,056,647</u>

September 30,	Business-Type Activities		
	Principal	Interest	Total
2019	\$ 1,755,000	\$ 565,402	\$ 2,320,402
2020	1,805,000	494,452	2,299,452
2021	1,695,000	438,609	2,133,609
2022	1,080,000	386,196	1,466,196
2023	1,000,000	347,917	1,347,917
2024-2028	3,920,000	1,170,295	5,090,295
2029-2033	2,625,000	545,269	3,170,269
2034-2038	1,825,000	159,350	1,984,350
Total	<u>\$ 15,705,000</u>	<u>\$ 4,107,490</u>	<u>\$ 19,812,490</u>

NOTE 10 - RETIREMENT PLAN

Plan Description

The City of Schertz participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Service Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 10 - RETIREMENT PLAN (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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	2016	2017
Inactive Employees or Beneficiaries Currently Receiving Benefits	84	98
Inactive Employees Entitled to but Not Yet Receiving Benefits	155	166
Active employees	317	322
	<u>556</u>	<u>586</u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.94% and 15.87% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$2,971,592 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 10 - RETIREMENT PLAN (Continued)

Texas Municipal Retirement System (Continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.0% 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 gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Tables with Blue Collar adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. IN addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future 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).

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 10 - RETIREMENT PLAN (Continued)

Texas Municipal Retirement System (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
	<u>100.00%</u>	

Discount Rate

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

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 10 - RETIREMENT PLAN (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, 2017:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 60,296,483	\$ 43,270,388	\$ 17,026,095
Changes for the year:			
Service Cost	3,073,538	-	3,073,538
Interest	4,111,517	-	4,111,517
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	416,585	-	416,585
Changes of Assumptions	-	-	-
Contributions - Employer	-	2,793,644	(2,793,644)
Contributions - Employee	-	1,232,232	(1,232,232)
Net Investment Income	-	5,999,805	(5,999,805)
Benefit Payments, Including Refunds of Employee Contributions	(1,843,774)	(1,843,774)	-
Administrative Expense	-	(31,080)	31,080
Other Changes	-	(1,575)	1,575
Net Changes	5,757,866	8,149,252	(2,391,386)
Balance at December 31, 2017	\$ 66,054,349	\$ 51,419,640	\$ 14,634,709

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability	\$ 26,020,200	\$ 14,634,709	\$ 5,500,868

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 10 - RETIREMENT PLAN (Continued)

Texas Municipal Retirement System (Continued)

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

For the year ended September 30, 2018, the City recognized pension expense of \$3,133,938. Also as of September 30, 2018, 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	\$ 454,423	\$ -
Changes in Actuarial Assumptions	29,936	-
Differences Between Projected and Actual Investment Earnings	-	1,385,283
Contributions Subsequent to the Measurement Date	2,158,660	-
	<u>\$ 2,643,019</u>	<u>\$ 1,385,283</u>

Deferred outflows of resources in the amount of \$2,158,660 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 September 30, 2018.. The City liquidates their Net Pension Liability through payments from the general fund. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,		
2018	\$	69,211
2019		(12,983)
2020		(499,204)
2021		(519,473)
2022		61,525
Thereafter		-
	<u>\$</u>	<u>(900,924)</u>

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

TMRS Supplemental Death Benefits Other Post-Employment Benefit

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

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, 2017, the valuation and measurement date, consisted of:

	2017
Inactive Employees or Beneficiaries Currently Receiving Benefits	78
Inactive Employees Entitled to but Not Yet Receiving Benefits	49
Active employees	322
	<u>449</u>

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

	Total SDBF Contribution Rate	Retiree Portion of SDBF Contribution Rate
For the Plan Year Ended December 31,		
2017	0.12%	0.01%
2018	0.12%	0.02%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They are adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method. These assumptions are summarized below.

