SUPPLEMENT TO OFFICIAL STATEMENT DATED AUGUST 27, 2019

CITY OF CIBOLO, TEXAS

$9,680,000
GENERAL OBLIGATION BONDS, SERIES 2019

$5,860,000
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

The following paragraph replaces the footnote in its entirety on page 4 of the final Official Statement under the heading "ELECTED OFFICIALS, STAFF AND CONSULTANTS":

> (1) On July 26, 2019, Mayor Stosh Boyle was arrested and charged with tampering with a governmental record (a class A misdemeanor) stemming from a sworn declaration made on his November 2017 mayoral election application. The City Council convened in special session on August 20, 2019 and, by a 3-3 vote, did not determine that the Mayor had forfeited and should vacate his office pursuant to the requirements of the City's Home Rule Charter. On September 5, 2019, Mayor Stosh Boyle was indicted on aggravated perjury and tampering with a government document with intent to defraud (a third-degree felony and a state jail felony, respectively), stemming from a false statement made under oath pertaining to his November 2019 mayoral election application. The City cannot predict the outcome of any litigation that may result from these charges or any additional charge(s) which may result from this investigation. There are no charges directed against the City or contesting the valid existence of the City or the City's rights to authorize, issue, and approve the Obligations. Nor are there any pending or threatened charges contesting the City's right to levy, collect, and expend the ad valorem tax revenues pledged to the payment of principal and interest on the Bonds, or the ad valorem tax revenues and Net Revenues of the System pledged to the payment of principal and interest on the Certificates. This charge against the Mayor is not expected to have any material adverse effect on the financial operations of the City.

Dated: September 16, 2019

OFFICIAL STATEMENT
Dated August 27, 2019

Rating: S&P: "AA" (Stable Outlook)
NEW ISSUE – Book-Entry-Only **(See "OTHER INFORMATION - Ratings")**

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

CITY OF CIBOLO, TEXAS

(A Political Subdivision of the State of Texas Located Primarily in Guadalupe County)

$9,680,000
GENERAL OBLIGATION BONDS, SERIES 2019

$5,860,000
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

Dated Date: September 1, 2019 **Due: February 1, as shown on pages 2 & 3**
Interest Accrues from Date of Initial Delivery (defined below)

AUTHORITY FOR ISSUANCE . . . The $9,680,000 City of Cibolo, Texas General Obligation Bonds, Series 2019 (the "Bonds") are being issued by the City of Cibolo (the "Issuer" or "City") pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1251 and 1331, as amended, Texas Government Code, elections held on November 4, 2014 (the "2014 Election") and November 6, 2018 (the "2018 Election" and, together with the 2014 Election, the "Election"), the Home Rule Charter of the City (the "City Charter"), and an ordinance authorizing the issuance of the Bonds adopted by the City Council of the City on August 27, 2019 (the "Bond Ordinance").

The $5,860,000 City of Cibolo, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the "Certificates" and, together with the Bonds, the "Obligations") are being issued by the City pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, as amended, Texas Local Government Code, Chapter 1502, as amended, Texas Government Code, the City Charter, and an ordinance authorizing the issuance of the Certificates adopted by the City Council of the City on August 27, 2019 of the Certificates (the "Certificate Ordinance" and, together with the Bond Ordinance, the "Ordinances").

The Bonds constitute direct and general obligations of the City payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limits prescribed by law, as provided in the Bond Ordinance. (See "THE OBLIGATIONS – Security and Source of Payment" and "Tax Rate Limitations" herein).

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

PAYMENT TERMS . . . Interest on the Obligations will accrue from the Date of Initial Delivery to the Underwriters (defined below), will be payable on February 1 and August 1 of each year commencing February 1, 2020, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS – Book-Entry- Only System" herein. The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas (see "THE OBLIGATIONS – Paying Agent/Registrar").

PURPOSE . . . Proceeds from the sale of the Obligations will be used for the respective purposes identified herein. (See "THE OBLIGATIONS – Purpose").

CUSIP PREFIX: 171637
MATURITY SCHEDULE
Shown on Pages 2 & 3

LEGALITY . . . Each series of Obligations is offered for delivery when, as and if issued and received by the initial purchasers identified below (the "Underwriters") of the Obligations and subject to the approving opinions of the Attorney General of Texas and the approving opinions of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel (see "APPENDIX C – Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. It is expected that the Obligations will be available for initial delivery through DTC on September 17, 2019 (the "Date of Initial Delivery").

FROST BANK **UMB BANK**

$9,680,000
CITY OF CIBOLO, TEXAS
(A Political Subdivision of the State of Texas Located Primarily in Guadalupe County)
GENERAL OBLIGATION BONDS, SERIES 2019

MATURITY SCHEDULE

CUSIP PREFIX[1]: 171637

Serial Bonds

Maturity February 1	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix[1]
2020	$90,000	5.000%	1.090%	MT5
2021	160,000	5.000%	1.100%	LC3
2022	350,000	5.000%	1.160%	LD1
2023	365,000	5.000%	1.210%	LE9
2024	385,000	5.000%	1.250%	LF6
2025	405,000	5.000%	1.290%	LG4
2026	425,000	5.000%	1.340%	LH2
2027	450,000	5.000%	1.400%	LJ8
2028	470,000	5.000%	1.490%	LK5
2029	490,000	4.000%	1.630%[2]	LL3
2030	510,000	4.000%	1.750%[2]	LM1
2031	535,000	4.000%	1.820%[2]	LN9
2032	555,000	4.000%	1.900%[2]	LP4
2033	580,000	4.000%	2.000%[2]	LQ2
2034	600,000	4.000%	2.100%[2]	LR0
2035	625,000	3.000%	2.370%[2]	LS8
2036	640,000	3.000%	2.410%[2]	LT6
2037	660,000	3.000%	2.450%[2]	LU3
2038	680,000	3.000%	2.470%[2]	LV1
2039	705,000	3.000%	2.520%[2]	LW9

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 1, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

(Interest Accrues from the Date of Initial Delivery)

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[1]CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the City, the Financial Advisor, or the Underwriters take any responsibility for the accuracy of CUSIP numbers.
[2]Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 1, 2028, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

$5,860,000
CITY OF CIBOLO, TEXAS
(A Political Subdivision of the State of Texas Located Primarily in Guadalupe County)
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2019

MATURITY SCHEDULE

CUSIP PREFIX [1]: 171637

Serial Certificates

Maturity February 1	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix[1]
2020	$50,000	5.000%	1.090%	LX7
2021	45,000	5.000%	1.100%	LY5
2022	45,000	5.000%	1.160%	LZ2
2023	50,000	5.000%	1.210%	MA6
2024	50,000	5.000%	1.250%	MB4
2025	175,000	5.000%	1.290%	MC2
2026	290,000	5.000%	1.340%	MD0
2027	310,000	5.000%	1.400%	ME8
2028	325,000	5.000%	1.490%	MF5
2029	340,000	4.000%	1.630%[2]	MG3
2030	355,000	4.000%	1.750%[2]	MH1
2031	365,000	4.000%	1.820%[2]	MJ7
2032	380,000	4.000%	1.900%[2]	MK4
2033	395,000	4.000%	2.000%[2]	ML2
2034	415,000	4.000%	2.100%[2]	MM0
2035	430,000	3.000%	2.370%[2]	MN8
2036	440,000	3.000%	2.410%[2]	MP3
2037	455,000	3.000%	2.450%[2]	MQ1
2038	465,000	3.000%	2.470%[2]	MR9
2039	480,000	3.000%	2.520%[2]	MS7

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 1, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

(Interest Accrues from the Date of Initial Delivery)

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[1]CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. CUSIP numbers are included herein solely for the convenience of the owners of the Certificates. None of the City, the Financial Advisor, or the Underwriters take any responsibility for the accuracy of CUSIP numbers.
[2]Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 1, 2028, the first optional call date for the Certificates, at a redemption price of par plus accrued interest to the redemption date.

ELECTED OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Years Served	Term Expires	Occupation
Mr. Stosh Boyle[(1)] Mayor	1½	November 2019	Contractor
Ms. Jennifer Schultes District 1	4½	November 2021	Administrative Management for Judson ISD
Mr. Verlin "Doug" Garrett District 2	5½	November 2019	Retired Military
Mr. Brian Byrd District 3	3	November 2019	Consultant
Mr. Ted Gibbs District 4	2½	November 2021	Retired Military
Mr. Mark Allen District 5	6 months	November 2021	Lead Business Systems Analyst
Mr. Tim Woliver District 6	6 months	November 2021	Defense Contractor
Mr. Joel Hicks District 7	1½	November 2019	Retired

(1) On July 26, 2019, Mayor Stosh Boyle was arrested and charged with tampering with a governmental record (a class A misdemeanor) stemming from a sworn declaration made on his November 2017 mayoral election application. The City cannot predict the outcome of any litigation that may result from this charge or any additional charge(s) which may result from this investigation. There are no charges directed against the City or contesting the valid existence of the City or the City's rights to authorize, issue, and approve the Obligations. Nor are there any pending or threatened charges contesting the City's right to levy, collect, and expend the ad valorem tax revenues pledged to the payment of principal and interest on the Bonds, or the ad valorem tax revenues and Net Revenues of the System pledged to the payment of principal and interest on the Certificates. This charge against the Mayor is not expected to have any material adverse effect on the financial operations of the City.

ADMINISTRATIVE STAFF

Name	Position	Years with the City
Mr. Robert T. Herrera	City Manager	7
Ms. Anna Miranda	Director of Finance	8
Ms. Peggy Cimics	City Secretary	14½

CONSULTANTS AND ADVISORS

Auditors .... Armstrong, Vaughan & Associates, P.C.
Universal City, Texas

Bond Counsel .... Norton Rose Fulbright US LLP
San Antonio, Texas

Financial Advisor .... Specialized Public Finance Inc.
San Antonio, Texas

For additional information regarding the City, please contact:

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City Manager
City of Cibolo
P.O. Box 826 | 200 South Main
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Phone: (210) 658-9900
Fax: (210) 658-1687
rherrera@cibolotx.gov

or

Mr. Victor Quiroga, Jr.
Managing Director
Specialized Public Finance Inc.
13300 Old Blanco Road, Suite 310
San Antonio, Texas 78216
Phone: (210) 239-0204
Fax: (210) 239-0126
victor@spfmuni.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE OBLIGATIONS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Cibolo, Texas (the "City" or "Issuer") is a political subdivision of the State of Texas located in the extreme western corner of Guadalupe County in south central Texas. Situated along Farm to Market Road 78 and north to south along FM 1103, and paralleled by two major interstate highways, IH 10 to the south and IH 35 to the north, the City is within easy access of the Cities of Seguin and San Antonio. The City lies approximately 13 miles east of the San Antonio metropolitan area. The City lies primarily within Guadalupe County. The City's 2018 population was 30,225. The City operates as a home rule city under the laws of the State of Texas and a Home Rule Charter that was adopted on September 11, 2004. The Home Rule Charter provides that the City will operate under the Council/Manager form of government pursuant to the laws of the State of Texas. The City Manager, appointed by the eight-member elected City Council, is the chief administrative officer of the City. (See "APPENDIX B - General Information Regarding the City of Cibolo and Guadalupe County, Texas" herein.)

THE OBLIGATIONS................ The $9,680,000 City of Cibolo, Texas General Obligation Bonds, Series 2019 (the "Bonds") are being issued as serial Bonds maturing on February 1 in each of the years 2020 through 2039. (See "THE OBLIGATIONS – Description of the Obligations).

The $5,860,000 City of Cibolo, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the "Certificates" and, together with the Bonds, the "Obligations") are being issued as serial Certificates maturing on February 1 in each of the years 2020 through 2039. (See "THE OBLIGATIONS – Description of the Obligations).

AUTHORITY FOR ISSUANCE ... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1251 and 1331, as amended, Texas Government Code, elections held on November 4, 2014 (the "2014 Election") and November 6, 2018 (the "2018 Election" and, together with the 2014 Election, the "Election"), the Home Rule Charter of the City (the "City Charter"), and an ordinance authorizing the issuance of the Bonds adopted by the City Council of the City on August 27, 2019 (the "Bond Ordinance").

The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, as amended, Texas Local Government Code, Chapter 1502, as amended, Texas Government Code, the City Charter, and an ordinance authorizing the issuance of the Certificates adopted by the City Council of the City on August 27, 2019 of the Certificates (the "Certificate Ordinance" and, together with the Bond Ordinance, the "Ordinances").

PAYMENT OF INTEREST .... Interest on each series of the Obligations accrues from the Date of Initial Delivery (defined below), and is payable on February 1, 2020, and each August 1 and February 1 thereafter until maturity or prior redemption (see "THE OBLIGATIONS – Description of the Obligations").

SECURITY FOR THE OBLIGATIONS......................... The Bonds constitute direct and general obligations of the City payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limits prescribed by law, as provided in the Bond Ordinance. (See "THE OBLIGATIONS – Security and Source of Payment" and "Tax Rate Limitations" herein).

The Certificates constitute direct and general obligations of the City payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Certificate Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding. (See "THE OBLIGATIONS – Security and Source of Payment" and "Tax Rate Limitations" herein).

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

OPTIONAL REDEMPTION .... The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 1, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

TAX EXEMPTION .... In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein.

USE OF BOND PROCEEDS .... Proceeds from the sale of the Obligations will be used for the respective purposes identified herein. (See "THE OBLIGATIONS – Purpose").

RATINGS .... S&P Global Ratings, a division of S&P Global Inc. ("S&P") has rated the Obligations "AA" (stable outlook) without regard to credit enhancement (see "OTHER INFORMATION – Ratings").

BOOK-ENTRY-ONLY SYSTEM The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD .... The City has never defaulted in the payment of its general obligation tax debt.

DATE OF INITIAL DELIVERY .. When issued, anticipated on or about September 17, 2019 (the "Date of Initial Delivery").

LEGALITY .... Delivery of the Obligations is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel.

OFFICIAL STATEMENT
RELATING TO

CITY OF CIBOLO, TEXAS
(A Political Subdivision of the State of Texas Located Primarily in Guadalupe County)

\$9,680,000	**\$5,860,000**
GENERAL OBLIGATION BONDS, SERIES 2019	**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$9,680,000 City of Cibolo, Texas General Obligation Bonds, Series 2019 (the “Bonds”) and the \$5,860,000 City of Cibolo, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (the “Certificates” and, together with the Bonds, the “Obligations”).

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City’s Financial Advisor, Specialized Public Finance Inc., San Antonio, Texas.

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

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Obligations will be deposited with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access (“EMMA”) System. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

The Bonds and the Certificates are being concurrently offered by the City under a common Official Statement, but are separate and distinct securities offerings being issued and sold independently. While the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the rights of the City to redeem the Obligations, the federal, state, or local tax consequences of the purchase, ownership, or disposition of the Obligations, and other features.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City’s Home Rule Charter, which was adopted on September 11, 2004. The Home Rule Charter provides that the City will operate under the Council/Manager form of government pursuant to the laws of the State of Texas. The City Manager, appointed by the eight-member elected City Council, is the chief administrative officer of the City.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are each dated September 1, 2019 and mature on February 1 in each of the years and in the amounts shown on pages 2 and 3, respectively. Interest on the Obligations will accrue from the Date of Initial Delivery of the Obligations to the initial purchasers of the Obligations identified on the cover page hereof (the “Underwriters”) , will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1 of each year, commencing February 1, 2020 until maturity or prior redemption. The definitive Obligations of each series will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the book-entry-only system described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Interest on the Obligations shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying

Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Obligations will be paid to the registered owner at the stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Obligations, all payments will be made as described under "THE OBLIGATIONS - Book-Entry-Only System" herein. If the date for any payment on the Obligations shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

AUTHORITY FOR ISSUANCE OF THE OBLIGATIONS…The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1251 and 1331, as amended, Texas Government Code, elections held on November 4, 2014 (the "2014 Election") and November 6, 2018 (the "2018 Election" and, together with the 2014 Election, the "Election"), the Home Rule Charter of the City (the "City Charter"), and an ordinance authorizing the issuance of the Bonds adopted by the City Council of the City on August 27, 2019 (the "Bond Ordinance").

The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, as amended, Texas Local Government Code, Chapter 1502, as amended, Texas Government Code, the City Charter, and an ordinance authorizing the issuance of the Certificates adopted by the City Council of the City on August 27, 2019 of the Certificates (the "Certificate Ordinance" and, together with the Bond Ordinance, the "Ordinances").

PURPOSE… Proceeds from the sale of the Bonds will be used, in part, for the purposes authorized in the 2014 Election, including for the purpose of making permanent public improvements or other public purposes, to wit: (1) providing streets, bridges, and sidewalks improvements (as well as necessary improvements incidental thereto), including mobility and transportation improvements to FM 1103, relocating utilities, street lighting, technology improvements, and signage, acquiring lands and rights-of-way necessary for streets, bridges, and sidewalks, and related landscaping; and (2) paying the costs of issuance and expenses relating to the Bonds.

Proceeds from the sale of the Bonds will be used, in part, for the purposes authorized in the 2018 Election, including for the purpose of making permanent public improvements or other public purposes, to wit: (1) constructing, rehabilitating, renovating, improving, enlarging, demolishing, and equipping existing municipal administration and City services buildings, including the City Hall Annex and Public Works Building; (2) purchasing, acquiring, developing, and making other capital expenditures and equipment purchases for public safety, including improving and upgrading police and fire communications systems; (3) designing, acquiring, constructing, renovating, improving, and equipping City street, curb, gutter, and sidewalk improvements, demolition, repair, and rebuilding of existing streets, completing necessary or incidental utility relocation and drainage improvements and upgrades in connection with the foregoing and the purchase of land, easements, rights-of-way, and other real property interests necessary therefor or incidental thereto; (4) designing, acquiring, constructing, renovating, improving, and equipping City park, recreation, and open space improvements, making park, recreation, and open space additions, acquiring lands and rights-of-way necessary thereto, with priority given to improvements to Tolle Regional/Community Park and Miracle Ball Field Complex; and (5) paying the costs of issuance and expenses relating to the Bonds.

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's combined utility system; (3) purchasing City public works equipment; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; (5) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects; and (6) paying the costs of issuance and expenses relating to the Certificates.

SECURITY AND SOURCE OF PAYMENT… The Bonds constitute direct and general obligations of the City payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limits prescribed by law, as provided in the Bond Ordinance. (See "Tax Rate Limitations" below and "AD VALOREM PROPERTY TAXATION" herein).

The Certificates constitute direct and general obligations of the City payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law. (See "Tax Rate Limitations" below and "AD VALOREM PROPERTY TAXATION" herein). Solely to comply with State law allowing the Certificates to be sold for cash, the Certificates are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Certificate Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations, Junior

Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Certificate Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinance authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Certificate Ordinance, the City reserves and retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Certificate Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE OBLIGATIONS – Security and Source of Payment" and "Tax Rate Limitations" herein). Even though the City has pledged the Pledged Revenues of the System to further secure the Certificates, the City does not expect that any Net Revenues from such System will actually be utilized to pay the debt service requirements on the Certificates.

TAX RATE LIMITATIONS… Article XI, Section 5 of Texas Constitution, applicable to cities of more than 5,000 population: $2.50 per $100 assessed valuation. The City has a population greater than 5,000 and the laws of the State of Texas impose a tax rate limit of $2.50 per $100 of assessed valuation for all Issuer purposes. The City's Home Rule Charter does not impose any limitation on the constitutionally authorized maximum tax rate of $2.50 per $100 of taxable assessed valuation.

No direct funded debt limitation is imposed on the City under current Texas law. Article XI, Section 5 of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes. The Texas Attorney General has adopted an administrative policy that generally prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at 90% collection. The issuance of the Obligations does not violate this constitutional provision or the Texas Attorney General's administrative policy.