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Methods and Assumptions Used to Determine Contribution Rates:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 10.5% Including Inflation
Discount Rate	3.31% (Based on Fidelity's 20-Year Municipal GO AA Index)
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	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Mortality Rates - Disabled Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

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

Total City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2017, the measurement and actuarial valuation date, was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2016	\$ 519,156
Changes for the year:	-
Service Cost	29,926
Interest on Total OPEB Liability	20,123
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	57,257
Benefit Payments, Including Refunds of Employee Contributions	(3,521)
Other Changes	-
Balance at December 31, 2017	\$ 622,941

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

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

The following presents the TOL of the City, calculated using the discount rate of 3.31% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.31%) and 1-percentage point higher (4.31%) than the current rate:

	Discount Rate 2.31%	Discount Rate 3.31%	Discount Rate 4.31%
Total SDB OPEB Liability	\$ 774,205	\$ 622,941	\$ 509,511

For the year ended September 30, 2018, the City recognized OPEB expense of \$54,149. Also as of September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the TMRS OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	49,435	-
Differences Between Projected and Actual Investment Earnings	-	-
Contributions Subsequent to the Measurement Date	2,697	-
	<u>\$ 52,132</u>	<u>\$ -</u>

outflows of resources in the amount of \$2,697 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, 2018. 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, 2018

2019	\$ 7,822
2020	7,822
2021	7,822
2022	7,822
2023	7,822
Thereafter	10,325
	<u>\$ 49,435</u>

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 September 30, 2018, the measurement date, consisted of:

	2017
Inactive Employees or Beneficiaries Currently Receiving Benefits	6
Inactive Employees Entitled to but Not Yet Receiving Benefits	0
Active employees	313
	<u>319</u>

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

* The City made no direct contributions for monthly premiums. The retirees pay 102% of the monthly premiums which range based on the type of plan from \$491.72 for retiree only to \$1737.24 for a retiree and their family.

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Methods and Assumptions Used to Determine Contribution Rates:

Valuation Date:	December 31, 2017
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Individual Entry- Age
Discount Rate	3.31% as of December 31, 2017
Inflation	2.50%
Salary Increases	3.50% to 10.5% Including Inflation
Demographic Assumptions:	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal System(TMRS)
Mortality	For healthy retirees, the gender distinct RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.5% to an ultimate rate of 4.25% after 15 years.
Participation Rates	30% on non-Medicare retirees
Other Information:	The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017

The City's Retiree Health OPEB Liability (TOL), based on the above actuarial factors, as of September 30, 2018, the measurement and actuarial valuation date, was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2016	\$ 1,789,769
Changes for the year:	
Service Cost	107,517
Interest on Total OPEB Liability	69,435
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	96,092
Benefit Payments, Including Refunds of Employee Contributions	(42,189)
Other Changes	-
Balance at December 31, 2017	\$ 2,020,624

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

City of Schertz 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 3.31% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.31%) and 1-percentage point higher (4.31%) than the current rate:

	Discount Rate 2.31%	Current Discount Rate Assumption 3.31%	Discount Rate 4.31%
Total OPEB Retiree Health Insurance Liability	\$ 2,227,086	\$ 2,020,624	\$ 1,832,775

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:

	Discount Rate 2.31%	Current Healthcare Cost Trend Rate Assumption 3.31%	Discount Rate 4.31%
Total OPEB Retiree Health Insurance Liability	\$ 1,771,544	\$ 2,020,624	\$ 2,317,552

For the year ended September 30, 2018, the City recognized OPEB expense of \$186,440. Also as of September 30, 2018, 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	\$ -	\$ -
Changes in Actuarial Assumptions	86,604	-
Contributions Subsequent to the Measurement Date	32,275	-
	<u>\$ 118,879</u>	<u>\$ -</u>

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

Amounts reported as deferred outflows and inflows of resources related to the City's Retired Health OPEB will be recognized in OPEB expense as follows:

For the Year ended September 30,		
2019	\$	9,488
2020		9,488
2021		9,488
2022		9,488
2023		9,488
Thereafter		39,164
	<u>\$</u>	<u>86,604</u>