OPTIONAL REDEMPTION… The City reserves the right, at its sole option, to redeem Obligations of each series stated to mature on and after February 1, 2029, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof for such series on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

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

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF WILL CEASE TO ACCRUE.

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

SELECTION OF OBLIGATIONS TO BE REDEEMED…Obligations of each series in a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). If less than all of the Obligations within a stated maturity of such series are to be redeemed, the particular Obligations to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar. Any Obligation to be partially redeemed must be surrendered in exchange for one or more new Obligations of the same stated maturity and interest rate for the unredeemed portion of the principal.

BONDHOLDERS REMEDIES… If the City defaults in the payment of principal, interest, or redemption price on the Obligations when due, or if it fails to make payments into any fund or funds created in the applicable Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the applicable Ordinance, the bondholders may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Obligations if there is no other available remedy at law to compel performance of the Obligations or the applicable Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the bondholders. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke"), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas Legislature has effectively waived the City's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Obligations or the Ordinances. Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary- Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of the municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson"), the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources." While the Court recognized that the distinction between governmental and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship.

Notwithstanding the foregoing, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the bondholders cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without bankruptcy court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9.

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

PAYMENT RECORD…The City has never defaulted on the payment of its bonded indebtedness.

Amendments…The City may amend the Ordinances without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of such series of Obligations then outstanding affected thereby, amend, add to, or rescind any of the provisions of the applicable Ordinance; except that, without the consent of the registered owners of all of the Obligations affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of or any installment of interest on any Obligation is due and payable, reduce the principal amount thereof, the rate of interest thereon, the redemption price therefor, or in any other way modify the terms of payment of the principal of or interest on the Obligations, (2) give any preference to any Obligation over any other Obligation, or (3) reduce the aggregate principal amount of Obligations required for consent to any amendment, addition, or waiver.

Defeasance… Each Ordinance provides for the defeasance of the applicable series of the Obligations when the payment of the principal of such Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided for by irrevocably depositing with a paying agent (or other financial institution permitted by applicable State law), in trust (i) money sufficient to make such payment, and/or (ii) Government Securities (defined below), of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (iii) a combination of money and Government Securities together so certified sufficient to make such payment. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in each of the Ordinances). The City has additionally reserved the right, subject to satisfying the requirements of (i) and (ii) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance, and to withdraw for the benefit of the City money in excess of the amount required for such defeasance.

The term "Government Securities" means (1) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (2) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (4) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Obligations. There is no assurance that the ratings for United States Treasury securities acquired to defease any Obligations, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (1) through (3) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Obligations ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinances do not contractually limit such permissible defeasance securities and expressly recognize the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Obligations, registered owners of Obligations are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Obligations will no longer be regarded as being outstanding or unpaid and no longer entitled to the rights and benefits afforded under the applicable Ordinance; provided, however, that the City may reserve the option, to be exercised at the time of the defeasance of the Obligations, to call for redemption, at an earlier date, those Obligations which have been defeased to their maturity date, if the City (i) in the proceedings for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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SOURCES AND USES OF FUNDS

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

SOURCES OF FUNDS:	
Par Amount	$9,680,000.00
Reoffering Premium	1,236,417.10
Total Sources of Funds	$10,916,417.10
SOURCES OF FUNDS:	
Construction Fund Deposit	$10,750,000.00
Underwriters' Discount	65,626.57
Cost of Issuance	100,764.00
Bond Fund Deposit	26.53
Total Uses of Funds	$10,916,417.10

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

SOURCES OF FUNDS:	
Par Amount	$5,860,000.00
Reoffering Premium	750,195.60
Total Sources of Funds	$6,610,195.60
SOURCES OF FUNDS:	
Construction Fund Deposit	$6,500,000.00
Underwriters' Discount	42,082.46
Cost of Issuance	66,575.00
Certificate Fund Deposit	1,538.14
Total Uses of Funds	$6,610,195.60

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REGISTRATION, TRANSFER AND EXCHANGE

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

RECORD DATE FOR INTEREST PAYMENT… The record date ("Record Date") for determining the person entitled to the interest payable on an Obligation on any interest payment date means the fifteenth day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "Special Record Date for Interest Payment" herein.)

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

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

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

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

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BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Obligations held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriters take any responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, nor the Underwriters.

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AD VALOREM PROPERTY TAXATION

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

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to valuation by Productivity Value.

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

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. See APPENDIX, Table 1, for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

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

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

FREEPORT EXEMPTIONS . . . Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1,1990 and has not subsequently taken official action to exempt Freeport

Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

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

TAX INCREMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "AD VALOREM PROPERTY TAXATION" City Application of Property Tax Code" for descriptions of any TIRZ created in the City.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements. See APPENDIX A, Table 1, for the reduction in taxable valuation, if any, attributable to tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM PROPERTY TAXATION – City Application of Tax Code" herein.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS…The following terms as used in this section have the meanings provided below:

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

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

"effective tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

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

"rollback tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.08, plus the debt service tax rate.

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

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

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

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

For the 2019 tax year, the procedures in this paragraph apply. After the assessor submits the appraisal roll, a designated officer or employee of the City is required to calculate its "rollback tax rate" and "effective tax rate". A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, and may not adopt a tax rate that exceeds the lower of its "rollback tax rate" or "effective tax rate" (as such terms are defined below) until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. The Property Tax Code provides that if the adopted tax rate exceeds the rollback tax rate, qualified voters of the city, by petition, may require that an election be held to determine whether or not to reduce the adopted tax rate to the rollback tax rate. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-effective tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

Effective January 1, 2020, the terms rollback tax rate and effective tax rate will be replaced, respectively, with the terms "voter-approval tax rate" and "no-new-revenue tax rate". Beginning with the 2020 tax year, the procedures in this paragraph and the following paragraphs apply. A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

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

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

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

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

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

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

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

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

PROPERTY ASSESSMENT AND TAX PAYMENT. . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Certain taxpayers, including the disabled, persons 65 years or older and disabled veterans, who qualified for certain tax exemptions are permitted by State law to pay taxes on homesteads in four installments with the first due before February 1 of each year and the final installment due before August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection of up to 20% of the total delinquent tax, penalty and interest collected may be added. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . .The City does grant a local mandated homestead exemption of $5,000 for taxpayers who are at least 65 years of age or disabled. A taxpayer who qualifies for both the age 65 or older exemption and the disabled exemption must choose only one of the options to claim.

The City does grant a State mandated residence homestead exemption for disabled veterans ranging from $5,000 to $12,000.

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

The City does not grant the additional local option exemption of up to 20% of the market value of residence homesteads.

The City does not tax personal property not used in the production of income, such as personal automobiles.

The **Guadalupe County Tax Assessor-Collector's Office** (the "Tax Assessor-Collector") collects taxes for the City.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not allow discounts for early payment of taxes.

The Tax Assessor-Collector does allow installment payments of taxes.

The City does not tax freeport property.

The City does not participate in a tax increment-financing zone.

The City has entered into a tax abatements.

The City has not adopted a resolution authorizing the continuation of taxation of goods-in-transit.

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INVESTMENTS

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY… Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in the State and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City through a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or a depository institution that has its main office or a branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the City with respect to the certificates of deposit issued for the account of the City; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time, and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above and clauses (12) through (15) below, (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the City with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset- backed securities; (15) investment pools if the City has authorized investment in the particular pool and the pool invests solely in investments permitted by the Investment Act, and is continuously rated no lower than "AAA" or "AAA-m" or at an equivalent rating by at least one nationally recognized rating service; and (16) guaranteed investment contracts that (1) have a defined termination date, (2) are secured by obligations which meet the requirements of the Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (3) are pledged to the City and deposited with the City or with a third party selected and approved by the City.

The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES…Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, requirements for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type; (2) preservation and safety of principal; (3) liquidity; (4) marketability of each investment; (5) diversification of the portfolio; and (6) yield.

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

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record in such rule, order, ordinance or resolution any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

CURRENT INVESTMENTS* **TABLE 1**

As of June 30, 2019, the City's investable funds in the amount of $38,796,351 were invested in the following:

Type of Investment	Amount
Local Government Pools	$18,644,818
Certificates of Deposit	12,080,000
Money Market Accounts	6,533,711
Municipal Bonds	1,537,822
Total:	$38,796,351

**Unaudited.*

TAX MATTERS

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

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in certificates dated the date of delivery of the Obligations pertaining to the use, expenditure, and investment of the proceeds of the Obligations and will assume continuing compliance by the City with the provisions of the Ordinances subsequent to the issuance of the Obligations. The Ordinances contain covenants by the City with respect to, among other matters, the use of the proceeds of the Obligations and the facilities financed therewith, the manner in which the proceeds of the Obligations are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Obligations to be includable in the gross income of the owners thereof from the date of the issuance of the Obligations.

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

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

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

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

However, such accrued interest may be required to be taken into account the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

In the event of the sale or other taxable disposition of a Discount Obligation prior to maturity, the amount realized by such owner in excess of the basis of such Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Obligation was held) is includable in gross income.

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

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

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

LEGAL MATTERS

LEGAL OPINION… The City will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of each series of the Obligations, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the initial Obligations are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Obligations, issued in compliance with the provisions of the Ordinances, are valid and legally binding obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Obligations is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Obligations. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP has reviewed (except for numerical, statistical, and technical data) the statements and information contained in this Official Statement under the captions or subcaptions "THE OBLIGATIONS" (except for the information under the subcaptions "Payment Record" and "Bondholder's Remedies" as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas", "OTHER INFORMATION - Registration and Qualification of Bonds for Sale", "LEGAL MATTERS - Legal Opinions " (except for the last two sentences of the first paragraph thereof), and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption thereof "Compliance with Prior Undertakings" as to which no opinion is expressed) and, in the opinion of Bond Counsel, such information in all material respects accurately and fairly reflects the provisions of the Obligations and the Ordinances and the discussion of applicable law contained in such captions or subcaptions. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Obligations will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations are contingent on the sale and delivery of the Obligations. The legal opinion of Bond Counsel will accompany the Obligations deposited with DTC or will be printed on the definitive Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, whose legal fees are contingent upon the delivery of the Obligations.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA").

ANNUAL REPORTS…The City will file certain updated financial information and operating data with the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement as Table 1, in APPENDIX A (Tables 1-17), and in Appendix D. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2019.

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

The City's current fiscal year end is September 30. Accordingly, it must make available updated information by the end of March in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of such change.

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

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

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

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

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

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Obligations in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent or (b) any qualified person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. If the City amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations, respectively, in the primary offering of the Obligations.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . Except as otherwise disclosed below, during the past five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. For the City's fiscal years' ending September 30 in each of the years 2015 through 2017, the City inadvertently omitted the base CUSIP number (17163T) pertaining to the City's obligations secured by the revenues of the City's utility system (the Utility Base CUSIP), including the obligations styled "City of Cibolo, Texas Utility System Revenue Bonds, Series 2012" (the "Obligations"), from its annual financial statement and financial and operating data filings. However, the City did timely file all required annual financial statements and financial and operating data under the base CUSIP (171637) pertaining to the City's obligations secured by the general obligations of the City (the GO Base CUSIP), including all information required to be filed with respect to the Utility Base CUSIP, where it was available to the general public through the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access system. On June 5, 2018, the City linked the timely filed annual financial statements and financial and operating data to the Utility Base CUSIP on the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access system and, as a result, is now current in all respects with respect to its continuing disclosure obligations relative to the Obligations in accordance with the Rule.

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OTHER INFORMATION

RATINGS . . . S&P Global Ratings, a division of S&P Global Inc. ("S&P") ") has rated the Obligations "AA" (stable outlook) without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the respective company furnishing the ratings. The ratings reflect only the respective views of such company and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating company, if in the judgment of the company, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Obligations.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

NO-LITIGATION CERTIFICATE . . . The City will furnish to the Underwriters a certificate, dated as of the date of delivery of the Obligations, executed by both the Mayor and City Secretary of the City, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Obligations; restraining or enjoining the issuance, execution or delivery of the Obligations; affecting the provisions made for the payment of or security for the Obligations; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Obligations; or affecting the validity of the Obligations.

NO MATERIAL ADVERSE CHANGE . . . The obligation of the Underwriters to take and pay for the respective Obligations, and of the City to deliver the Obligations, are subject to the condition that, up to the time of delivery of and receipt of payment for the Obligations, there shall have been no material adverse change in the condition (financial or otherwise) of the City from that set forth or contemplated in the Official Statement.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering prices to the public, as shown on page 2 of this Official Statement, less an underwriting discount of $65,626.57 and no accrued interest. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices to the public, as shown on page 3 of this Official Statement, less an underwriting discount of $42,082.46 and no accrued interest. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriters.

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Obligations, the Underwriters will be furnished a certificate, executed by a proper officer acting in his or her official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Obligations and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain any 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 light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements, and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City; and (e) no litigation of any nature has been filed or is pending, as of the date of delivery of the Obligations, to restrain or enjoin the issuance or delivery of the Obligations or which would affect the provisions made for their payment or security or in any manner question the validity of the Obligations.

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

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City’s expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

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

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Reference is made to original documents in all respects. The Ordinances authorizing the issuance of the Obligations approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Obligations by the Underwriters.

Mr. Stosh Boyle
Mayor
City of Cibolo, Texas

ATTEST:

Ms. Peggy Cimics
City Secretary
City of Cibolo, Texas

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION — TABLE 1

2019 Actual Certified Market Value of Taxable Property (100% of Market Value)		$2,672,581,923
Less Exemptions:		
Over-65/Surviving Spouse	5,633,368	
Disabled Persons/Surviving Spouse Exemption	786,667	
Disabled Veterans/Surviving Spouse Exemption	19,753,750	
Disabled Veterans/Surviving Spouse Homestead Exemption	313,088,658	
Member of Armed Services/Surviving Spouse Exemption	246,847	
Freeport Exemption	1,391,957	
Solar/Wind Exemption	500,101	
Productivity Loss	83,537,147	
Transfer Adjustment	63,500	
Homestead Cap	6,711,825	
2019 Certified Assessed Value of Taxable Property		$2,240,868,103
Less Freeze Value		238,299,261
Freeze Adjusted Taxable Assessed Valuation		$2,002,568,842

Note: The above figures were taken from the Guadalupe County Appraisal District which is compiled during the initial phase of the tax year and are subject to change.

GENERAL OBLIGATION BONDED DEBT

(As of March 1, 2019)

General Obligation Debt Outstanding[(1)]:	
General Obligation Public Improvements and Refunding Bonds, Series 2007	$160,000
General Obligation Refunding Bonds, Series 2010	190,000
General Obligation Bonds, Series 2011	5,580,000
General Obligaton Refunding Bonds, Series 2012	1,155,000
General Obligation Bonds, Series 2013	6,395,000
General Obligation Bonds, Series 2014	2,320,000
General Obligation and Refunding Bonds, Series 2015	8,535,000
General Obligation Bonds, Series 2016	3,040,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Taxable Series 2017	1,795,000
General Obligation Refunding Bonds, Series 2017	8,075,000
General Obligation Bonds, Series 2018	3,380,000
The Bonds	9,680,000
The Certificates	5,860,000
Total General Obligation Tax Debt	$56,165,000
Less: Self-Supporting Debt:	
General Obligation Public Improvements and Refunding Bonds, Series 2007	$38,880
General Obligaton Refunding Bonds, Series 2012	1,155,000
General Obligation and Refunding Bonds, Series 2015	1,249,524
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Taxable Series 2017	1,669,350
The Certificates	1,355,000
Total Self-Supporting Debt	$5,467,754
Total Net General Obligation Debt Outstanding	$50,697,246
Audited Interest & Sinking Fund Balance as of September 30, 2018	$604,222
Freeze Adjusted Taxable Assessed Valuation	$2,002,568,842
Ratio Net General Obligation Debt to Net Taxable Assessed Valuation	2.53%

Area of County:	15.9	Square Miles
Estimated Population:	30,225	in Year 2018
Per Capital 2019 Net Taxable Assessed Valuation:	$66,255	
Per Capital 2019 Net General Obligation Tax Debt:	$1,677	

[(1)] *See "AD VALOREM TAX PROCEDURES" in the Official Statement for a description of the Issuer's taxation procedures.*

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

The City has entered into lease agreements to finance equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception date. The assets acquired through capital leases are as follows:

Assets:	Governmental Activities	Business-Type Activities
Equipment	$1,998,782	$486,798
Less Accumulated Depreciated	-339,199	-219,059
Total	$1,659,583	$267,739

Future minimum obligations and the net present value of these minimum lease payments as of September 30, 2018 are as follows:

Year Ending September 30	Governmental Activities	Business-Type Activities
2019	$185,400	$0
2020	123,121	0
2021	123,121	0
2022	123,121	0
2023	123,121	0
Total Payments	$677,884	$0
Less: Amount Representing Interest	-47,394	0
Present Value of Minimum Lease Payments	$630,490	$0

Note: The above information was taken from the Issuer's 2018 Annual Financial Report.

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GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

		The Bonds			The Certificates							
Fiscal Year Ending 9/30	Current Total Debt Service[(1)]	Principal	Interest	Principal & Interest	Principal	Interest	Principal & Interest	Combined Debt Service	Less: Self-Supporting Water and Sewer System Debt	Less: Self-Supporting Economic Development Corporation Debt	Less: Self-Supporting YMCA Debt	Total Net Combined Debt Service
2019	$4,217,415							$4,217,415	$202,438	$125,550	$165,000	$3,724,427
2020	4,196,744	$90,000	$333,643	$423,643	$50,000	$195,087	$245,087	4,865,474	292,874	123,300	165,000	4,284,300
2021	4,184,921	160,000	376,600	536,600	45,000	221,475	266,475	4,987,996	292,625	125,525	165,000	4,404,846
2022	4,095,403	350,000	363,850	713,850	45,000	219,225	264,225	5,073,478	295,575	122,675	165,000	4,490,228
2023	4,090,690	365,000	345,975	710,975	50,000	216,850	266,850	5,068,515	297,750	124,750	165,000	4,481,015
2024	4,075,059	385,000	327,225	712,225	50,000	214,350	264,350	5,051,634	294,213	121,750	165,000	4,470,671
2025	4,090,931	405,000	307,475	712,475	175,000	208,725	383,725	5,187,131	294,925	123,675	165,000	4,603,531
2026	4,083,898	425,000	286,725	711,725	290,000	197,100	487,100	5,282,723	294,775	120,525	165,000	4,702,423
2027	4,076,899	450,000	264,850	714,850	310,000	182,100	492,100	5,283,849	289,300	122,300	165,000	4,707,249
2028	3,288,918	470,000	241,850	711,850	325,000	166,225	491,225	4,491,993	97,375	123,925	165,000	4,105,693
2029	3,296,281	490,000	220,300	710,300	340,000	151,300	491,300	4,497,881	94,450	125,400	165,000	4,113,031
2030	2,399,853	510,000	200,300	710,300	355,000	137,400	492,400	3,602,553	96,750	121,800	165,000	3,219,003
2031	2,272,459	535,000	179,400	714,400	365,000	123,000	488,000	3,474,859	93,950	0	165,000	3,215,909
2032	1,695,566	555,000	157,600	712,600	380,000	108,100	488,100	2,896,266	96,050	0	165,000	2,635,216
2033	1,516,363	580,000	134,900	714,900	395,000	92,600	487,600	2,718,863	93,050	0	0	2,625,813
2034	935,488	600,000	111,300	711,300	415,000	76,400	491,400	2,138,188	94,950	0	0	2,043,238
2035	738,213	625,000	89,925	714,925	430,000	61,650	491,650	1,944,788	97,075	0	0	1,847,713
2036	468,688	640,000	70,950	710,950	440,000	48,600	488,600	1,668,238	94,525	0	0	1,573,713
2037	242,425	660,000	51,450	711,450	455,000	35,175	490,175	1,444,050	96,900	0	0	1,347,150
2038	244,200	680,000	31,350	711,350	465,000	21,375	486,375	1,441,925	94,200	0	0	1,347,725
2039		705,000	10,575	715,575	480,000	7,200	487,200	1,202,775	96,425	0	0	1,106,350
	$54,210,414	$9,680,000	$4,106,243	$13,786,243	$5,860,000	$2,683,937	$8,543,937	$76,540,594	$3,700,175	$1,481,175	$2,310,000	$69,049,244

(1) *Includes "self-supporting" debt.*

TAX ADEQUACY [Includes Self-Supporting Debt]

Freeze Adjusted Taxable Assessed Valuation		$2,002,568,842
Maximum Annual Debt Service Requirements for Year Ending:	9/30/2027	$5,283,849
Indicated Interest and Sinking Fund Tax Rate		$0.2674
Indicated Interest and Sinking Fund Tax Rate at the following Collections:	99%	$5,300,400

TAX ADEQUACY [Excludes Self-Supporting Debt]

Freeze Adjusted Taxable Assessed Valuation		$2,002,568,842
Maximum Annual Debt Service Requirements for Year Ending:	9/30/2027	$4,707,249
Indicated Interest and Sinking Fund Tax Rate		$0.2386
Indicated Interest and Sinking Fund Tax Rate at the following Collections:	99%	$4,729,566

INTEREST AND SINKING FUND MANAGEMENT INDEX

Audited Interest & Sinking Fund Balance as of September 30, 2018	$604,222
2018 Interest and Sinking Fund Limited Tax Levy @ 98% Collections Produce	3,560,648
Self-Supporting Debt Service Transfer	492,988
Total Available for Debt Service	$4,657,858
Less: General Obligation Debt Service Requirements, Fiscal Year Ending: 9/30/2019	3,724,427
Balance at Fiscal Year Ending: September 30, 2019	$933,431

PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 9/30	Currently Outstanding Obligations Principal Repayment Schedule	The Bonds Principal Repayment Schedule	The Certificates Principal Repayment Schedule	Combined Principal Repayment Schedule	Obligations Remaining Outstanding at End of the Year	Percent of Principal Retired
2019	$2,870,000			$2,870,000	$56,165,000	
2020	2,955,000	$90,000	$50,000	3,095,000	53,070,000	10.10%
2021	3,020,000	160,000	45,000	3,225,000	49,845,000	
2022	3,010,000	350,000	45,000	3,405,000	46,440,000	
2023	3,090,000	365,000	50,000	3,505,000	42,935,000	
2024	3,165,000	385,000	50,000	3,600,000	39,335,000	
2025	3,280,000	405,000	175,000	3,860,000	35,475,000	39.91%
2026	3,380,000	425,000	290,000	4,095,000	31,380,000	
2027	3,485,000	450,000	310,000	4,245,000	27,135,000	
2028	2,800,000	470,000	325,000	3,595,000	23,540,000	
2029	2,900,000	490,000	340,000	3,730,000	19,810,000	
2030	2,090,000	510,000	355,000	2,955,000	16,855,000	71.45%
2031	2,040,000	535,000	365,000	2,940,000	13,915,000	
2032	1,530,000	555,000	380,000	2,465,000	11,450,000	
2033	1,405,000	580,000	395,000	2,380,000	9,070,000	
2034	865,000	600,000	415,000	1,880,000	7,190,000	
2035	695,000	625,000	430,000	1,750,000	5,440,000	90.79%
2036	445,000	640,000	440,000	1,525,000	3,915,000	
2037	230,000	660,000	455,000	1,345,000	2,570,000	
2038	240,000	680,000	465,000	1,385,000	1,185,000	97.99%
2039		705,000	480,000	1,185,000	0	100.00%
	$43,495,000	$9,680,000	$5,860,000	$59,035,000 [(1)]		

[(1)] *Includes payments already made during the current fiscal year.*

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2010-2019 — TABLE 3

Fiscal Year	Net Taxable Assessed Valuation	Change from Preceding Year Amount ($)	Percent
2010-2011	$1,212,866,771	$111,205,899	10.09%
2011-2012	1,288,030,747	75,163,976	6.20%
2012-2013	1,428,355,068	140,324,321	10.89%
2013-2014	1,529,261,589	100,906,521	7.06%
2014-2015	1,687,064,551	157,802,962	10.32%
2015-2016	1,800,977,238	113,912,687	6.75%
2016-2017	1,949,275,252	148,298,014	8.23%
2017-2018	2,047,409,476	98,134,224	5.03%
2018-2019	2,199,793,757	152,384,281	7.44%
2019-2020	2,240,868,103	41,074,346	1.87%

Note: The above information was taken from the Guadalupe County Appraisal District and the Issuer's 2018 Annual Financial Report.

CLASSIFICATION OF ASSESSED VALUATION — TABLE 4

	2019	% of Total	2018	% of Total	2017	% of Total
Real, Residential, Single-Family	$2,285,141,349	85.50%	$2,170,444,573	83.83%	$2,011,806,115	85.29%
Real, Residential, Multi-Family	3,417,473	0.13%	1,123,707	0.04%	1,139,619	0.05%
Real, Vacant Lots/Tracts & Colonia Lots/Tracts	29,203,996	1.09%	30,546,465	1.18%	21,980,279	0.93%
Real, Acreage (Land Only)	84,402,683	3.16%	98,308,855	3.80%	77,457,840	3.28%
Real, Farm and Ranch Improvements	676,742	0.03%	108,258	0.00%	108,875	0.00%
Real, Rural Land, NonQualified Open Space	34,164,584	1.28%	38,869,554	1.50%	40,631,514	1.72%
Real, Commercial and Industrial	108,920,331	4.08%	120,623,580	4.66%	104,609,826	4.43%
Real & Tangible, Personal Utilities	9,679,644	0.36%	9,583,405	0.37%	10,663,837	0.45%
Tangible Personal, Commercial & Industrial	82,018,904	3.07%	85,240,625	3.29%	55,583,074	2.36%
Tangible Personal, Mobile Homes	3,795,498	0.14%	3,413,039	0.13%	3,348,467	0.14%
Residential Inventory	30,481,146	1.14%	30,359,884	1.17%	30,907,181	1.31%
Special Inventory	679,573	0.03%	496,528	0.02%	530,369	0.02%
Total Appraised Value	$2,672,581,923	100.00%	$2,589,118,473	100.00%	$2,358,766,996	100.00%
Less:						
Over-65/Surviving Spouse	$5,633,368		$5,330,868		$4,963,368	
Disabled Persons/Surviving Spouse	786,667		740,000		765,000	
Disabled Veterans/Surviving Spouse	19,753,750		19,650,670		19,224,500	
Disabled Veterans/Surviving Spouse Homestead	313,088,658		256,452,030		201,523,327	
Member of Armed Services/Surviving Spouse	246,847		240,754		241,237	
Freeport Exemption	1,391,957		0		0	
Solar/Wind Exemption	500,101		375,211		285,792	
Productivity Loss	83,537,147		97,384,863		76,692,329	
Transfer Adjustment	63,500		182,067		0	
Homestead Cap	6,711,825		8,968,253		7,661,967	
Net Taxable Assessed Valuation	$2,240,868,103		$2,199,793,757		$2,047,409,476	
Freeze Taxable	238,299,261		214,352,139		168,625,198	
Freeze Adjusted Taxable Assessed Valuation	$2,002,568,842		$1,985,441,618		$1,878,784,278	

Note: The above figures were taken from the Guadalupe County Appraisal District which is compiled during the initial phase of the tax year and are subject to change.

TAX DATA — TABLE 5

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections Current	% Collections Total	Year Ended
2010	$1,212,866,771	$0.4139	$4,924,577	99.37	99.94	9/30/2011
2011	1,288,030,747	0.4256	5,392,662	99.53	99.95	9/30/2012
2012	1,428,355,068	0.4327	6,025,204	99.03	99.96	9/30/2013
2013	1,529,261,589	0.4454	6,648,113	99.37	99.93	9/30/2014
2014	1,687,064,551	0.4454	7,386,249	99.57	99.57	9/30/2015
2015	1,800,977,238	0.4454	7,813,886	99.60	99.57	9/30/2016
2016	1,949,275,252	0.4474	8,215,446	99.55	99.84	9/30/2017
2017	2,047,409,476	0.4474	8,792,711	99.53	99.53	9/30/2018
2018	2,199,793,757	0.4674	9,605,409	99.95(1)	100.40(1)	9/30/2019
2019	2,240,868,103	(2)	10,176,608	(2)	(2)	9/30/2020

Note: The above figures were taken from the Municipal Advisory Council of Texas, Texas Municipal Reports, the Guadalupe County Appraisal District, the Guadalupe County Tax Assessor-Collector's Office, the Issuer's 2018 Annual Financial Report and information provided by the Issuer.

(1) *Unaudited, as of June 30, 2019.*

(2) *In Progress.*

TAX RATE DISTRIBUTION — TABLE 6

Tax Year	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
General Fund	$0.2878	$0.2726	$0.2653	$0.2681	$0.2745
I & S Fund	0.1796	0.1748	0.1821	0.1773	0.1709
Total Tax Rate	$0.4674	$0.4474	$0.4474	$0.4454	$0.4454

Note: The above information was taken from the Issuer's 2018 Annual Financial Report and the Guadalupe County Appraisal District.

PRINCIPAL TAXPAYERS — TABLE 7

Name	Type of Property	Net Taxable Assessed Valuation	% of Total 2018 Assessed Valuation
Liberty Oil Field Services LLC	Hydraulic Fracturing Services	$34,321,211	1.53%
Santikos Cibolo Theater Realty LLC	Movie Theater/Entertainment	13,995,222	0.62%
Independent Rough Terrain Center	Material Handler/Equipment	11,270,712	0.50%
Wal-Mart Real Estate Business Trust	Real Estate Development	9,600,000	0.43%
Wal-Mart Stores Texas LLC	Retail	9,435,683	0.42%
Florin Capital BSD-8 LP	Shopping Center	9,004,620	0.40%
Guadalupe Valley Electric Co-op	Utility	8,001,018	0.36%
Babcock Road 165 LTD	Retail Development/Real Estate	5,600,555	0.25%
Cibolo Real Estate Holdings LLC	Industrial Material Handling	5,588,307	0.25%
Los Cibolo Re Investments LLC	Oilfield Services Holdings/Industrial	5,389,800	0.24%
Total (5.01% of 2018 Net Taxable Assessed Valuation)		$112,207,128	5.01%

Note: The above figures were taken from the Guadalupe County Appraisal District.

OVERLAPPING DEBT DATA AND INFORMATION

(As of July 31, 2019)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures.

The following statements of direct and estimated overlapping ad valorem bonds were developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete.

Furthermore, certain of the entities below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt	% Overlapping	Amount Overlapping
Guadalupe County	$11,570,000	16.90%	$1,955,330
Schertz-Cibolo-Universal	408,181,092	36.39%	148,537,099
Debt			$150,492,429
Cibolo, City of	$56,165,000 *	100.00%	56,165,000 *
Overlapping Debt			$206,657,429 *
Ratio of Direct and Overlapping Debt to the 2019 Assessed Valuation			9.22% *
Per Capita Direct and Overlapping Debt			$6,837 *

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

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Subdivision	2018 Net Assessed Valuation	2018 Tax Rate
Guadalupe County	$13,262,245,367	$0.3309
Schertz-Cibolo-Universal ISD	5,581,652,456	1.4900

Source: Guadalupe County Appraisal District.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Subdivision	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Guadalupe County	None				
Schertz-Cibolo-Universal ISD	None				
Cibolo, City of	11/4/2014	Streets and Bridges, and Public Safety	$13,500,000	$13,500,000 *	$0 *
	11/6/2018	Streets, Public Safety, Municipal Facilities, and Parks	4,750,000	4,750,000 *	0 *

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.
**Includes the Bonds and reoffering premium allocated against voted authority.*

The Issuer has adopted the provisions of Chapter 321, Texas Tax Code, as amended, and pursuant thereto levies a sales and use tax at the rate of 1% on the retail sales of taxable items sold within the Issuer. In addition, some issuers, including the City, are eligible to levy a sales tax of up to ½ of 1% for property tax relief and/or an additional sales tax of up to ½ of 1% for economic development. State law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including municipal street maintenance and repair, sports and community venues, and funding certain projects through municipal development districts created by the City pursuant to Chapter 377, Texas Local Government Code. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

The Issuer has not authorized the additional ½ of 1% sales tax for property tax relief but has authorized an additional ¼ of 1% sales tax for economic development and an additional ¼ of 1% sales tax for street maintenance. The figures below represent collections from the combined 1.50% sales tax.

Calendar Year	Total Collected ($)	% of Ad Valorem Tax Levy	($) Equivalent of Ad Valorem Tax Rate
2009	$693,934	15.62%	0.064
2010	836,568	16.99%	0.070
2011	812,511	15.07%	0.064
2012	968,512	16.07%	0.070
2013	1,219,285	18.34%	0.082
2014	1,301,035	17.61%	0.078
2015	1,465,576	18.76%	0.084
2016	1,936,208	23.57%	0.105
2017	2,351,528	26.74%	0.120
2018	2,952,345	30.74%	0.144

Source: State of Texas, Comptroller of Public Accounts and the Guadalupe County Appraisal District.

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GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES — TABLE 9

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

	Fiscal Year Ended				
	9/30/2018	**9/30/2017**	**9/30/2016**	**9/30/2015**	**9/30/2014**
Fund Balance-Beginning of Year	$5,738,553	$6,171,055	$5,885,928	$5,568,009	$4,983,247
Revenues	$11,233,621	$10,440,834	$9,954,440	$9,223,431	$9,004,792
Expenditures	11,982,746	11,907,345	9,830,658	9,494,566	8,642,423
Excess (Deficit) of Revenues Over Expenditures	($749,125)	($1,466,511)	$123,782	($271,135)	$362,369
Other Financing Sources (Uses):					
Operating Transfers In	$0	$0	$0	$0	$875
Sale of Assets	15,522	3,903	12,009	124,345	0
Issuance of Debt	0	674,936	0	299,827	0
Proceeds from Notes Payable	0	0	0	0	72,309
Proceeds from Sale of Capital Assets	0	0	0	0	0
Transfer In	401,746	380,410	174,356	164,882	149,209
Transfer Out	(28,300)	(25,240)	(25,020)	0	0
Total Other Financing Sources (Uses):	$388,968	$1,034,009	$161,345	$589,054	$222,393
Fund Balance - End of Year[1]	$5,378,396	$5,738,553	$6,171,055	$5,885,928	$5,568,009

Note: The above information was taken from the Issuer's Annual Reports dated September 30, 2014 – 2018 and information from the Issuer.

[1] *The City anticipates its unaudited fiscal year ending September 30, 2019 General Fund balance to be approximately $4,649,592.*

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A. Plan Description

The City participates as one of 883 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 Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. 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 valuation and measurement date, the following employees were covered by the benefit terms:

	2016	2017
Inactive employees or beneficiaries currently receiving benefits	24	29
Inactive employees entitled to but not yet receiving benefits	79	88
Active employees	115	123
Total	218	240

C. 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

For the year ending September 30, 2018, 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 12.82% and 13.06% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $878,389, and were equal to the required contributions.

D. 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.

E. 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
Salary Increases	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 Combined Healthy 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. The post-retirement morality assumption for healthy annuitants and annuity Purchase Rate (APRs) are based on the Morality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation and best estimates of 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%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
Total	100.00%	

F. 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.

G. Changes in the Net Pension Liability

The below schedule presents in the Net Pension Liability as of December 31, 2017:

	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability
Balance at December 31, 2016	$10,785,445	$8,915,494	$1,869,951
Changes for the year:			
Service Cost	1,188,141	0	1,188,141
Interest	761,533	0	761,533
Change of Benefit Terms	0	0	0
Difference Between Expected and Actual Experience	142,214	0	142,214
Changes of Assumptions	0	0	0
Contributions - Employer	0	829,521	-829,521
Contributions - Employee	0	452,749	-452,749
Net Investment Income	0	1,236,531	-1,236,531
Benefit Payments, Including Refunds of Employee Contributions	-195,086	-195,086	0
Administrative Expense	0	-6,404	6,404
Other Changes	0	-325	325
Net Changes	$1,896,802	$2,316,986	-$420,184
Balance at December 31, 2017	$12,682,247	$11,232,480	$1,449,767

Sensitivity of the net pension liability to changes in the discount rate.

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	$3,673,518	$1,449,767	($318,974)

RETIREMENT PLAN (conclusion)

H. 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.

I. Pension Expense and Deferred Outflow/Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of $930,037. 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	$159,918	$0
Changes in Actuarial Assumptions	13,697	0
Differences between Projected and Actual Investment Earnings	0	(313,322)
Contributions Subsequent to the Measurement Date	666,763	0
	$840,378	($313,322)

Deferred outflows of resources in the amount of $666,763 is related to pensions resulting from contributions subsequent to the measurement date (December 31, 2017) and will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended September 30	
2019	$28,622
2020	16,221
2021	(80,309)
2022	(104,241)
	($139,707)

Note: The above information was taken from the Issuer's 2018 Annual Financial Report.

REVENUE BOND DEBT DATA — TABLE 11

(As of September 30, 2018)

Utility System Revenue Bond, Series 2006	$1,445,000
Utility System Revenue Bond, Series 2012	5,670,000
Total	$7,115,000

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UTILITY SYSTEM OPERATNG STATEMENT — TABLE 12

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

Fiscal Year Ended		9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Revenues		$11,582,741	$11,402,577	$10,456,623	$9,636,066	$8,783,600
Expenses		9,573,178	9,102,897	8,908,512	8,037,634	7,514,121
Net Revenue Available for Debt Service		$2,009,563	$2,299,680	$1,548,111	$1,598,432	$1,269,479
Existing Debt		$928,752	$925,967	$992,897	$997,620	$986,697
Customer Count:						
	Water	5,552	5,429	5,418	5,398	5,312
	Sewer	9,093	8,722	8,350	7,952	7,636

Note: The above information was taken from the Issuer's 2018 Annual Financial Report, information provided by the Issuer and the Texas Municipal Reports published by the Municipal Advisory Council of Texas .

UTILITY SYSTEM PLANT IN OPERATION — TABLE 13

Fiscal Year Ended	9/30/2018	9/30/2017
Land	$503,121	$503,121
Water Rights	475,000	475,000
Utility Systems	27,381,244	22,469,203
Equipment and Vehicles	1,013,206	1,040,898
Construction in Process	393,155	4,303,966
Total Capital Assets	29,765,726	28,792,188
Less: Accumulated Depreciation	-5,506,424	-4,979,000
Net Capital Assets	$24,259,302	$23,813,188

Note: The above information was taken from the Issuer's 2018 and 2017 Annual Financial Reports.

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The City's primary water source is the Canyon Regional Water Authority. The City has a total of 5,152 acre feet available to them.

Canyon Regional Water Authority has built, operates, and maintains a water treatment facility located at Lake Dunlap and Wells Ranch and certain related transmission lines for the purpose of receiving, treating, and transmitting certain of the water purchased pursuant to the contract with Guadalupe-Blanco River Authority.