NOTE 13 - 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. Contributions to the corporation are reflected as "operating expenses" in the water and sewer fund and totaled \$2,906,068 for the year ended September 30, 2018. 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. Following is a summary of financial data as reported in the Corporation's audited financial statements dated September 30, 2017:

ASSETS:	
Current Assets	\$ 15,779,192
Restricted Cash and Cash Equivalents	73,447,779
Property, Plant & Equipment (net)	95,008,923
Other Assets	28,653
TOTAL ASSETS	<u>184,264,547</u>
 Deferred Charges on Refunding	 <u>2,412,138</u>
 LIABILITIES:	
Current Liabilities	5,522,205
Revenue Bonds (Less Current Maturities)	164,983,651
TOTAL LIABILITIES	<u>170,505,856</u>
 NET POSITION:	
Net Investment in Capital Assets	(1,956,872)
Restricted	6,255,257
Unrestricted	11,872,444
TOTAL NET POSITION	<u>\$ 16,170,829</u>

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 13 - JOINT VENTURES (Continued)

Schertz/Seguin Local Government Corporation (Continued)

The Corporation had net revenue bonds outstanding in the amount of \$103,281,449 (as of September 30, 2017) 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.

Cibolo Valley Local Government Corporation

The Cibolo Valley Local Government Corporation (CVLGC) is a public nonprofit corporation incorporated in March 2012 to assist and act on behalf of the cities of Schertz, and Cibolo to obtain additional water sources. The participating governments have an ongoing financial responsibility to fund the operation of the corporation through either purchase of services or by subsidizing the operations. Contributions to the corporation are reflected as "operating expenses" in the water and sewer fund. Separate financial statements for the CVLGC may be obtained from the City of Seguin, 210 East Gonzales Street, Seguin, Texas 78156.

The City of Schertz is jointly liable, together with the City of Cibolo, for operating deficits and long-term debt of CVLGC. Following is a summary of financial data as reported in the Corporation's audited financial statements dated September 30, 2017:

ASSETS:	
Current Assets	\$ 443,091
Noncurrent Assets	<u>1,503,917</u>
TOTAL ASSETS	<u><u>1,947,008</u></u>
 LIABILITIES:	
Current Liabilities	<u>90,238</u>
TOTAL LIABILITIES	<u><u>90,238</u></u>
 NET POSITION:	
Net Investment in Capital Assets	1,503,917
Unrestricted	<u>352,853</u>
TOTAL NET POSITION	<u><u>\$ 1,856,770</u></u>

Cibolo Creek Municipal Authority

Cibolo Creek Municipal Authority (CCMA) provides sewage treatment for the area in and around the City. CCMA has agreed 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 City agreed to enter into a regional wastewater treatment contract in September 2014. CCMA will issue bonds to finance the project and the City has agreed to make payments to CCMA to cover operation expenses, maintenance expenses, and debt service. 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.

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 13 - JOINT VENTURES (Continued)

Cibolo Creek Municipal Authority (Continued)

In September 2014, CCMA issued bonds for the project in the amount of \$6,950,000 with debt service requirements as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2019	155,000	257,250	412,250
2020	160,000	254,150	414,150
2021	165,000	250,950	410,950
2022	170,000	247,750	410,950
2023	175,000	242,800	410,950
2024-2028	965,000	1,123,300	2,088,300
2029-2033	1,105,000	922,850	2,027,850
2034-2038	1,340,000	659,950	1,999,950
2039-2043	1,800,000	298,600	2,098,600
2044	395,000	15,800	410,800
	<u>\$ 6,430,000</u>	<u>\$ 4,273,400</u>	<u>\$ 10,684,750</u>

NOTE 13 – PRIOR PERIOD ADJUSTMENT

	Government-Wide Governmental Activities	Business - Type Activities Water and Sewer System	Schertz EMS	Total
Beginning Net Position	\$ 106,647,921	\$ 90,252,474	\$ 889,852	\$ 91,142,326
Understated OPEB Liability in Prior Year	(1,198,049)	(127,147)	(246,791)	(373,938)
Restated Beginning Net Position	<u>\$ 105,449,872</u>	<u>\$ 90,125,327</u>	<u>\$ 643,061</u>	<u>\$ 90,768,388</u>

NOTE 14 - 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.

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

Tax Increment Financing (the "Zone") (Continued)

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to property tax base are being used to finance Zone improvements. The total projected cost is a combined figure of \$45,000,000. Project costs of the developer will be funded up to 100% of the tax increment generated by the City of Schertz, Bexar County, and San Antonio River Authority (SARA). The City of Schertz (combined with SARA) have committed up to \$32,877,000 of the total \$45,000,000. The Zone has a statutory termination date of December 31, 2027. The TIRZ has collected \$1,651,413 from taxing entities (net of administrative reimbursements) and remitted \$1,077,316 to the developer as of September 30, 2018.

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, 2018, the City reimbursed \$816,192 in property taxes paid.

Economic Development Incentive Agreements

The City of Schertz Economic Development Corporation (the SEDC) negotiates economic development incentive agreement on behalf of the SEDC and the City of Schertz (the City) on an individual basis. As of September 30, 2018, the City had nine active incentive agreements.

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

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

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

	<u>FY 2017-18 Amt.</u>	<u>Est. Remaining Grant</u>
City of Schertz - LGC 380.001	\$ 816,192	\$ 1,377,080
SEDC - LGC 501.101	537,500	125,000
SEDC - LGC 201.103	\$ -	\$ 5,934,488

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

Service Concession Arrangements

The City entered into an agreement with 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; the present value of these installment payments is estimated to be \$851,356. 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, 2018, the Natatorium is still under construction and is reported by the City as Construction in Progress in the amount of \$9,801,311. The City reports the Outdoor Pools and related equipment as capital assets with a total carrying amount of \$778,529. The City reports a receivable and deferred inflow of resources in the amount of \$851,356 on the government-wide statements at year-end pursuant to the service concession arrangement. Additionally, a liability of \$507,136 for the present value of maintenance costs estimated over the life of the Service Concession arrangement.

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.

Subsequent Event

The City issued \$8,570,000 General Obligation and Refunding Bonds, Series 2018 in November 2018. The amount of \$8,432,865 was transferred to an escrow agent for the bond refunding of the Series 2009 in the amount of \$4,075,000 and Series 2010 General Obligation Refunding Bonds in the amount of \$630,000. The coupon rate is 3.375% -5% and the final payment is September 30, 2033. The Net Present Value of Saving is \$758,899.

New Accounting Pronouncements

Statement No. 83, Certain Asset Retirement Obligations – The requirements of this Statement will take effect for reporting periods beginning after June 15, 2018. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets will recognize a liability based on the estimate of the current value of outlays expected to be incurred. The City has not early adopted this new pronouncement.

Statement No. 84, Fiduciary Activities – The requirements of this Statement will take effect for reporting periods beginning after June 15, 2018. The statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting certain criteria will be reported in a fiduciary fund in the basic financial statements. The City has not early adopted this pronouncement.

Statement No. 87, Leases - The requirements of this Statement will take effect for reporting periods beginning after June 15, 2019. A lessee will be required to recognize the assets and liabilities for leases with lease terms of more than 12 months. The City has not early adopted this pronouncement.