Payments to the Canyon Regional Water Authority for water supply and to Cibolo Creek Municipal Authority for sewage treatment are a component of Maintenance and Operating Expenses of the System and are paid prior to debt service on outstanding System revenue obligation. During the last five fiscal years, the Issuer has paid the following amounts to each entity:

	Year Ended 9/30/2018	Year Ended 9/30/2017	Year Ended 9/30/2016	Year Ended 9/30/2015	Year Ended 9/30/2014
Canyon Regional Water Authority	$3,217,866	$2,841,724	$3,011,497	$3,122,057	$2,530,367
Cibolo Creek Municipal Authority	$2,153,817	$1,979,065	$1,706,127	$1,548,015	$1,431,464

The City currently anticipates that its existing water supply is adequate until at least 2024 based upon moderate growth assumptions. The City is also a founding member of the Cibolo Valley Local Government Corporation ("CVLGC"), along with the City of Schertz, which is a nonprofit corporation created under Texas law to allow for a joint and collaborative effort to seek additional water supplies and water treatment facilities on a regional basis. The CVLGC is similar to the existing Schertz/Seguin Local Government Corporation (“SSLGC”) that was created for similar purposes by the cities of Seguin and Schertz that has proven to be instrumental in developing water supply and water treatment facilities on a regional basis in a cost-efficient manner. CVLGC has acquired water rights leases on 10,994 acres of land in Wilson County, thereby securing 10,994 acre feet of water from the Carrizo Wilcox Aquifer. The City also has the ability to lease additional water from SSLGC in the event greater than anticipated growth were to occur in the short term. The City remains confident that we are developing or have secured adequate water supplies to support the long-term growth anticipated for our community.

Note: The above information was taken from the Issuer's Annual Financial Reports, information provided by the Issuer and the Texas Municipal Reports published by the Municipal Advisory Council of Texas.

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[Based on Monthly Billing]

New Rates
(Effective October 1, 2017)

Residential:

1,200 gallons or less (special rate)		$12.50 Base Rate
Over 1,200 gallons		$25.00 Base Rate
1,201 to 7,000	additional	$5.50 per 1,000 gallons
7,001 to 15,000	additional	$7.00 per 1,000 gallons
15,001 to 30,000	additional	$8.50 per 1,000 gallons
30,001 to 50,000	additional	$10.00 per 1,000 gallons
over 50,000	additional	$12.50 per 1,000 gallons

Commercial/Hydrant:

First 1,000 gallons	Base Rate based on meter size	
1,001 to 7,000	additional	$5.50 per 1,000 gallons
7,001 to 15,000	additional	$7.00 per 1,000 gallons
15,001 to 30,000	additional	$8.50 per 1,000 gallons
30,001 to 50,000	additional	$10.00 per 1,000 gallons
over 50,000	additional	$12.50 per 1,000 gallons

Multi-Family:

First (1,000 gallons x LUE)	Base Rate based on meter size	
1,001 to 7,000 (x LUE)	additional	$5.50 per 1,000 gallons
7,001 to 15,000 (x LUE)	additional	$7.00 per 1,000 gallons
15,001 to 30,000 (x LUE)	additional	$8.50 per 1,000 gallons
30,001 to 50,000 (x LUE)	additional	$10.00 per 1,000 gallons
over 50,000 (x LUE)	additional	$12.50 per 1,000 gallons

Meter Size	$	Meter Size	$
3/4"	$30.00	3"	$320.00
1"	$50.00	4"	$500.00
1.5"	$100.00	6"	$1,000.00
2"	$160.00	10"	$2,300.00

Old Rates
(Effective October 1, 2016)

Residential:

1,200 gallons or less (special rate)		$12.50 Base Rate
1,201 to 3,000 gallons		$25.00 Base Rate
3,001 to 7,000	additional	$5.20 per 1,000 gallons
7,001 to 12,000	additional	$6.50 per 1,000 gallons
12,001 to 15,000	additional	$7.80 per 1,000 gallons
15,001 to 20,000	additional	$9.10 per 1,000 gallons
20,001 to 30,000	additional	$10.50 per 1,000 gallons
30,001 to 50,000	additional	$17.75 per 1,000 gallons
over 50,000	additional	$26.00 per 1,000 gallons

Commercial:

First 3,000 gallons		$30.00 Base Rate
3,001 to 12,000	additional	$5.90 per 1,000 gallons
12,001 to 15,000	additional	$7.09 per 1,000 gallons
15,001 to 30,000	additional	$10.63 per 1,000 gallons
30,001 to 50,000	additional	$17.75 per 1,000 gallons
over 50,000	additional	$26.00 per 1,000 gallons

Water Acquisition Fee $6.00 per month

[Based on Monthly Billing]

New Rates
(Effective October 1, 2018)

Residential:		
First 3,000 gallons of water used		$16.25 Base Rate
3,001 plus gallons of water used	additional	$4.85 per 1,000 gallons
Commercial:		
First 3,000 gallons of water used		$19.75 Base Rate
3,001 plus gallons of water used	additional	$4.60 per 1,000 gallons
Multi-Family:		
First 3,000 gallons of water used x LUE		$19.75 Base Rate
(3,001 plus x LUE) gallons of water used	additional	$4.85 per 1,000 gallons

Account Fees:	
Account set up fee	$30.00
Account transfer fee	$30.00
Water acquisition fee	$6.00 per month
Administrative Fee	$25.00
Return checks, never re-reads, "datalog" reports (after the first one), account handling for disconnection for non-payment, after hours reconnect fees, special customer requests	$25.00
Late penalty	$10.00
Hydrant meter daily rental fee	$7.50 per day
Security Deposits:	
Residential	$60.00
Temporary service request (5 days or less)	$20.00
Commercial/Industrial	Two months estimated use
Garbage only accounts	Two months prepayment
Hydrant Meters	$650.00
Commercial Rolloff Dumpsters	$800.00
Meter Installation and Tap Fees:	
Installation:	
5/8" Meter to 1½" Meter*	$60.00
2" Meter to less than 4" Meter*	$75.00
4" Meter and larger*	$120.00
Hydrant Meter*	$50.00
**plus meter cost*	
Water Taps:	
Water Impact Fee (if applicable)	$3,595.00
Short Service (main on same side of the street)**:	$520.00
Long service (main not on same side of the street)**	$1,585.00
***plus meter/supply cost*	
Wastewater Taps:	
Wastewater Impact Fee (if applicable):	$1,770.00
CCMA fee	$1,800.00 plus $15.00 admin fee
5 ft deep or less	$1,373.00
Each additional foot over 5 feet	$375 per foot

*Due to the fluctuation of meter and supply costs, parts will be quoted at time of permitting at our cost plus 10%.

Old Rates
(Effective October 1, 2017)

Residential:

First 3,000 gallons of water used		$16.25 Base Rate
3,001 plus gallons of water used	additional	$4.60 per 1,000 gallons

Commercial:

First 3,000 gallons of water used		$19.75 Base Rate
3,001 plus gallons of water used	additional	$4.60 per 1,000 gallons

Note: The above information was provided by the Issuer .

TOP TEN WATER USERS **TABLE 17**

(Fiscal Year Ending September 30, 2018)

Name of Customer	Gallons	% of Total
Florin Capital BSD-8, LP	30,114,750	6.41%
SCUCISD	13,562,000	2.89%
Cibolo Multi Event Center	2,907,100	0.62%
Wal-Mart	2,547,500	0.54%
Shady Meadows Villa	1,861,000	0.40%
Signature Plating	1,578,200	0.34%
J. Stewart Construction	1,555,000	0.33%
Cibolo City Hall	1,551,000	0.33%
Liberty Oilfield Services	1,436,600	0.31%
Cibolo Niemietz Park	1,388,900	0.30%
Total	58,502,050	12.45%
Total gallons sold by the City	469,967,757	

Note: The above information was taken from the Issuer's 2018 Annual Financial Report.

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY

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GENERAL INFORMATION REGARDING CITY OF CIBOLO AND GUADALUPE COUNTY, TEXAS

City of Cibolo:

The City of Cibolo, Texas (the "City") is a retail point located approximately 13 miles northeast of San Antonio, Texas on Farm Road 78. Many residents commute to San Antonio for employment. A grain elevator serves local farmers. The City's estimated 2019 population is approximately 30,225.

Guadalupe County:

Guadalupe County, Texas (the "County") was created and organized in 1846 from Bexar and Gonzales Counties and named after the Guadalupe River, which runs through the middle. The County is located in south central Texas and traversed by Interstate Highways 10 and 35. The County's estimated 2019 population is approximately 163,694.

County Seat: Seguin

Economic Base: Mineral: Oil, gravel, gas and clay.

Industry: Varied manufacturing and agribusiness.

Agricultural: Wheat, pecans, nursery crops, milo, hay, cotton, corn and cattle.

Oil & Gas 2018: The oil production for this county accounts for 0.06% of the total state production. The county ranks 88 out of all the counties in Texas for oil production.

Oil Production (Texas Railroad Commission):

Year	Description	Volume	% Change From Previous Year
2017	Oil	658,374 BBL	-7.11
2018	Oil	648,064 BBL	-1.57

Casinghead (Texas Railroad Commission):

Year	Description	Volume	% Change From Previous Year
2017	Casinghead	10,649 MCF	-72.54
2018	Casinghead	10 MCF	-99.91

Retail Sales & Effective Buying Income (The Nielsen Company):

Year	2018	2017	2016
Retail Sales	$2.98B	$1.3B	$1.4B
Effective Buying Income (EBI)	$4.0B	$3.8B	$3.4B
County Median Household Income	$59,902	$56,645	$53,189
State Median Household Income	$61,175	$57,227	$55,352
% of Households with EBI below $25K	16.3%	16.6%	9.4%
% of Households with EBI above $25K	70.3%	71.5%	70.9%

Employment Data (Texas Workforce Commission):

Year	2018		2017		2016	
1st Quarter:	41,005	$449.6M	39,254	$403.6M	37,487	$366.6M
2nd Quarter:	41,561	$457.7M	40,377	$426.3M	38,428	$383.1M
3rd Quarter:	41,703	$450.2M	41,313	$428.6M	38,632	$397.6M
4th Quarter:	N/A	N/A	41,556	$455.3M	39,745	$416.4M

Sources: Texas Municipal Reports, published by the Municipal Advisory Council of Texas and DemographicsUSA County Edition. Any data on population, value added by manufacturing or production of minerals or agricultural products are from U.S. Census or other official sources.

Labor Force Statistics:

	May 2019	April 2019	May 2018	Monthly Change	Year Ago Change
% Unemployment (U.S.)	3.4	3.3	3.6	0.1	-0.2
% Unemployment (Texas)	2.9	3.0	3.6	-0.1	-0.7
% Unemployment (County)	2.5	2.5	2.9	0.00	-0.4

	2018	2017	2016	2015	2014
% Unemployment (U.S.)	3.7	4.1	4.5	4.8	5.4
% Unemployment (Texas)	3.6	4.0	4.5	4.2	4.1
% Unemployment (County)	3.0	2.9	3.5	3.3	3.5

Source: Texas Labor Market Review.

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
111 W Houston, Suite 1800
San Antonio, Texas 78205-3792
United States

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Fax +1 210 270 7205
nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the "City of Cibolo, Texas General Obligation Bonds, Series 2019" (the *Bonds*), dated September 1, 2019, in the aggregate principal amount of $9,680,000, we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Cibolo, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2020 through 2039, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

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

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

NORTON ROSE FULBRIGHT

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas in connection with the authorization and issuance of "CITY OF CIBOLO, TEXAS GENERAL OBLIGATION BONDS, SERIES 2019"

BASED UPON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the levy of an ad valorem tax, within the limitations prescribed by law, upon all taxable property in the Issuer.

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

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

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

Norton Rose Fulbright US LLP

NORTON ROSE FULBRIGHT

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United States

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Fax +1 210 270 7205
nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the "City of Cibolo, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019" (the *Certificates*), dated September 1, 2019 in the aggregate principal amount of $5,860,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Cibolo, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 2020 through 2039, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

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

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

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "CITY OF CIBOLO, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019"

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer and are further payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the Issuer. The Issuer also previously authorized the issuance of the Limited Pledge Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in accordance with the ordinance authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

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

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

NORTON ROSE FULBRIGHT

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "CITY OF CIBOLO, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019"

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

Norton Rose Fulbright US LLP

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APPENDIX D

EXCERPTS FROM THE ISSUER'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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CITY OF CIBOLO, TEXAS

Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2018





A Certified Scenic City

CITY OF CIBOLO, TEXAS

200 South Main
Cibolo, Texas 78108
210-658-9900

CITY OF CIBOLO

TEXAS

CITY OF CIBOLO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2018

OFFICIALS ISSUING REPORT

Robert T. Herrera
City Manager

Anna Miranda
Director of Finance

CITY OF CIBOLO

TEXAS

CITY OF CIBOLO, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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FOR THE YEAR ENDED SEPTEMBER 30, 2018

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COMPLIANCE SECTION

CITY OF CIBOLO

TEXAS

INTRODUCTORY SECTION

City of Cibolo 200 South Main / PO BOX 826 Cibolo, Texas 78108 (210) 658-9900 www.cibolotx.gov

March 8, 2019

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

State law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States of America 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 Cibolo for the fiscal year ended September 30, 2018.

This report consists of management's representations concerning the finances of the City of Cibolo. 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 Cibolo 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 Cibolo's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Cibolo 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 Cibolo'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 Cibolo, 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 Cibolo's financial statements for the fiscal year ended September 30, 2018, are fairly presented in conformity with 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 Cibolo's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Cibolo, incorporated in 1965, 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 Cibolo currently occupies a land area of 15.9 square miles and serves an estimated population of over 30,000. The City of Cibolo is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statue to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City of Cibolo has operated under the council-manager form of government since September 2004. Policymaking and legislative authority are vested in a City Council consisting of the mayor and 7 members. 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. Since November 2013, the council is elected by district on a non-partisan basis. Council members serve two-year staggered terms. The mayor is elected at large, to serve a two-year term. Term lengths were lengthened to three-year staggered terms as of the November 2018 election cycle.

The City of Cibolo provides a full range of services, including police and fire protection, the construction and maintenance of streets and drainage ways, parks maintenance, water and sewer services, building inspection, planning and zoning, municipal code compliance and animal services.

The annual budget serves as the foundation for the City of Cibolo's financial planning and control. All departments of the City of Cibolo 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 this proposed budget to the council for review prior to August 15th. The City Council holds public hearings and community meetings on the proposed budget and to adopt a final budget by no later than September 30th, the close of the City of Cibolo's fiscal year. The City Council may authorize budget amendments as necessary during the year when unforeseen events occur. 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 64-66 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 Cibolo operates.

Local economy. The City of Cibolo is one of the fastest growing cities in the State. The strong military presence in the area contributes to our growth and job stability. With the high population growth, the Cibolo economy has become attractive for commercial development and 2018 has seen continued business interest and commercial activity.

Cibolo’s first major retail development project, Wal-Mart Super Center opened in January of 2016. This construction spurred a lot of activity in the same general area with several personal service businesses, various fast food restaurants and other major retailers locating in newly constructed strip centers nearby. Sales tax revenue in Cibolo has doubled in the last three years due to this growth.

Along with growth in new retail sectors, Cibolo’s downtown area is also experiencing revitalization, with many people drawn to the quaint atmosphere, good food and entertainment being offered in the ‘Old Town District’.

The Northern part of the City along IH35 has also begun to develop. In May 2019, Santikos Theatres is expected to complete construction of a theater and family entertainment center in Cibolo. The entertainment center will include 12 theaters with luxury reclining seating, arcades, sports bar and 16 bowling lanes. The facility will employ approximately 200 people. This 80-acre project will also include the development of family restaurants and retail development and is expected to have a significant impact on Cibolo's economy.

Long-term financial planning and relevant financial policies. The City of Cibolo fund balance policy sets the City's guideline for maintaining a fund balance level in the general fund that contributes to our financial stability and our strong bond rating. It is the City's goal to maintain fund balance between 25% to 35% of expenditures. Historically, the City has been very dependent on property tax revenue and building permits and fees. With the continued development of retail business, our revenues are expected to be more diverse which will help to maintain our property tax rate as one of the lowest rates in the surrounding area.

Major Initiatives. The City's fiscal year 2019 budget includes funding to replace equipment, enhance communication with our citizens and improve downtown infrastructure. As the community continues to grow in population and in both our residential and commercial areas, we will see a need for staffing increases to maintain the same level of service. As City staff increases, facilities must continue to grow as well. The City held a bond election in November 2018 to address some of this growth with passage of a bond initiative to expand public works facilities and create a City Hall Annex. The bond package also includes funding to improve public safety communications, address drainage and continue to develop our parks system.

Projects funded by prior bonds to address infrastructure challenges have been recently completed or are underway. These are discussed in greater detail in the MD&A.

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 Cibolo for its comprehensive annual financial report for the fiscal year ended September 30, 2017. In order to be awarded a Certificate of Achievement, a government 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 that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In 2016, Cibolo received Gold certification from the Scenic Texas - Scenic City Certification Program. The Scenic City Certification Program provides a proven, highly-regarded tool to Texas cities for assessment, evaluation and recognition of infrastructure standards. Cibolo is one of twenty-six cities in Texas that has achieved Gold recognition. There are five levels of recognition. The fourth level, Gold recognition, requires 80-89% of total possible points. The certification continues for five years.

San Antonio Magazine has mentioned Cibolo as one of the "Best Neighborhoods for Families". Well-rated public schools, plentiful shopping, suburban atmosphere, affordable housing, with relatively easy commutes are a few of the factors that contributed to the endorsement.

More recently, Cibolo was ranked:

- #27 in the National Council For Home Safety and Security's "Safest Cities in Texas" for 2019
- #82 of 412 in Niche's "Suburbs with the Best Public Schools in Texas" in 2019;
- #9 in Nerdwallet's "Best Places for Young Families in Texas" for 2018; and
- #44 in Safewise's "50 Safest Cities in Texas" for 2019.

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 addition, without the assistance of each and every department head on staff, we would not have the successes we've enjoyed. Credit also must be given to the Mayor and the City Council for their enduring support of the City Manager and staff.

Respectfully submitted,

Robert T. Herrera
City Manager

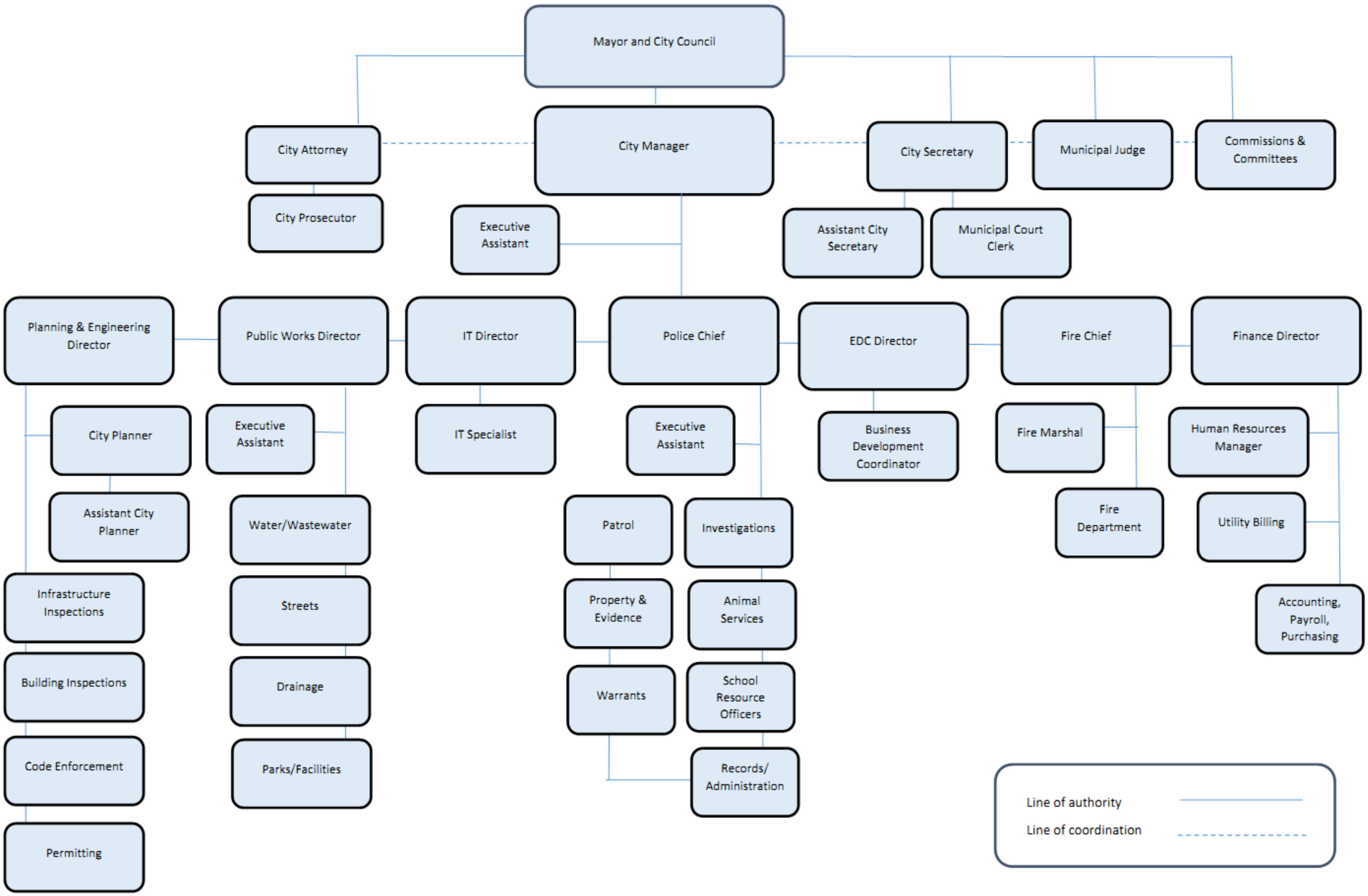
Anna S. Miranda, CPA
Finance Director

CITY OF CIBOLO, TEXAS

CITY OFFICIALS

MAYOR	STOSH BOYLE
CITY COUNCIL	JENNIFER SCHULTES
	VERLIN (DOUG) GARRETT
	BRIAN BYRD
	TED GIBBS
	JIM RUSSELL
	JOEL HICKS
CITY MANAGER	ROBERT T. HERRERA
DIRECTOR OF FINANCE	ANNA S. MIRANDA, CPA
CITY ATTORNEY	FRANCISCO J. GARZA DAVIDSON, TROILO, REAM & GARZA P.C.