CITY OF SCHERTZ, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

Construction Commitments

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

<i>Primary Government:</i>	Estimated Project Cost to City	Expended to Date	Estimated Future Commitment
Governmental Activities:			
Pedestrian Routes Project	\$ 350,000	\$ 91,654	\$ 258,346
Fire Station 2 & Repairs	500,000	481,619	18,381
FM 78 and Main Street	1,000,000	7,513	992,487
Fire Station 3	8,000,000	1,215,324	6,784,676
YMCA-Bathroom Renovation	540,500	217,554	322,946
Window Replacement - Recreation Center	1,152,264	792,198	360,066
Building Improvements	1,600,000	72,560	1,527,440
Main Street Improvements	407,057	-	407,057
FM 1518 Street Improvements	5,000,000	600,656	4,399,344
Total Governmental Commitments	<u>18,549,821</u>	<u>3,479,078</u>	<u>15,070,743</u>
Business-Type Activities:			
Woman Hollering Wastewater	5,940,424	832,911	5,107,513
Scenic Hills/Greenridge	73,252	10,182	63,070
Oil/Water Separator	73,252	22,600	50,652
E. Dietz Creek De-Silting	573,055	114,124	458,931
Corbett Ground Storage Tank & Pumps	1,650,000	930	1,649,070
Corbett Elevated Water Tank	2,982,052	301,296	2,680,756
FM 1103 Utility Relocation	1,000,000	22,000	978,000
Trainer Hale Road Distribution Main	500,000	-	500,000
Total Business-Type Activities	<u>12,792,035</u>	<u>1,304,043</u>	<u>11,487,992</u>
Total Estimated Future Commitments	<u>\$ 31,341,856</u>	<u>\$ 4,783,121</u>	<u>\$ 26,558,735</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. Annual contributions for the year ended September 30, 2018 were \$416,192 for property and casualty and workers compensation coverage. There were no significant increases or decreases in coverage from fiscal year 2017.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SCHERTZ, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		2018 Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 20,718,437	\$ 20,718,437	\$ 21,741,184	\$ 1,022,747
Permits and Fees	1,454,116	1,624,516	2,317,534	693,018
Service Fees	1,657,929	1,657,929	2,139,574	481,645
Fines and Fees	949,125	949,125	868,875	(80,250)
Intergovernmental	335,000	505,000	530,122	25,122
Investment Earnings	121,650	121,650	252,397	130,747
Miscellaneous	637,650	710,600	690,810	(19,790)
TOTAL REVENUES	25,873,907	26,287,257	28,540,496	2,253,239
EXPENDITURES				
<i>General Government:</i>				
Council	107,152	107,152	82,743	24,409
City Manager	1,130,180	1,130,180	1,258,071	(127,891)
Municipal Court	397,390	415,821	383,507	32,314
311 Customer Relations	117,469	130,079	121,141	8,938
Planning & Zoning	231,301	234,530	226,052	8,478
Legal	160,000	160,000	129,958	30,042
City Secretary	194,003	209,005	200,851	8,154
Nondepartmental	1,748,730	1,368,926	1,159,667	209,259
Community & Media Relations	318,344	318,344	301,935	16,409
Records Management	66,109	66,109	62,624	3,485
Schertz Magazine	395,483	395,483	370,241	25,242
Engineering	677,509	659,326	639,481	19,845
Geographic Information Systems	169,488	179,647	172,851	6,796
Citizens Assistance	293,872	313,872	303,623	10,249
Special Events	170,200	170,200	131,964	38,236
<i>Total General Government</i>	6,177,230	5,858,674	5,544,709	313,965
<i>Public Safety:</i>				
Police Department	7,515,112	7,543,712	7,238,513	305,199
Fire Department	4,691,609	4,938,469	4,806,963	131,506
Inspection	778,409	960,055	926,925	33,130
Marshal Service	490,472	490,472	372,049	118,423
<i>Total Public Safety</i>	13,475,602	13,932,708	13,344,450	588,258
<i>Public Environment:</i>				
Streets	1,353,192	1,393,886	1,230,205	163,681
<i>Total Public Environment</i>	\$ 1,353,192	\$ 1,393,886	\$ 1,230,205	\$ 163,681