CITY OF CIBOLO, TEXAS
SEPTEMBER 30, 2018
ORGANIZATIONAL CHART



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cibolo

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

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 Cibolo, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

City of Cibolo'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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Cibolo, 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 of the financial statements, in October 2017, the City adopted new accounting guidance from the Governmental Accounting Standards Board Statement No. 75 related to accounting for postemployment benefits other than pensions (OPEB). 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, the schedule of changes – net pension liability and related ratios, the schedule of City contributions, and the schedule of changes – other post-employment benefit liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on management's discussion and analysis, the schedule of changes – net pension liability and related ratios, the schedule of City contributions, and schedule of changes – other post-employment benefit liability 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 Cibolo's basic financial statements. The comparative 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 statements, 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 statements, 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 8, 2019 on our consideration of City of Cibolo'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 Cibolo's internal control over financial reporting and compliance.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

March 8, 2019

MANAGEMENTS DISCUSSION AND ANALYSIS

This section of the City of Cibolo’s comprehensive annual financial report presents an overview, through management’s discussion and analysis (MD&A), of the City’s financial activities and performance during the fiscal year ended September 30, 2018. The MD&A should be read in conjunction with the transmittal letter found in the introductory section of this report and the accompanying financial statements and disclosure following this section.

Financial Highlights

Government-Wide statements

- The net position (the amount by which assets exceed liabilities) of the City, excluding component units, was $59.9 million at September 30, 2018. Of this amount, $7 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City’s net position increased by approximately $3.8 million in this fiscal year. This is a 6.7% increase over the prior year net position.
- Total net expenses over program revenue of $9.2 million represents a $3.4 million increase over prior year.
- Total general revenues and transfers of $13.0 million were $1.2 million more than in the prior year, which is attributable to an increases in ad valorem taxes, sales taxes and investment earnings.

Fund statements

- At the end of the fiscal year, the combined total of the General Fund fund balance was $5.4 million, of which $4.9 million is unassigned. This represents 43.8% of the general fund expenditures, down from 51.6% in the prior year, not including capital outlay and lease payments. The fund balance policy is to maintain between 25% and 35% balance in reserves.
- General fund revenues increased by 7.6% to $11.2 million over the prior fiscal year as a result of an increase in general taxes and franchise fees.
- Expenditures in the general fund increased by $57 thousand to $12.0 million over the prior fiscal year. This increase is attributable to increases in debt payments in the current year.
- During the fiscal year, the City issued $3.49 million in general obligation bonds for roadway improvements. The City also issued $8.325 million general obligation refunding bonds to partially refund the City’s outstanding General Obligation Bonds, Series 2007 for debt service savings.
- Water and Sewer Fund operating revenues increased by 4.7% to $10.8 million in 2018 largely due to a change in our water rate structure. The base rate now covers a lover level or authorized consumption than in prior years.
- Water and Sewer Fund operating expenses increased by 4.2% to $10.0 million primarily due to increased costs related to contracted water supply and wastewater treatment services.

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 are comprised of 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 Cibolo 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 Cibolo 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 Cibolo include general government, public safety, streets maintenance, parks and recreation, and community development. The business-type activities of the City of Cibolo include a water and sewer department and drainage utility district.

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 Cibolo, 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 Cibolo 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 Cibolo maintains fifteen (15) 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 Capital Projects Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other twelve 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 Cibolo 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 Cibolo uses enterprise funds to account for its water and sewer utility and other non-major proprietary funds of the City.

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 utility which is considered to be a major fund of the City of Cibolo. Individual fund data for each of the non-major proprietary funds is provided in the form of combining statements elsewhere in this report.

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

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 Cibolo 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 and non-major proprietary 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 Cibolo, assets exceeded liabilities by $59.9 million at the close of the most recent fiscal year.

The largest portion of the City's total net position (74.1% or $44.4 million) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding, plus bond proceeds that have not yet been spent. The City of Cibolo uses these capital assets to provide services to citizens; consequently, these assets are not available for operational type of future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's total net position (14.4% or $8.6 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $7 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 Cibolo 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.

The following table reflects the Net Position of the governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and Other Assets	$ 29,382,020	$ 30,087,006	$ 12,801,278	$ 13,069,540	$ 42,183,298	$ 43,156,546
Capital Assets	48,094,757	43,471,430	29,534,783	28,850,201	77,629,540	72,321,631
Total Assets	77,476,777	73,558,436	42,336,061	41,919,741	119,812,838	115,478,177
Deferred Outflows	1,269,286	1,079,780	166,507	195,274	1,435,793	1,275,054
Liabilities:						
Current Liabilities	7,826,622	6,475,703	2,057,315	2,874,519	9,883,937	9,350,222
Long-Term Liabilities	42,482,583	41,779,064	8,633,256	9,348,317	51,115,839	51,127,381
Total Liabilities	50,309,205	48,254,767	10,690,571	12,222,836	60,999,776	60,477,603
Deferred Inflows	275,211	-	38,111	-	313,322	-
Net Position:						
Net Investment in Capital Assets	20,952,911	18,302,317	23,397,977	23,108,516	44,350,888	41,410,833
Restricted	3,589,320	3,103,980	5,004,741	4,285,030	8,594,061	7,389,010
Unrestricted	3,619,416	4,977,152	3,371,168	2,498,633	6,990,584	7,475,785
Total Net Position	$ 28,161,647	$ 26,383,449	$ 31,773,886	$ 29,892,179	$ 59,935,533	$ 56,275,628

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 $4.0 million during the current fiscal year. The following table indicates changes in net position for governmental and business-type activities:

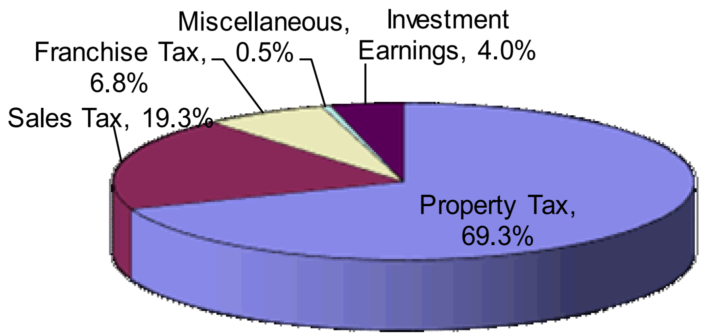
	Governmental Activities		Business-Type Activities		Total	
Revenues:	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for Services	$ 3,172,947	$ 3,359,545	$ 12,324,913	$ 12,129,146	$ 15,497,860	$ 15,488,691
Operating Contributions	281,565	207,115	-	-	281,565	207,115
Capital Contributions	748,671	2,137,311	588,414	622,688	1,337,085	2,759,999
General Revenues						
Property Taxes	8,883,289	8,466,785	-	-	8,883,289	8,466,785
Other Taxes	3,344,658	2,854,075	-	-	3,344,658	2,854,075
Investment Earnings	516,277	331,713	180,642	108,136	696,919	439,849
Miscellaneous	67,863	45,747	16,284	9,199	84,147	54,946
Total Revenues	17,015,270	17,402,291	13,110,253	12,869,169	30,125,523	30,271,460
Expenses:						
General Government	1,438,436	1,322,866	-	-	1,438,436	1,322,866
Public Safety	4,033,050	4,086,482	-	-	4,033,050	4,086,482
Community Development	1,061,976	881,121	-	-	1,061,976	881,121
Public Works	2,771,347	2,432,913	-	-	2,771,347	2,432,913
Parks and Recreation	1,154,736	774,753	-	-	1,154,736	774,753
Animal Control	227,919	221,364	-	-	227,919	221,364
Fire	2,530,941	2,168,397	-	-	2,530,941	2,168,397
Finance	425,972	390,026	-	-	425,972	390,026
Information Technology	460,712	245,202	-	-	460,712	245,202
Water & Sewer	-	-	10,478,611	9,893,261	10,478,611	9,893,261
Drainage	-	-	536,000	466,265	536,000	466,265
Interest and Other Fees	1,225,930	1,450,836	-	-	1,225,930	1,450,836
Total Expenses	15,331,019	13,973,960	11,014,611	10,359,526	26,345,630	24,333,486
INCREASE IN NET POSITION BEFORE TRANSFERS	1,684,251	3,428,331	2,095,642	2,509,643	3,779,893	5,937,974
Transfers	198,181	(37,153)	(198,181)	37,153	-	-
CHANGE IN NET POSITION	1,882,432	3,391,178	1,897,461	2,546,796	3,779,893	5,937,974
BEGINNING NET POSITION	26,383,449	22,992,271	29,892,179	27,345,383	56,275,628	50,337,654
Prior Period Adjustment	(104,234)	-	(15,754)	-	(119,988)	-
ENDING NET POSITION	$ 28,161,647	$ 26,383,449	$ 31,773,886	$ 29,892,179	$ 59,935,533	$ 56,275,628

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.

Governmental Activities

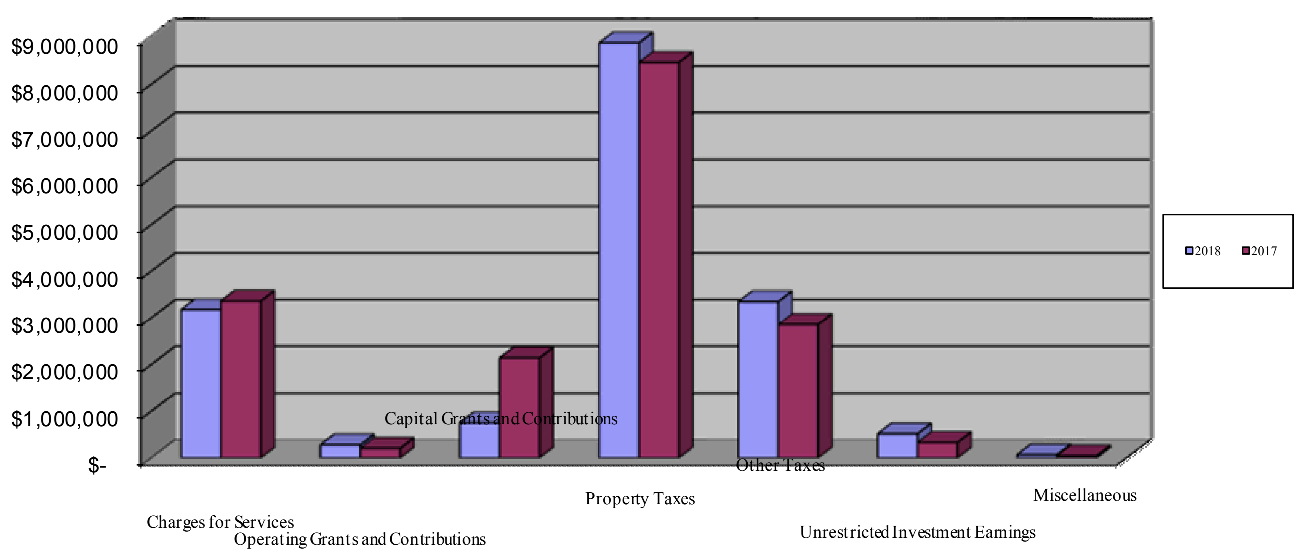
Governmental activities accounted for 49.8% of the growth in the net position of the City of Cibolo. As illustrated in the graphs below, property taxes is our largest source of revenue and increased by approximately 4.9% from the prior year. The growth in property taxes is a result of a 6.4% increase in our taxable property values (after freeze adjustment) combined with an increase in our property tax rate of 2.7% over the effective rate. We expect that this growth in our values will continue at an increased level, with recent growth in our commercial sector as well as continued growth in residential properties.

General Revenue by Source - Governmental Activities



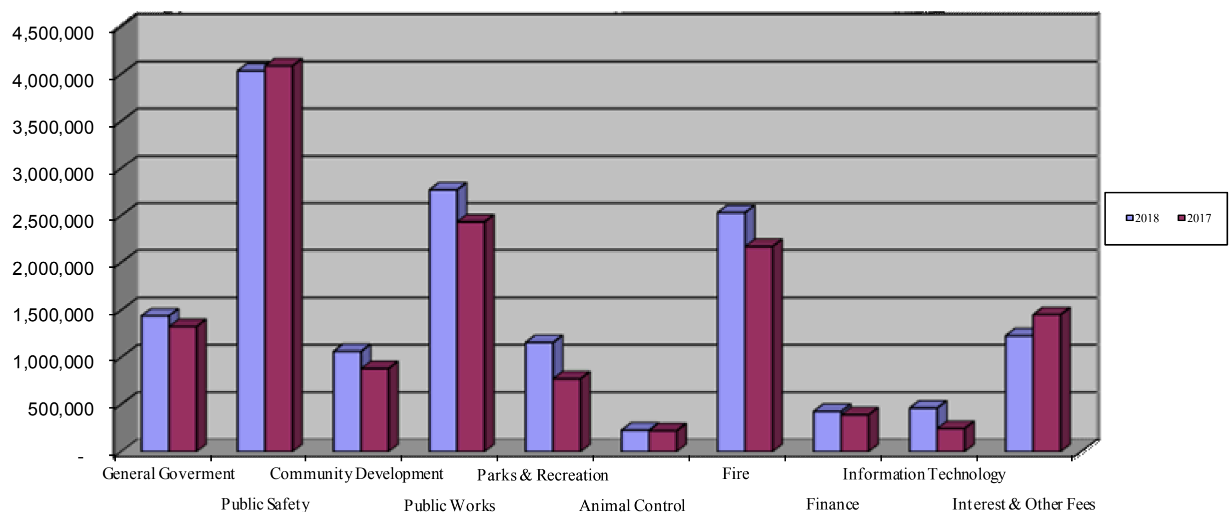
Our second largest revenue source as illustrated in the graph below is other taxes which is made up of sales taxes and franchise fees. Our third largest revenue source is charges for services which are made up of impact fees, construction related permits and fees, intergovernmental revenue, municipal court fines and other fees.

Total Revenues – Governmental Activities



Expenses in governmental activities increased by 9.5%. Public Safety, Public Works and Fire comprise our largest cost centers as illustrated in the graph below. Of the top three, both public works and fire grew by 12.2% and 16.6% respectively as a result of an increase in personnel and capital replacement. Interest and other fees decreased by 15.5%.

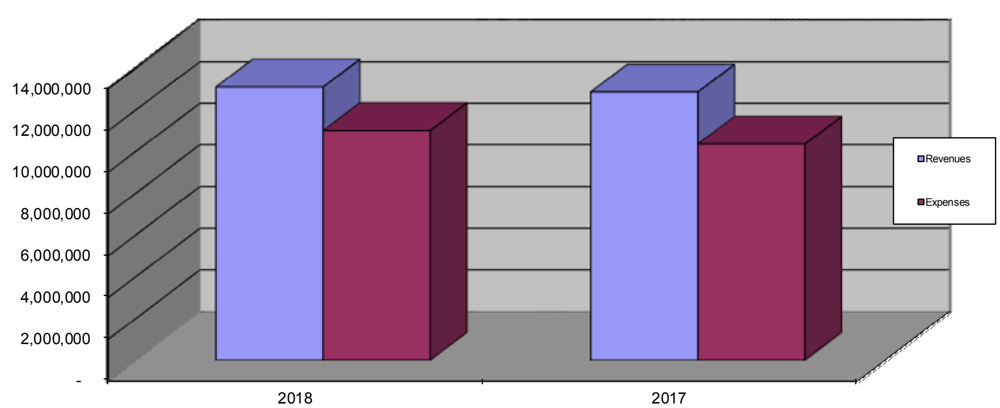
Total Expenses – Governmental Activities



Business-Type Activities

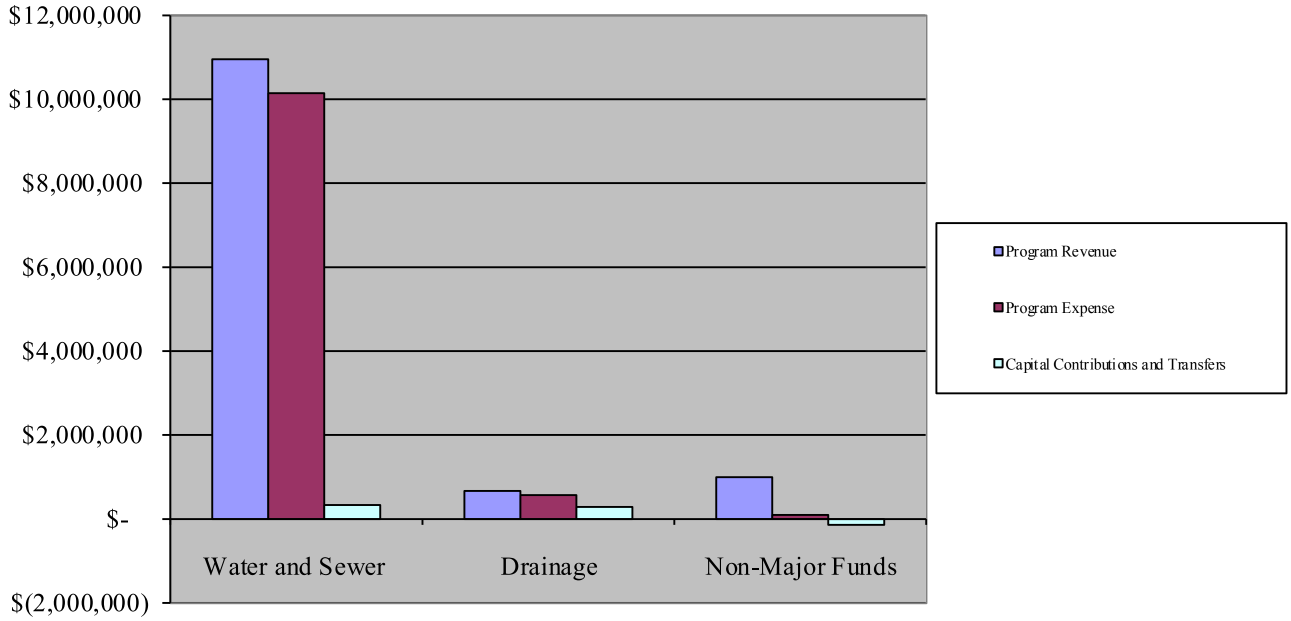
Business-type activities accounted for 50.2% of the growth in the net position of the City of Cibolo. Of this increase, 28.4% is the result of capital contributions from developers and 8.7% is from earnings on the City's investments. Charges for services increased by 2.1% from the prior year due in part to an increase in our water and wastewater rate schedules, as well as continued residential and commercial account growth. The 5.2% increase in business-type activities program expenses is related to increases in service contracts.

Revenues and Expenses – Business-Type Activities



Of business-type activities, water and sewer utility is the City's largest activity comprising 93.0% of total program revenues as illustrated by the graph below.

Revenue and Expense – by Activity



Financial Analysis of the Government's Funds

As noted earlier, the City of Cibolo 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 fiscal year, the City's governmental funds reported combined ending fund balances of $24.8 million. Of this total amount, $4.9 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been committed to pay debt service, for capital improvement projects, and other assigned purposes.

The General Fund is the chief operating fund of the City of Cibolo. At the end of the fiscal year, unassigned fund balance of the General Fund was $4.9 million, while total fund balance was $5.4 million, a decrease of $408 thousand from the prior year; although, the City's fiscal year 2017-2018 amended budget called for a drawdown of fund balance of approximately $0.5 million. The decrease in fund balance is attributable to capital outlay and contractual services. 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 43.8% of total General Fund expenditures, not including capital and capital related debt service. Unassigned fund balance in excess of our policy's 35% threshold may be used for one-time capital expenditures.

The Debt Service Fund has a total fund balance of approximately $548 thousand, all of which is restricted for the payment of debt service. The net increase in fund balance during the fiscal year in the Debt Service Fund was $128 thousand. The City is maintaining approximately 13.7% of annual principal and interest costs in the Debt Service Fund balance.

The Capital Projects Fund has a total fund balance of $16.0 million, a decrease of $1.7 million. A significant amount of bond funds were drawn down in the current year. This was offset by issuance of new general obligation debt of $3.49 million in fiscal year 2018.

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 $2.9 million which is an increase of $750 thousand over the prior year largely due to increased revenues related to the change in the rate structure.

General Fund Budgetary Highlights

General Fund expenditures were $159 thousand less than the $12.1 million final budget. This was the largely due to contractual services that were anticipated but not incurred by year end. Revenues were $14 thousand (1.3%) more than final budgeted largely due to larger than expected tax collections near year-end. Other financing sources were $4 thousand more than final budget due to an increase in sale of assets from projected. Overall, the fund balance only decreased by $360 thousand rather than the budgeted decrease of $519 thousand.

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 $77.6 million (net of accumulated depreciation). This is a net increase of approximately $5.3 million over the prior year. Overall increases in capital, before depreciation, amounted to $8.5 million, of which 6.9% or $588 thousand was contributed by developers and philanthropists. The City has several projects in progress from voter approved bonds, which is covered in more detail in the “bond program” section of the MD&A. Additions from bond funds during the year amounted to $6 million. The City also utilizes impact fees and park fees to fund capital. Additions from these impact fee funds during the year amounted to $675 thousand. Capital additions from the governmental funds and proprietary funds amounted to $630 thousand. Additional information on the City's capital assets can be found in Note 7 to the basic financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 3,474,730	$ 3,473,273	$ 1,396,208	$ 1,396,208	$ 4,870,938	$ 4,869,481
Water Rights	-	-	475,000	475,000	475,000	475,000
Buildings and Improvements	52,932,139	39,165,864	-	-	52,932,139	39,165,864
Utility Systems	-	-	30,253,397	25,130,615	30,253,397	25,130,615
Transportation and Equipment	6,545,577	4,619,710	1,560,799	1,549,990	8,106,376	6,169,700
Construction in Progress	3,506,686	11,978,806	1,984,720	5,805,577	5,491,406	17,784,383
Accumulated Depreciation	(18,364,375)	(15,766,223)	(6,135,341)	(5,507,189)	(24,499,716)	(21,273,412)
TOTALS	$ 48,094,757	$ 43,471,430	$ 29,534,783	$ 28,850,201	$ 77,629,540	$ 72,321,631

Long-Term Debt. At the end of the fiscal year, the City of Cibolo had total long-term debt outstanding of $51.2 million. Of this amount, $41.6 million comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). During the fiscal year, the City issued $3.49 million in general obligation bonds for public facilities. The related principal and interest payment for the bonds are from an annual ad valorem tax levied against all taxable property within the City. The City also issued General Obligation Refunding Bond Series 2017 in the amount of $8,325,000 to refund the City's outstanding General Obligation and Refund Bond Series 2007 for debt service savings. The refunding saved the City a total of $966,237 with a net present value of $860,286. Additional information on the City's long-term debt can be found in Note 9 to the basic financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$40,070,000	$38,505,000	$ 1,525,000	$ 1,670,000	$41,595,000	$40,175,000
Certificates of Obligation	1,900,000	2,000,000	-	-	1,900,000	2,000,000
Revenue Bonds	-	-	7,115,000	7,600,000	7,115,000	7,600,000
Capital Leases	630,490	809,671	-	73,772	630,490	883,443
TOTALS	$42,600,490	$41,314,671	$ 8,640,000	$ 9,343,772	$51,240,490	$50,658,443

Bond Program. In November 2008, Cibolo voters approved five (5) bond propositions and authorized the issuance of approximately $27.9 million in bonds to fund roadway improvements, drainage improvements, construction of public safety facilities, and construction of recreation and community facilities. The timing of projects called for issuance of general obligation bonds in 2009, 2011 and 2013. The first phase of projects, which included roadway improvements and the construction of public safety facilities, was funded in 2009 and completed in 2011. The second phase of projects, funded in 2011, includes drainage improvements to the Town Creek watershed and park land acquisition for the construction of ball fields. Construction of the ball fields, known as the Cibolo Youth Sports Complex was completed in early 2018. Construction of the drainage improvements, for which engineering is substantially complete, is expected to commence in early 2019. The final phase of projects, funded in 2013, includes additional funding for the drainage improvements within Town Creek and construction of a community center. Additional funding for the community center project, as with the Sports Complex, was obtained through a public private partnership with the YMCA. Construction of the community recreation center began in 2018 and is expected to be completed by June 2019.

In April 2014, the City issued $2.875 million in general obligation bonds that were authorized by the voters in November 2013 for sidewalk improvements along Borgfeld Road and intersection improvements at Main and F.M. 1103 to aid in traffic flow and pedestrian safety and for Fire Station #1 improvements. Fire Station #1 was completed in late 2017. Construction of the intersection improvement project started in August of 2018 and is expected to be completed this summer.

In November 2014, the voters approved three (3) bond propositions and authorized the issuance of $13.5 million in general obligation bonds to be issued bi-annually over the following five years. The first tranche of bonds was issued in July 2015 for $4 million in construction funds to fund 1) the first phase of the F.M. 1103 roadway improvement project which is acquisition of right-of-way by the Texas Department of Transportation (TxDOT) which is ongoing, 2) Haeckerville Road improvement project completed in 2018, and 3) the first phase of Fire Station #3 which includes land preparation and design work. The second tranche of bonds was issued in 2018 for $3.5 million in construction funds to fund Fire Station #3. We are currently in the evaluation phase of architect selection, with construction expected in 2019-2020. The final tranche of bonds is expected to be issued this summer for the remaining funding for the TxDOT F.M. 1103 roadway improvement project expected to begin construction in early 2020.

In November 2015, the voters authorized issuance of an additional $3.5 million for a $4.5 roadway improvement project, which were issued in 2016. SCUCISD and City impact fee funds offset the cost of the improvements. The project, completed in early 2018, consisted of widening Borgfeld Road from 2 lanes to 5 lanes from Crimson Tree to Dietz Road, adding a traffic signal at the intersection of Dietz and Borgfeld, and enhancing drainage structures and curbs.

In November 2018, voters authorized issuance of $4.75 million in general obligation bonds for 1)Facilities expansion, 2)Public Safety Communications, 3) Road and Drainage Improvements (Tolle Rd) and 4) Quality of Life projects (Tolle Park and Miracle Field). These bonds are expected to be issued in the summer of 2019. Additional funding is expected from developers and other contributors to complete the road and drainage improvements and to fund the Miracle Field addition to the City's Youth Sports Complex.

Economic Factors and Next Year's Budgets and Rates

Bond Rating. For the City's most recent public sale of bonds in 2018, Standard & Poor's (S&P) Ratings Services assigned its 'AA' rating to the City's series 2018 General Obligation Bonds and affirmed its 'AA' long-term rating and underlying rating (SPUR) on previously rated general obligation (GO) debt, with a stable outlook. The 'AA' rating allows the City to sell bonds at lower interest rates. The affirmation is a testament that the City is on sound economic footing and has implemented plans and policies that will help prepare the City for the future. Standard & Poor's included the following rationale for the bond rating:

- Strong economy with access to a broad and diverse metropolitan statistical area;
- Strong management with good financial policies and practices;
- Very strong budgetary flexibility;
- Adequate budgetary performance;
- Very strong liquidity; and
- Strong institutional framework score.

Local Economy. The City of Cibolo is one of the fastest growing cities in the State. The strong military presence in the area contributes to our growth and job stability. With the high population growth, the Cibolo economy has become attractive for commercial development and 2018 has seen continued business interest and commercial activity.

Cibolo's first major retail development project, Wal-Mart Super Center opened in January of 2016, stimulating Cibolo's economy. Across the street, Wells Fargo, CVS Pharmacy Cibolo Marketplace, and The Shops at Cibolo Bend have now all been open for over three years. The strip centers include personal service businesses, fast food businesses, as well as larger retailers such as Petco and Don & Ben's Liquor. Since 2016, several businesses have also opened along F.M. 1103, one of the City's main thoroughfares. These include a convenience store, auto parts retailers, dental and orthodontic services, and a day care center. Additionally, Cibolo's first three-story building, a medical office complex was recently completed and will serve the healthcare needs of Cibolo's growing population.

Cibolo's downtown area also continues to experience revitalization. Several local businesses have applied for, and received, façade grants from our Economic Development Corporation. Old store fronts were restored to keep the look and feel of the 'Old Town District'. One of the first new businesses downtown, Old Main Street Ice House has now been open for business for over three years and has stimulated evening activity in this area. Advanced Solar and Electric occupies the former 1930's gas station and still includes replicas of the original 1930s-style gas pumps. The Shops at the Mill, in the old downtown lumber mill, opened in mid-2016 with a renovated store front, and houses an art studio, an ice cream parlor and a boutique. In 2017, 1908 House of Wine and Ale renovated a home built in 1908 and created a quaint atmosphere to enjoy wine, craft beer, artisan cheeses, fruits and desserts. Most recently, also in the heart of downtown, Kindling Texas Kitchen has located in a renovated 107 year old home. Downtown also includes an event center and office space at the Noble Group Business and Event Center. Future projects downtown include a day care center, a drive-through coffee shop and a breakfast cafe.

Although our industrial markets are experiencing some downturn in the oil and gas economy, we continue to see growth in our industrial park. Crossfield Products, an 80-year-old company with offices in California and New Jersey, is now established in Cibolo with its Central U.S. facility. FHE USA has also moved into the Schneider Industrial Park, manufacturing pressure control equipment. Across from the Park are three new buildings with a total of 32,990 square foot of industrial space, already filling up with tenants such as German Motorwerks. Industrial growth also continues to happen further south as SealMaster opened its doors along IH-10.

In 2018, the northern part of the City along IH35 has begun to develop. Santikos Theatres is constructing a theater and family entertainment center in Cibolo. The entertainment center will include 12 theaters with luxury reclining seating, arcades, sports bar and 16 bowling lanes. The facility will employ approximately 200 people and is expected to open in the Spring of 2019. This 116-acre project will also include the development of family restaurants and retail development and is expected to have a significant impact on Cibolo's economy. Future plans for this area include development of multi-family living space and amenities. The EDC is currently requesting proposals for a hotel feasibility study for this area.

Additionally, Cibolo is experiencing growth in multi-family residential construction. A senior living community, El Sereno, is near completion along Borgfeld Road and a second senior assisted-living community recently broke ground in Cibolo. Two new multi-family living complexes are also currently under design. One of these will be constructed south of FM 78, potentially with the Cibolo Public Facility Corporation (PFC) as a partner. This construction project, along with the recent development of a single-family subdivision in this area, is expected to stimulate further retail development along this corridor.

Taxable Values. The City's total taxable assessed valuation for fiscal year 2019 was approximately 7.5% higher than the prior year at $2.1 billion. Residential construction has driven this increase over the last 10 years and continues to remain steady. With the the continued expansion of commercial developments in the City, and partial recovery in industrial values, we expect continued growth in taxable values.

Tax Rate. The tax rate adopted by the City Council for fiscal year 2019 increased from $0.4474 per $100 of assessed valuation to $0.4674 per $100 of assessed valuation 4.5% increase. This rate was 6.15% over the effective rate of $0.4403 per $100 of assessed valuation. Historical values and tax rates are presented in the statistical section of this report.

General Fund. During the current fiscal year, unassigned fund balance in the General Fund decreased to $4.9 million. This represents 43.8% of the General Fund expenditures not including capital outlay. The fund balance policy is to maintain between 25% and 35% balance in reserves. It should be noted that the fiscal year 2019 budget draws down excess fund balance by approximately $400 thousand to be used for one-time capital expenses and capital financing as authorized by the City's fund balance policy.

Water and Sewer Fund. Unrestricted net position in the Water and Sewer Fund increased from the prior year to $2.9 million, which represents a 35% increase. Working capital also increased by less than 0.3% to $2.2 million which represents approximately 22.9% of operating expenses of the Water and Sewer Fund. As residential and commercial growth continues in our City, the need for the development of additional water resources increases. Additional costs associated with growth has prompted the City to further analyze our rate structure to make necessary adjustments in fiscal year 2019 and beyond.

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 Cibolo, 200 S. Main St. Cibolo, TX 78108.

BASIC FINANCIAL STATEMENTS

CITY OF CIBOLO, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Cibolo Economic Development Corporation
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 371,347	$ 1,341,681	$ 1,713,028	$ -
Investments	10,654,840	2,450,535	13,105,375	403,967
Receivables (net of allowances)				
Taxes	680,998	-	680,998	93,330
Accounts and Other	43,834	1,234,324	1,278,158	-
Internal Balances	327,884	(327,884)	-	-
Due from Component Unit	10,005	-	10,005	-
Prepaid Expenses	25,216	26,288	51,504	-
Inventories	11,760	45,826	57,586	-
Total Current Assets	12,125,884	4,770,770	16,896,654	497,297
Noncurrent Assets:				
Restricted Assets:				
Cash and Cash Equivalents	263,498	100,149	363,647	-
Investments	16,992,638	7,927,168	24,919,806	-
Accounts Receivable	-	3,191	3,191	-
Capital Assets:				
Land	3,474,730	1,396,208	4,870,938	-
Water Rights	-	475,000	475,000	-
Buildings	10,265,976	-	10,265,976	-
Improvements Other Than Buildings	42,666,163	-	42,666,163	-
Utility Systems	-	30,253,397	30,253,397	-
Equipment and Vehicles	6,545,577	1,560,799	8,106,376	-
Construction in Progress	3,506,686	1,984,720	5,491,406	-
Accumulated Depreciation	(18,364,375)	(6,135,341)	(24,499,716)	-
Total Noncurrent Assets	65,350,893	37,565,291	102,916,184	-
TOTAL ASSETS	77,476,777	42,336,061	119,812,838	497,297
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Debt Refunding	534,076	49,037	583,113	-
Pension Related Deferred Outflows	724,524	115,854	840,378	-
OPEB Related Deferred Outflows	10,686	1,616	12,302	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 1,269,286	$ 166,507	$ 1,435,793	$ -

See accompanying notes to basic financial statements.

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Cibolo Economic Development Corporation
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 4,134,212	$ 881,046	$ 5,015,258	$ 1,853
Accrued Liabilities	307,008	29,087	336,095	3,828
Due to Primary Government	-	-	-	10,005
Unearned Revenue	71,542	-	71,542	-
Customer Deposits	-	413,998	413,998	-
Accrued Interest Payable	221,521	47,629	269,150	-
Compensated Absences	107,254	6,777	114,031	3,600
Current Portion of Long-Term Debt	2,985,085	678,778	3,663,863	-
Total Current Liabilities	7,826,622	2,057,315	9,883,937	19,286
Noncurrent Liabilities:				
Compensated Absences	429,016	27,109	456,125	14,402
Long-Term Debt	40,676,568	8,380,190	49,056,758	-
Net Pension Liability	1,243,923	205,844	1,449,767	-
OPEB Liability	133,076	20,113	153,189	-
Total Noncurrent Liabilities	42,482,583	8,633,256	51,115,839	14,402
TOTAL LIABILITIES	50,309,205	10,690,571	60,999,776	33,688
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	275,211	38,111	313,322	-
TOTAL DEFERRED INFLOWS OF RESOURCES	275,211	38,111	313,322	-
NET POSITION				
Net Investment In Capital Assets	20,952,911	23,397,977	44,350,888	-
Restricted For:				
Debt Service	364,476	732,776	1,097,252	-
Impact Fees	1,056,709	4,271,965	5,328,674	-
Capital Improvement	1,677,826	-	1,677,826	-
Public, Educational and Governmental	333,175	-	333,175	-
Police and Municipal Court	150,734	-	150,734	-
Economic Development	-	-	-	463,609
Youth Council	5,000	-	5,000	-
Tree Project	1,400	-	1,400	-
Unrestricted	3,619,416	3,371,168	6,990,584	-
TOTAL NET POSITION	$ 28,161,647	$ 31,773,886	$ 59,935,533	$ 463,609

See accompanying notes to basic financial statements.