CITY OF SCHERTZ, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL)
GENERAL FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		2018 Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
<i>Parks and Recreation:</i>				
Parks	\$ 1,091,472	\$ 1,064,663	\$ 1,059,505	\$ 5,158
Pools	693,978	693,978	578,573	115,405
Community/Civic Center	151,974	151,974	125,438	26,536
<i>Total Parks and Recreation</i>	<u>1,939,924</u>	<u>1,918,115</u>	<u>1,770,369</u>	<u>147,746</u>
<i>Cultural:</i>				
Library	919,498	962,952	939,095	23,857
<i>Total Cultural</i>	<u>919,498</u>	<u>962,952</u>	<u>939,095</u>	<u>23,857</u>
<i>Health:</i>				
Animal Control	620,571	620,571	525,424	95,147
Environmental Health	280,576	280,576	199,779	80,797
<i>Total Health</i>	<u>901,147</u>	<u>901,147</u>	<u>725,203</u>	<u>175,944</u>
<i>Administration:</i>				
Information Technology	2,137,993	2,256,774	1,852,663	404,111
Human Resources	474,575	520,615	506,860	13,755
Finance	621,539	622,569	551,921	70,648
Purchasing & Asset Management	247,455	250,455	230,539	19,916
Building Maintenance	1,453,183	1,475,210	1,442,251	32,959
Fleet Service	762,133	792,133	727,813	64,320
Interfund Charges	(2,638,683)	(2,638,683)	(2,638,683)	-
<i>Total Administration</i>	<u>3,058,195</u>	<u>3,279,073</u>	<u>2,673,364</u>	<u>605,709</u>
TOTAL EXPENDITURES	<u>27,824,788</u>	<u>28,246,555</u>	<u>26,227,395</u>	<u>2,019,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,950,881)</u>	<u>(1,959,298)</u>	<u>2,313,101</u>	<u>4,272,399</u>
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	-	-	42,829	42,829
Transfers In	2,026,431	2,103,031	425,394	(1,677,637)
Transfers Out	(75,550)	(143,733)	(120,489)	23,244
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,950,881</u>	<u>1,959,298</u>	<u>347,734</u>	<u>(1,611,564)</u>
NET CHANGE IN FUND BALANCE	-	-	2,660,835	2,660,835
FUND BALANCE - BEGINNING	<u>12,969,618</u>	<u>12,969,618</u>	<u>12,969,618</u>	-
FUND BALANCE - ENDING	<u>\$ 12,969,618</u>	<u>\$ 12,969,618</u>	<u>\$ 15,630,453</u>	<u>\$ 2,660,835</u>

CITY OF SCHERTZ, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT CORPORATION
YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		2018 Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,962,572	\$ 3,962,572	\$ 4,223,053	\$ 260,481
Investment Earnings	120,300	120,300	264,686	144,386
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>4,082,872</u>	<u>4,082,872</u>	<u>4,487,739</u>	<u>404,867</u>
EXPENDITURES				
<i>Current:</i>				
General Government	595,500	820,500	650,753	169,747
Administration	988,596	988,596	468,670	519,926
TOTAL EXPENDITURES	<u>1,584,096</u>	<u>1,809,096</u>	<u>1,119,423</u>	<u>689,673</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,498,776</u>	<u>2,273,776</u>	<u>3,368,316</u>	<u>1,094,540</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(625,769)	(625,769)	(625,769)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(625,769)</u>	<u>(625,769)</u>	<u>(625,769)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,873,007	1,648,007	2,742,547	1,094,540
FUND BALANCE - BEGINNING	<u>15,069,421</u>	<u>15,069,421</u>	<u>15,069,421</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 16,942,428</u>	<u>\$ 16,717,428</u>	<u>\$ 17,811,968</u>	<u>\$ 1,094,540</u>

CITY OF SCHERTZ, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
SEPTEMBER 30, 2018

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

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City did not exceed the budgeted expenditures in any funds with legally adopted budgets during 2018.

The City does not use encumbrances.