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

Functions and Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 1,438,436	$ -	$ 165,000	$ -
Law Enforcement and Municipal Court	4,033,050	465,031	46,565	-
Community Development	1,061,976	2,222,579	-	-
Public Works	2,771,347	182,747	-	748,671
Parks and Recreation	1,154,736	250,126	70,000	-
Animal Control	227,919	22,356	-	-
Fire	2,530,941	30,108	-	-
Finance	425,972	-	-	-
Information Technology	460,712	-	-	-
Interest and Fees	1,225,930	-	-	-
Total Governmental Activities	15,331,019	3,172,947	281,565	748,671
Business-Type Activities				
Water & Sewer	10,478,611	11,461,791	-	377,673
Drainage	536,000	863,122	-	210,741
Total Business-Type Activities	11,014,611	12,324,913	-	588,414
Total Primary Government	$ 26,345,630	$ 15,497,860	$ 281,565	$ 1,337,085
Component Unit:				
Cibolo Economic Development Corporation	$ 404,720	$ -	$ 119,320	$ -
General Revenues:				
Taxes:				
Ad Valorem				
Sales				
Franchise Fees				
Investment Earnings				
Gain on Sale of Assets				
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			Component Unit
Governmental Activities	Business-Type Activities	Total	Cibolo Economic Development Corporation
$ (1,273,436)		$ (1,273,436)	$ -
(3,521,454)		(3,521,454)	-
1,160,603		1,160,603	-
(1,839,929)		(1,839,929)	-
(834,610)		(834,610)	-
(205,563)		(205,563)	-
(2,500,833)		(2,500,833)	-
(425,972)		(425,972)	-
(460,712)		(460,712)	-
(1,225,930)		(1,225,930)	-
(11,127,836)		(11,127,836)	-
	$ 1,360,853	1,360,853	-
	537,863	537,863	-
	1,898,716	1,898,716	-
(11,127,836)	1,898,716	(9,229,120)	-
-	-	-	(285,400)
8,883,289	-	8,883,289	-
2,472,260	-	2,472,260	489,380
872,398	-	872,398	-
516,277	180,642	696,919	5,626
14,926	7,357	22,283	-
52,937	8,927	61,864	-
12,812,087	196,926	13,009,013	495,006
198,181	(198,181)	-	-
1,882,432	1,897,461	3,779,893	209,606
26,383,449	29,892,179	56,275,628	254,003
(104,234)	(15,754)	(119,988)	-
$ 28,161,647	$ 31,773,886	$ 59,935,533	$ 463,609

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

	General Fund	Capital Projects Fund	Debt Service
ASSETS			
Cash and Cash Equivalents	$ 89,315	$ -	$ -
Investments	8,067,664	-	-
Receivables (net of allowances)			
Taxes and Franchise Fees	548,623	-	39,045
Accounts and Other	10,834	-	33,000
Due from Other Funds	348,101	65	-
Due from Component Unit	-	-	18,225
Inventory	11,760	-	-
Prepaid Items	19,954	-	-
Restricted Assets:			
Cash and Cash Equivalents	-	-	263,498
Investments	-	16,742,184	250,454
TOTAL ASSETS	$ 9,096,251	$ 16,742,249	$ 604,222
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 3,286,683	$ 749,414	$ -
Accrued Interest Payable	-	-	18,225
Accrued Salaries and Benefits	307,008	-	-
Due to Other Funds	14,636	13,716	-
Due to Component Unit	8,220	-	-
Unearned Revenues	41,987	-	-
Total Liabilities	3,658,534	763,130	18,225
Deferred Inflows of Resources:			
Unavailable Property Tax Revenues	59,321	-	37,757
Fund Balances:			
Nonspendable:			
Inventory	11,760	-	-
Prepaid Items	19,954	-	-
Restricted for:			
Impact Fees	-	-	-
Capital Improvement	-	-	-
Public, Educational and Governmental	333,175	-	-
Capital Projects	-	15,979,119	-
Debt Service	-	-	548,240
Street Maintenance	100,000	-	-
Tree Project	1,400	-	-
Police Special	-	-	-
Court Special	-	-	-
Youth Council	5,000	-	-
Committed for Capital Replacement	-	-	-
Unassigned	4,907,107	-	-
Total Fund Balances	5,378,396	15,979,119	548,240
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 9,096,251	$ 16,742,249	$ 604,222

See accompanying notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
$ 282,032	$ 371,347
2,587,176	10,654,840
93,330	680,998
-	43,834
12,803	360,969
-	18,225
-	11,760
5,262	25,216
-	263,498
-	16,992,638
$ 2,980,603	$ 29,423,325
$ 98,114	$ 4,134,211
-	18,225
-	307,008
4,733	33,085
-	8,220
29,555	71,542
132,402	4,572,291
-	97,078
-	11,760
5,262	25,216
1,056,709	1,056,709
541,503	541,503
-	333,175
-	15,979,119
-	548,240
1,036,323	1,136,323
-	1,400
115,590	115,590
35,144	35,144
-	5,000
63,371	63,371
(5,701)	4,901,406
2,848,201	24,753,956
$ 2,980,603	$ 29,423,325

CITY OF CIBOLO

TEXAS

CITY OF CIBOLO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 24,753,956
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.		48,094,757
Net pension liabilities (and related deferred outflows and inflows of resources) do not consume current financial resources and are not reported in the funds:		
Net Pension Liability	(1,243,923)	
Pension Related Deferred Outflows	724,524	
Pension Related Deferred Inflows	(275,211)	(794,610)
OPEB liabilities (and related deferred outflows and inflows of resources) do not consume current financial resources and are not reported in the funds:		
OPEB Liability	(133,076)	
OPEB Related Deferred Outflows	10,686	(122,390)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds.		97,078
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	(41,970,000)	
Unamortized Premiums, Discounts, Losses on Refundings	(527,088)	
Capital Lease Payable	(630,490)	
Accrued Interest Payable	(203,296)	
Compensated Absences	(536,270)	(43,867,144)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 28,161,647

See accompanying notes to basic financial statements.

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

	General Fund	Capital Projects Fund	Debt Service Fund
REVENUES			
Taxes	$ 8,260,730	$ -	$ 3,464,893
Permits and Fees	2,201,819	-	-
Service Fees	318,774	-	-
Fines and Fees	173,464	-	-
Park Revenue	34,334	-	-
Grant Revenue	23,480	-	165,000
Impact Fees	-	-	-
Investment Earnings	160,784	296,967	11,237
Miscellaneous	60,236	-	122,300
TOTAL REVENUES	11,233,621	296,967	3,763,430
EXPENDITURES			
Current:			
General Government	1,431,830	-	-
Law Enforcement and Municipal Court	3,691,388	-	-
Community Development Services	917,247	-	-
Public Works	1,032,183	-	-
Parks and Recreation	788,247	-	-
Animal Control	214,538	-	-
Fire	2,237,953	-	-
Finance	423,688	-	-
Information Technology	454,461	-	-
Capital Outlay	590,987	5,458,630	-
Debt Service:			
Principal	179,158	-	2,475,000
Interest and Fiscal Charges	21,066	-	1,534,076
Bond Issue Costs	-	91,843	76,000
TOTAL EXPENDITURES	11,982,746	5,550,473	4,085,076
Excess (Deficiency) of Revenues Over (Under) Expenditures	(749,125)	(5,253,506)	(321,646)
OTHER FINANCING SOURCES (USES)			
Sale of Assets	15,522	-	-
Issuance of Debt	-	3,490,000	8,325,000
Premium on Issuance of Debt	-	102,683	-
Payment to Escrow Agent	-	-	(7,875,000)
Transfers In	401,746	-	-
Transfers Out	(28,300)	(88,354)	-
TOTAL OTHER FINANCING SOURCES (USES)	388,968	3,504,329	450,000
Net Change in Fund Balance	(360,157)	(1,749,177)	128,354
Fund Balances at Beginning of Year	5,738,553	17,728,296	419,886
Fund Balances at End of Year	$ 5,378,396	$ 15,979,119	$ 548,240

See accompanying notes to basic financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
$ 489,381	$ 12,215,004
185,400	2,387,219
-	318,774
8,674	182,138
-	34,334
-	188,480
182,747	182,747
47,289	516,277
144,204	326,740
1,057,695	16,351,713
-	1,431,830
34,282	3,725,670
-	917,247
161,625	1,193,808
29,740	817,987
-	214,538
-	2,237,953
-	423,688
-	454,461
527,675	6,577,292
-	2,654,158
-	1,555,142
-	167,843
753,322	22,371,617
304,373	(6,019,904)
-	15,522
-	11,815,000
-	102,683
-	(7,875,000)
31,860	433,606
(118,771)	(235,425)
(86,911)	4,256,386
217,462	(1,763,518)
2,630,739	26,517,474
$ 2,848,201	$ 24,753,956

CITY OF CIBOLO

TEXAS

CITY OF CIBOLO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (1,763,518)
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	6,580,127	
Capital Contributions	748,671	
Depreciation Expense	(2,705,471)	4,623,327
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		12,943
Governmental funds report required contributions to employee pensions as expenditures. However in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that pension expense exceeded the actuarially determined contributions.		(52,114)
Governmental funds report required contributions to OPEB as expenditures. However, in the Statement of Activities the cost of the expense is recorded based on the actuarially determined cost of the plan. This is the amount that actuarially determined OPEB expense exceeded contributions.		(18,115)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial reources 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	(11,917,683)	
Principal Repayments	2,654,158	
Payment to Escrow Agent	7,875,000	
Amortization of Premiums, Discounts, Losses	433,016	(955,509)
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	(28,576)	
Accrued Interest	63,994	35,418
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ 1,882,432

See accompanying notes to basic financial statements.

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

	Water and Sewer Fund	Drainage Fund	Non-Major Funds	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 1,042,804	$ 198,274	$ 100,603	$ 1,341,681
Investments	2,200,352	250,183	-	2,450,535
Accounts Receivable, Net of Allowance:				
Customer Accounts	1,139,826	94,498	-	1,234,324
Due from Other Funds	-	-	1,770	1,770
Prepaid Expenses	26,288	-	-	26,288
Inventory	45,826	-	-	45,826
Total Current Assets	4,455,096	542,955	102,373	5,100,424
Noncurrent Assets:				
Restricted Assets:				
Cash and Cash Equivalents	-	-	100,149	100,149
Investments	3,760,313	-	4,166,855	7,927,168
Accounts Receivable - Impact Fees	-	-	3,191	3,191
Capital Assets:				
Land	503,121	893,087	-	1,396,208
Water Rights	475,000	-	-	475,000
Utility Systems	27,381,244	2,872,153	-	30,253,397
Equipment and Vehicles	1,013,206	547,593	-	1,560,799
Construction in Progress	393,155	1,591,565	-	1,984,720
Less: Accumulated Depreciation	(5,506,424)	(628,917)	-	(6,135,341)
Total Noncurrent Assets	28,019,615	5,275,481	4,270,195	37,565,291
TOTAL ASSETS	32,474,711	5,818,436	4,372,568	42,665,715
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Debt Refunding	49,037	-	-	49,037
Pension Related Deferred Outflows	86,736	29,118	-	115,854
OPEB Related Deferred Outflows	1,201	415	-	1,616
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 136,974	$ 29,533	$ -	$ 166,507

See accompanying notes to basic financial statements.

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

	Water and Sewer Fund	Drainage Fund	Non-Major Funds	Total
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 773,491	$ 6,952	$ 100,603	$ 881,046
Accrued Liabilities	22,128	6,959	-	29,087
Customer Deposits	413,998	-	-	413,998
Accrued Interest Payable	47,629	-	-	47,629
Due to Other Funds	317,987	11,667	-	329,654
Current Portion of Compensated Absences	5,054	1,723	-	6,777
Current Portion of Long-Term Debt	678,778	-	-	678,778
Total Current Liabilities	2,259,065	27,301	100,603	2,386,969
Noncurrent Liabilities:				
Compensated Absences	20,217	6,892	-	27,109
Long-Term Debt (Net of Current Portion)	8,380,190	-	-	8,380,190
Net Pension Liability	154,705	51,139	-	205,844
OPEB Liability	14,950	5,163	-	20,113
Total Noncurrent Liabilities	8,570,062	63,194	-	8,633,256
TOTAL LIABILITIES	10,829,127	90,495	100,603	11,020,225
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	28,021	10,090	-	38,111
TOTAL DEFERRED INFLOWS OF RESOURCES	28,021	10,090	-	38,111
NET POSITION				
Net Investment in Capital Assets	18,122,496	5,275,481	-	23,397,977
Restricted For:				
Debt Service	732,776	-	-	732,776
Impact Fees	-	-	4,271,965	4,271,965
Unrestricted	2,899,265	471,903	-	3,371,168
TOTAL NET POSITION	$ 21,754,537	$ 5,747,384	$ 4,271,965	$ 31,773,886

See accompanying notes to basic financial statements.

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

	Water and Sewer Fund	Drainage Fund	Non-Major Funds	Total
OPERATING REVENUES				
Fees Charged to Users	$ 10,667,488	$ 657,347	$ -	$ 11,324,835
Other Charges	92,755	-	-	92,755
TOTAL OPERATING REVENUES	10,760,243	657,347	-	11,417,590
OPERATING EXPENSES				
Water Purchase	3,217,866	-	-	3,217,866
Garbage Service	2,304,320	-	-	2,304,320
Sewage Treatment	2,153,817	-	-	2,153,817
Personnel Services	805,418	313,699	-	1,119,117
Contractual Services	246,443	21,084	89,723	357,250
Supplies and Maintenance	436,068	84,253	-	520,321
General and Administrative	409,246	9,521	-	418,767
Depreciation	555,115	100,728	-	655,843
TOTAL OPERATING EXPENSES	10,128,293	529,285	89,723	10,747,301
OPERATING INCOME (LOSS)	631,950	128,062	(89,723)	670,289
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	112,024	6,859	61,759	180,642
Gain on Sale of Asset	7,357	-	-	7,357
Impact Fees	-	-	916,250	916,250
Interest Expense	(300,465)	(661)	-	(301,126)
Amortization of Premium	33,778	-	-	33,778
Other Non Operating Revenues(Expenses)	-	38	-	38
TOTAL NONOPERATING REVENUES (EXPENSES)	(147,306)	6,236	978,009	836,939
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	484,644	134,298	888,286	1,507,228
Transfers In (Out)	(54,975)	44,933	(188,139)	(198,181)
Capital Contributions	377,673	210,741	-	588,414
CHANGE IN NET POSITION	807,342	389,972	700,147	1,897,461
NET POSITION AT BEGINNING OF YEAR	20,958,905	5,361,456	3,571,818	29,892,179
Prior Period Adjustment	(11,710)	(4,044)	-	(15,754)
NET POSITION AT END OF YEAR	$ 21,754,537	$ 5,747,384	$ 4,271,965	$ 31,773,886

See accompanying notes to basic financial statements.

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

	Water and Sewer System	Drainage Fund	Non-Major Funds	Total
Cash Flows From Operating Activities:				
Cash Received From Customers and Users	$ 10,973,731	$ 641,420	$ -	$ 11,615,151
Cash Paid to Employees for Services	(797,957)	(307,348)	-	(1,105,305)
Cash Paid to Supplier for Goods & Services	(9,643,215)	(115,180)	(24,223)	(9,782,618)
Net Cash Provided by Operating Activities	532,559	218,892	(24,223)	727,228
Cash Flows From Noncapital Financing Activities:				
Cash Transfers and Advances From/(To) Other Funds	228,041	53,940	(167,320)	114,661
Net Cash Provided (Used) by Noncapital Financing Activities	228,041	53,940	(167,320)	114,661
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(623,556)	(128,455)	-	(752,011)
Proceeds from Sale of Assets	7,357	-	-	7,357
Impact Fees	-	-	916,250	916,250
Interest Paid on Long-Term Debt	(299,727)	(661)	-	(300,388)
Principal Paid on Long-Term Debt	(674,608)	(29,164)	-	(703,772)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,590,534)	(158,280)	916,250	(832,564)
Cash Flows From Investing Activities:				
Proceeds from the Sale of Investments	846,960	23,845	-	870,805
Purchase of Investments	-	-	(1,456,898)	(1,456,898)
Interest and Investment Earnings	112,024	6,897	61,758	180,679
Net Cash Provided (Used) by Investing Activities	958,984	30,742	(1,395,140)	(405,414)
Net Increase (Decrease) in Cash and Cash Equivalents	129,050	145,294	(670,433)	(396,089)
Cash and Cash Equivalents at Beginning of Year:				
Cash and Cash Equivalents	913,754	52,980	35,103	1,001,837
Restricted Cash and Cash Equivalents	-	-	836,082	836,082
	913,754	52,980	871,185	1,837,919
Cash and Cash Equivalents at End of Year:				
Cash and Cash Equivalents	1,042,804	198,274	100,603	1,341,681
Restricted Cash and Cash Equivalents	-	-	100,149	100,149
	$ 1,042,804	$ 198,274	$ 200,752	$ 1,441,830
Noncash Capital and Related Financing Transactions:				
Developer Contributions of Capital Assets	$ 377,673	$ 210,741	$ -	$ 588,414

See accompanying notes to basic financial statements.

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

	Water and Sewer System	Drainage Fund	Non-Major Funds	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income	$ 631,950	$ 128,062	$ (89,723)	$ 670,289
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	555,115	100,728	-	655,843
Decrease (Increase) in Assets:				
Accounts Receivable (net)	169,404	(15,927)	-	153,477
Inventory	7,104	-	-	7,104
Deferred Pension Outflows	18,842	6,092	-	24,934
Deferred OPEB Related Outflows	(1,201)	(415)	-	(1,616)
Increase (Decrease) in Liabilities:				
Accounts Payable	(867,402)	(322)	65,500	(802,224)
Accrued Liabilities	3,091	1,637	-	4,728
Customer Deposits	44,084	-	-	44,084
Compensated Absences	(3,525)	1,988	-	(1,537)
Net Pension Liability	(41,007)	(14,160)	-	(55,167)
OPEB Liability	3,240	1,119	-	4,359
Deferred Pension Inflows	28,021	10,090	-	38,111
NET CASH PROVIDED BY FOR OPERATING ACTIVITIES	$ 532,559	$ 218,892	$ (24,223)	$ 727,228

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cibolo is a municipal corporation governed by an elected mayor and seven-member council. The financial statements of the City and its discretely presented component unit have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City's are described below:

A. Reporting Entity

Component Unit – As required by generally accepted accounting principles, these financial statements present the government and its component units for which the government is considered to be financially accountable. Blended components units, although legally separate entities are in substance, part of the government's operations, thus data from these units would be combined with data of the primary government. Each discretely presented component unit is presented as a separate column in the government-wide financial statements to emphasize it as legally separate from the government. Following is a summary of the component unit:

1. Cibolo Economic Development Corporation – A nonprofit Corporation organized under the development corporation act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6, Section 4A for the purpose of promoting economic development within the Community in order to eliminate unemployment and underemployment and to promote and encourage employment and public welfare of, for, and on behalf of the City. It receives all proceeds from .25% sales tax adopted for economic development in the City of Cibolo and the City Council appoints directors of the Corporation. The CEDC is a separate organization and meets the criteria of a discretely presented component unit, described above, and is presented in the government-wide financial statements. Complete financial statements for the Cibolo Economic Development Corporation may be obtained from City Hall and are presented in the Other Supplementary Information of this report.

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. Canyon Regional Water Authority – was created by the Texas Legislature on August 28, 1989 under Article XVI, Section 59 of the Texas Constitution. The Authority operates under Chapter 65 of the Texas Water Code. The Authority was created to purchase, own, hold, lease and otherwise acquire sources of potable water; build, operate and maintain facilities for the treatment and transportation of water; sell potable water to local governments, water supply corporations and other persons in this state; and to protect, preserve and restore the purity and sanitary condition of water in the area. The Authority may not levy or collect ad valorem taxes, but does have the power of eminent domain and may issue bonds. The Authority is comprised of ten member entities, and the governing board consists of two voting members from each entity. The member entities consist of Crystal Clear Special Utility District, East Central Special Utility District, Springs Hill Water Supply Corporation, Green Valley Special Utility District, County Line Special Utility District, Maxwell Water Supply Corporation, Martindale Water Supply Corporation and the cities of Marion, Cibolo, Converse, and La Vernia. The participating members have an ongoing financial responsibility to fund the operation of the Authority subsidizing the operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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 and Schertz in acquiring, constructing, maintaining, and operating a water utility system. The participating governments have an ongoing financial responsibility to fund the operation of the corporation through either purchase of services or by subsidizing the operations.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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.

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 Drainage Fund accounts for the maintenance of drainage infrastructure of the City through user charges.

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 are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Cash and Cash Equivalents

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

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

F. Receivables and Payables

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

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

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

G. Inventories and Prepaid Items

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

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

In the governmental funds, prepaid expenses are accounted for using the consumption method. Under the consumption method, prepaid expenses are certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, utility systems, 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 $10,000 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.

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 - 40
Utility Systems	50
Equipment and Vehicles	3 - 10

J. 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 drainage fund are used to liquidate the liability for compensated absences.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. 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 and discounts, 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 and losses on defeasance. Bond issuance costs are recognized as expenditures or expenses in the financial statements in the period in which the bonds are issued.

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.

M. 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. The general fund, water and sewer fund and drainage fund are used to liquidate net pension liabilities.

N. Other Postemployment Benefit (OPEB) Liability

For purposes of measuring the OPEB liability, deferred inflows and outflows of resources related to OPEB, and OPEB expense, information about the total OPEB liability of the Texas Municipal Retirement System (TMRS) and additions to/deletions from TMRS' total OPEB liability have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. The general fund, water and sewer fund and drainage fund are used to liquidate other postemployment benefit liabilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Unassigned – Represents the residual balance that may be spent on any other purpose of the City. The City's policy is to maintain an unassigned fund balance in the general fund of 25-35% of operating expenditures.