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

Total Pension Liability				
	2014	2015	2016	2017
Service Cost	\$ 2,558,743	\$ 2,724,337	\$ 2,855,745	\$ 3,073,538
Interest (on the Total Pension Liability)	3,245,266	3,556,428	3,763,562	4,111,517
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(122,286)	120,434	139,216	416,585
Change of Assumptions	-	59,193	-	-
Benefit Payments, Including Refunds of Employee Contributions	(1,068,487)	(1,570,211)	(1,581,272)	(1,843,774)
Net Change in Total Pension Liability	4,613,236	4,890,181	5,177,251	575,866
Total Pension Liability - Beginning	45,615,815	50,229,051	55,119,232	60,296,483
Total Pension Liability - Ending	<u>\$ 50,229,051</u>	<u>\$ 55,119,232</u>	<u>\$ 60,296,483</u>	<u>\$ 66,054,349</u>
Plan Fiduciary Net Position				
	2014	2015	2016	2017
Contributions - Employer	\$ 2,403,929	\$ 2,542,565	\$ 2,627,335	\$ 2,793,644
Contributions - Employee	1,077,097	1,095,260	1,152,864	1,232,232
Net Investment Income	1,841,586	53,742	2,602,572	5,999,805
Benefit Payments, Including Refunds of Employee Contributions	(1,068,487)	(1,570,211)	(1,581,272)	(1,843,774)
Administrative Expense	(19,219)	(32,727)	(29,385)	(31,080)
Other	(1,580)	(1,616)	(1,583)	(1,575)
Net Change in Plan Fiduciary Net Position	4,233,326	2,087,013	4,770,531	8,149,252
Plan Fiduciary Net Position - Beginning	32,179,518	36,412,844	38,499,857	43,270,388
Plan Fiduciary Net Position - Ending	<u>\$ 36,412,844</u>	<u>\$ 38,499,857</u>	<u>\$ 43,270,388</u>	<u>\$ 51,419,640</u>
Net Pension Liability - Ending	\$ 13,816,207	\$ 16,619,375	\$ 17,026,095	\$ 14,634,709
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.49%	69.85%	71.76%	77.84%
Covered Payroll	\$ 15,389,154	\$ 15,648,114	\$ 16,478,620	\$ 17,603,310
Net Pension Liability as a Percentage of Covered Payroll	89.78%	106.21%	103.32%	83.14%

Note: The schedule above reflects the changes in the net pension liability for the current year and the previous two plan years. GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. The City will build this schedule over the 10-year period beginning December 31, 2014 as data becomes available.

CITY OF SCHERTZ, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
LAST FOUR FISCAL YEARS

	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 2,487,856	\$ 2,592,593	\$ 2,756,511	\$ 2,971,592
Contributions in Relation to the Actuarially Determined Contribution	2,487,856	2,592,593	2,756,511	2,971,592
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
 Covered Payroll	 \$ 15,486,735	 \$ 16,175,988	 \$ 17,347,849	 \$ 19,605,654
 Contributions as a Percentage of Covered Payroll	 16.06%	 16.03%	 15.89%	 15.16%

Note: The schedule above reflects the TMRS contributions made by the City for the current year and the previous two fiscal years. GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. The City will build this schedule over the 10-year period beginning December 31, 2014 as data becomes available.

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

CITY OF SCHERTZ, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – TMRS OTHER POST-EMPLOYMENT BENEFIT LIABILITY
AND RELATED RATIOS
LAST CALENDAR YEAR

	Total OPEB Liability
	2017
Service Cost	\$ 29,926
Interest (on the Total OPEB Liability)	20,123
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Change of Assumptions	57,257
Benefit Payments	(3,521)
Net Change in Total OPEB Liability	103,785
Total OPEB Liability - Beginning	519,156
Total OPEB Liability - Ending	<u>\$ 622,941</u>
 Covered Employee Payroll	 \$ 17,603,310
 Total OPEB Liability as a Percentage of Covered Payroll	 3.54%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 10.5% Including Inflation
Discount Rate	3.31% (Based on Fidelity's 20-Year Municipal GO AA Index)
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	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates - Disabled Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor. .

Other Information:

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