The general fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, it is not appropriate to report a positive unassigned fund balance; however, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund. 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 bond proceeds. Net position is reported as restricted when there are limitations imposed by creditors, grantors, or laws or regulations of other governments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 special revenue funds and the capital projects fund, which adopts project-length budgets, however the budgets are then estimated by fiscal year.

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 Governmental Accounting Standards Board Statement

For the year ending September 30, 2018, the City implemented Government Accounting Standards Board Statement No. 75 related to accounting for postemployment benefits other than pensions (OPEB). This new standard requires that the City's OPEB plan recognize the total OPEB liability (asset) and OPEB related deferred inflows and outflows of resources on the City's government-wide statements. This change required a prior period adjustment to restate prior years in accordance with the change in accounting principle. The prior period adjustment recorded represents the total OPEB liability at September 30, 2017, less associated OPEB related deferred outflows and inflows of resources. The amount of the restatement can be seen in more detail in Note 12.

U. New Accounting Pronouncements

The Government Accounting Standards Board has issued the following statements:

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 pronouncement.

Statement No. 84, Fiduciary Activities – The requirements of this Statement will take effect for reporting periods beginning after December 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. New Accounting Pronouncements (Continued)

Statement No. 87, Leases – The requirements of this Statement will take effect for reporting periods beginning after December 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.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The operating deposits of the City and the component unit, Cibolo Economic Development Corporation, 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 investment funds:

Investment Type	Fair Value	Weighted Average Maturity in Days
TexPool	$ 14,500,167	28
Texas CLASS	4,331,729	33
TexSTAR	5,915	30
Municipal Bonds and Government Agencies	3,264,851	149
Certificate of Deposit	16,326,486	189
Total	$ 38,429,148	107

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 were in TexPool, TexSTAR, certificates of deposits, and Municipal Bonds and government agencies, and all securities held maintained a continuous rating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service.

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.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foreign Currency Risk. This is the risk that exchange rates will adversely affect the fair value of an investment. The City's policy does not allow investment in foreign currency. At year end the City was not exposed to foreign currency risk.

NOTE 3 - FAIR VALUE MEASUREMENT

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2018, the City's recurring fair value measurement assets consist of debt securities, municipal investment pools and certificates of deposit. These investments are valued using prices quoted in active markets for those securities (Level 1). The municipal investment pools are reported on the statement of net position and balance sheet as cash and cash equivalents.

The following table summarizes the assets for which fair values are determined on a recurring basis as of September 30, 2018:

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Debt Securities	$ 3,264,851	$ -	$ -	$ 3,264,851
Municipal Investment Pools	18,837,811	-	-	18,837,811
Certificates of Deposit	16,326,486			16,326,486
Total	$ 38,429,148	$ -	$ -	$ 38,429,148

NOTE 4 - PROPERTY TAX

Total taxable values are as of January 1 and levied on 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 $2,023,088,993 (i.e., market value less exemptions). The estimated market value was $2,401,800,143, making the taxable value 84.2% of the estimated market value.

NOTE 4 - PROPERTY TAX (Continued)

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 $0.4474 per $100 of assessed value, which means that the City has a tax margin of $2.0546 for each $100 value and could increase its annual tax levy by approximately $41,566,386 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.

NOTE 5 - RECEIVABLES

Receivables as of year-end 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	Capital Projects	Debt Service	Nonmajor Funds	Water and Sewer Fund	Drainage Fund	Non-Major Funds
Receivables:							
Property Taxes	$ 64,558	$ -	$ 41,100	$ -	$ -	$ -	$ -
Sales Taxes	380,154	-	-	93,330	-	-	-
Franchise Taxes	107,139	-	-	-	-	-	-
Customers	-	-	-	-	1,510,722	119,689	-
Other	10,834	-	33,000	-	-	-	3,191
Gross Receivables	562,685	-	74,100	93,330	1,510,722	119,689	3,191
Less: Allowance for Uncollectibles	3,228	-	2,055	-	370,896	25,191	-
Net Total Receivables	$ 559,457	$ -	$ 72,045	$ 93,330	$ 1,139,826	$ 94,498	$ 3,191

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.

NOTE 5 – RECEIVABLES (Continued)

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	Unearned
General Fund		
Delinquent Property Taxes Receivable	$ 59,321	$ -
SCUCISD Program	-	21,250
Permits	-	20,737
Total General Fund	59,321	41,987
Debt Service Fund		
Delinquent Property Taxes Receivable	37,757	-
Total Debt Service Fund	37,757	-
Non-Major Funds		
Cibolo Fest	-	29,555
Total Non-Major Fund	-	29,555
Total Governmental Funds	$ 97,078	$ 71,542

NOTE 6 - INTERFUND BALANCES AND TRANSFERS

The following schedule briefly summarizes the City's transfer activity:

Transfer From	Transfer To	Amount	Purpose
Nonmajor Governmental	General	$ 118,771	Maintenance sales tax and Crossing guard fees
General	Nonmajor Governmental	28,300	Transfer in support of technology replacement
Water & Sewer	Nonmajor Governmental	3,200	Transfer in support of technology replacement
Drainage	Nonmajor Governmental	360	Transfer in support of technology replacement
Capital Projects	Drainage	88,354	Transfer of drainage projects
Drainage	General	44,660	Drainage utility administration fees
Water & Sewer	General	238,315	Water Administration fees
Nonmajor Proprietary	Drainage	1,599	Transfer of drainage projects
Nonmajor Proprietary	Water & Sewer	186,540	Transfer of utility projects

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

Due From	Due To	Amount	Purpose
Capital Projects	General Fund	11,309	Reimbursement of funds
General Fund	Capital Projects	65	Transfer for capital projects
General Fund	Nonmajor Governmental	12,803	Reimbursement of funds
Capital Projects	Nonmajor Governmental	2,407	Reimbursement of funds
General Fund	Nonmajor Proprietary	1,770	Impact Fee revenue deposited in General Fund
Water & Sewer	General Fund	317,987	Administrative fee transfer and other reimbursement
Drainage	General Fund	11,667	Administrative fee transfer and other reimbursement
Nonmajor Governmental	Nonmajor Governmental	117,827	Reimbursement of funds

NOTE 7 - CAPITAL ASSETS

Governmental fund capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Deletions/ Transfers & Adjustments	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 3,473,273	$ 1,457	$ -	$ 3,474,730
Construction in Progress	11,978,806	5,923,249	(14,395,369)	3,506,686
Total Capital Assets Not Being Depreciated	15,452,079	5,924,706	(14,395,369)	6,981,416
Capital Assets, Being Depreciated:				
Buildings and Improvements	8,627,591	-	1,638,385	10,265,976
Improvements Other Than Buildings	30,538,273	1,056,807	11,071,083	42,666,163
Equipment and Vehicles	4,619,710	347,285	1,578,582	6,545,577
Total Capital Assets Being Depreciated	43,785,574	1,404,092	14,288,050	59,477,716
Accumulated Depreciation:				
Buildings and Improvements	(1,824,883)	(237,180)	-	(2,062,063)
Improvements Other Than Buildings	(11,049,078)	(1,888,033)	-	(12,937,111)
Equipment and Vehicles	(2,892,262)	(580,258)	107,319	(3,365,201)
Total Accumulated Depreciation	(15,766,223)	(2,705,471)	107,319	(18,364,375)
Total Capital Assets Being Depreciated, Net	28,019,351	(1,301,379)	14,395,369	41,113,341
Governmental Activities Capital Assets, Net	$ 43,471,430	$ 4,623,327	$ -	$ 48,094,757

Proprietary fund capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Deletions/ Transfers & Adjustments	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 1,396,208	$ -	$ -	$ 1,396,208
Water Rights	475,000	-	-	475,000
Construction in Progress	5,805,577	645,511	(4,466,368)	1,984,720
Total Assets Not Being Depreciated	7,676,785	645,511	(4,466,368)	3,855,928
Capital Assets, Being Depreciated:				
Utility Systems	25,130,615	656,414	4,466,368	30,253,397
Equipment and Vehicles	1,549,990	38,501	(27,692)	1,560,799
Total Capital Assets Being Depreciated	26,680,605	694,915	4,438,676	31,814,196
Accumulated Depreciation:				
Utility Systems	(4,675,792)	(523,800)	-	(5,199,592)
Equipment and Vehicles	(831,397)	(132,044)	27,692	(935,749)
Total Accumulated Depreciation	(5,507,189)	(655,844)	27,692	(6,135,341)
Total Capital Assets Being Depreciated, Net	21,173,416	39,071	4,466,368	25,678,855
Business-Type Activities Capital Assets, Net	$ 28,850,201	$ 684,582	$ -	$ 29,534,783

NOTE 7 - CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General Government	$ 98,080
Law Enforcement and Municipal Court	309,060
Community Development Services	19,949
Public Works	1,546,128
Animal Control	10,364
Parks and Recreation	448,051
Fire	273,839
Total Depreciation Expense - Governmental Activities	$ 2,705,471
Business-Type Activities:	
Water, Sewer, and Drainage Systems	$ 655,844
Total Depreciation Expense - Business Type Activities	$ 655,844

NOTE 8 - CAPITAL LEASE

The City has entered into lease agreements to finance equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception date. The assets acquired through capital leases are as follows:

Assets:	Governmental Activities	Business-type Activities
Equipment	$ 1,998,782	$ 486,798
Less Accumulated Depreciation	(339,199)	(219,059)
Total	$ 1,659,583	$ 267,739

Future minimum obligations and the net present value of these minimum lease payments as of September 30, 2018 are as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities
2019	$ 185,400	$ -
2020	123,121	-
2021	123,121	-
2022	123,121	-
2023	123,121	-
Total Payments	677,884	-
Less: Amount Representing Interest	(47,394)	-
Present Value of Minimum Lease Payments	$ 630,490	$ -

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 either future property tax revenue or liens on property and equipment.

In November 2017, the City issued General Obligation Refunding Bond Series 2017 in the amount of $8,325,000 to refund the City's outstanding General Obligation and Refund Bond Series 2007 for debt service savings. The refunding saved the City a total of $966,237 with a net present value of $860,286. The bonds carry an interest rate of 4.0% - 4.6% and mature serially through 2029. The payment of the related principal and interest is to be made from an annual ad valorem tax levied against all taxable property within the City. The redemption date is February 1, 2019 and the balance still outstanding as of September 30, 2018 is $7,875,000.

In July 2018, the City issued General Obligation Bonds, Series 2018 in the amount of $3,490,000 for public improvements. The bonds carry an interest rate of 3.5% - 5.0% and mature serially through 2026. The payment of the related principal and interest is to be made from an annual ad valorem tax levied against all taxable property within the City.

Bonded debt of the City consists of various series of general obligation bonds, revenue bonds, and certificates of obligation. General obligation bonds and certificates of obligation are direct obligations of the City for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the City. Revenue bonds are generally payable from pledged revenues generated by the water and sewer fund. The debenture agreement for water and sewer bonds requires that funds be available for 1/12th of the principal and 1/6th of the interest requirements of the next fiscal year.

The City is required to accumulate a reserve fund in an amount equal to the average principal and interest on the revenue bonds.

NOTE 9 - LONG TERM DEBT (Continued)

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

	Issue Amount	Maturity	Rate	Balance
Primary Government				
General Obligation Bonds				
2007 Series	$ 5,325,000	2027	4.5%	$ 450,000
2007 Series, Refunding	2,650,000	2027	4.5%	110,000
2009 Series	10,750,000	2029	4.0% - 4.6%	620,000
2010 Series, Refunding	920,000	2021	1.13% - 3.73%	285,000
2011 Series	8,650,000	2031	2.0% - 4.0%	5,960,000
2012 Series, Refunding	1,465,000	2030	1.5% - 3.0%	1,245,000
2013 Series	8,500,000	2033	2.0% - 4.0%	6,755,000
2014 Series	2,875,000	2034	2.0% - 3.5%	2,440,000
2015 Series	3,770,000	2035	3.0% - 4.0%	3,365,000
2015 Series, Refunding	3,995,000	2027	3.0% - 4.0%	3,985,000
2016 Series	3,455,000	2030	2.0% - 3.0%	3,185,000
2017 Series, Refunding	8,325,000	2029	4.0% - 4.6%	8,180,000
2018 Series	3,490,000	2026	3.5% - 5.0%	3,490,000
Certificates of Obligation				
2017 Series	2,000,000	2032	3.85%	1,900,000
Total Governmental Long-Term Obligations				$ 41,970,000
Revenue Bonds				
2006 Series	$ 3,000,000	2026	4.07%	$ 1,445,000
2012 Series	7,640,000	2032	1.5% - 3.5%	5,670,000
General Obligation Bonds				
2007 Series	3,025,000	2027	4.5%	180,000
2015 Series, Refunding	1,350,000	2027	3.0% - 4.0%	1,345,000
Total Business-Type Long-Term Obligations				$ 8,640,000

NOTE 9 - LONG-TERM DEBT (Continued)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 32,495,000	$ 3,490,000	$ (9,790,000)	$ 26,195,000	$ 2,180,000
Unamortized Premium	675,433	102,683	(74,518)	703,598	58,437
General Obligation Refunding Bonds	6,010,000	8,325,000	(460,000)	13,875,000	435,000
Unamortized Premium	395,342	-	(37,777)	357,565	37,777
Certificates of Obligation	2,000,000	-	(100,000)	1,900,000	105,000
Capital Lease	809,671	-	(179,181)	630,490	168,871
Compensated Absences	507,694	130,115	(101,539)	536,270	107,254
Total Governmental Activities	$ 42,893,140	$ 12,047,798	$ (10,743,015)	$ 44,197,923	$ 3,092,339
Business-Type Activities:					
Revenue Bonds	$ 7,600,000	$ -	$ (485,000)	$ 7,115,000	$ 495,000
Unamortized Premium	344,869	-	(22,991)	321,878	22,991
General Obligation Bonds	320,000	-	(140,000)	180,000	145,000
General Obligation Refunding Bonds	1,350,000	-	(5,000)	1,345,000	5,000
Unamortized Premium	107,877	-	(10,787)	97,090	10,787
Capital Lease	73,772	-	(73,772)	-	-
Compensated Absences Payable	35,423	5,548	(7,085)	33,886	6,777
Total Business-Type Activities	$ 9,831,941	$ 5,548	$ (744,635)	$ 9,092,854	$ 685,555
Economic Development Corporation:					
Compensated Absences Payable	$ 17,116	$ 4,118	$ (3,232)	$ 18,002	$ 3,600
Total Economic Development Corporatio	$ 17,116	$ 4,118	$ (3,232)	$ 18,002	$ 3,600

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

	Governmental Activities		
September 30,	Principal	Interest	Total
2019	$ 2,720,000	$ 1,294,977	$ 4,014,977
2020	2,805,000	1,195,157	4,000,157
2021	2,865,000	1,123,171	3,988,171
2022	2,845,000	1,048,453	3,893,453
2023	2,920,000	969,190	3,889,190
2024-2028	16,125,000	3,446,243	19,571,243
2029-2032	9,860,000	1,215,521	11,075,521
2033-2037	1,830,000	154,012	1,984,012
Total	$ 41,970,000	$ 10,446,724	$ 52,416,724

NOTE 9 - LONG-TERM DEBT (Continued)

	Business-Type Activities		
September 30,	Principal	Interest	Total
2019	$ 645,000	$ 279,282	$ 924,282
2020	660,000	260,120	920,120
2021	680,000	241,566	921,566
2022	700,000	222,645	922,645
2023	725,000	199,069	924,069
2024-2028	3,355,000	619,898	3,974,898
2029-2032	1,875,000	166,949	2,041,949
Total	$ 8,640,000	$ 1,989,529	$ 10,629,529

NOTE 10 - RETIREMENT PLAN

A. Plan Description

The City participates as one of 883 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 Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

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

B. 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.

NOTE 10 - RETIREMENT PLAN (Continued)

B. Benefits Provided (Continued)

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

	2016	2017
Inactive employees or beneficiaries currently receiving benefits	24	29
Inactive employees entitled to but not yet receiving benefits	79	88
Active employees	115	123
	218	240

C. 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

For the year ending September 30, 2018, 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 12.82% and 13.06% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $878,389, and were equal to the required contributions.

D. 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.

E. 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
Salary Increases	3.0% per year
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

NOTE 10 - RETIREMENT PLAN (Continued)

E. Actuarial Assumptions (Continued)

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 Combined Healthy 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. The post-retirement morality assumption for healthy annuitants and annuity Purchase Rate (APRs) are based on the Morality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

NOTE 10 - RETIREMENT PLAN (Continued)

E. 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%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
	100.00%	

F. Discount Rate

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

NOTE 10 - RETIREMENT PLAN (Continued)

G. 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	$ 10,785,445	$ 8,915,494	$ 1,869,951
Changes for the year:			
Service Cost	1,188,141	-	1,188,141
Interest	761,533	-	761,533
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	142,214	-	142,214
Changes of Assumptions	-	-	-
Contributions - Employer	-	829,521	(829,521)
Contributions - Employee	-	452,749	(452,749)
Net Investment Income	-	1,236,531	(1,236,531)
Benefit Payments, Including Refunds of Employee Contributions	(195,086)	(195,086)	-
Administrative Expense	-	(6,404)	6,404
Other Changes	-	(325)	325
Net Changes	1,896,802	2,316,986	(420,184)
Balance at December 31, 2017	$ 12,682,247	$ 11,232,480	$ 1,449,767

Sensitivity of the net pension liability to changes in the discount rate.

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	$ 3,673,518	$ 1,449,767	$ (318,974)

H. Pension Plan Fiduciary Net Position

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

NOTE 10 - RETIREMENT PLAN (Continued)

I. Pension Expense and Deferred Outflow/Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of $930,037. 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	$ 159,918	$ -
Changes in Actuarial Assumptions	13,697	-
Differences Between Projected and Actual Investment Earnings	-	(313,322)
Contributions Subsequent to the Measurement Date	666,763	-
	$ 840,378	$ (313,322)

Deferred outflows of resources in the amount of $666,763 is related to pensions resulting from contributions subsequent to the measurement date (December 31, 2017) and will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Fiscal Year ended September 30,	
2019	$ 28,622
2020	16,221
2021	(80,309)
2022	(104,241)
	$ (139,707)

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

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

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other post-employment benefit," or OPEB. Membership in the plan at December 31, 2017, the valuation and measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	17
Inactive Employees Entitled to but Not Yet Receiving Benefits	9
Active Employees	123
	149

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

For the Plan Year Ended December 31,	Total SDBF Contribution Rate	Retiree Portion to SDBF Conribution Rate
2017	0.13%	0.01%
2018	0.15%	0.01%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were 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:

Inflation	2.50%
Salary Increases	3.50% to 10.50% Including Inflation
Discount Rate	3.31% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid throu the Pension Trust and accounted fo 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 femal 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 femal 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.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

The City's Total OPEB Liability (TOL), based on the actuarial factors, as of December 31, 2017. Was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2016	$ 120,476
Changes for the year:	
Service Cost	14,876
Interest	4,823
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	13,661
Benefit Payments	(647)
Net Changes	32,713
Balance at December 31, 2017	$ 153,189

There is no separate trust maintained to fund this Total OPEB Liability. No assets are accumulated in a trust that meets the criteria in paragraph 4 of the GASB 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%	Discount Rate 3.31%	Discount Rate 4.31%
Total OPEB Liability	$ 188,340	$ 153,189	$ 126,008

For the year ended September 30, 2018, the City recognized OPEB expense of $11,381. 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
Changes in Actuarial Assumptions	$ 11,792	$ -
Contributions Subsequent to the Measurement Date	510	-
	$ 12,302	$ -

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Deferred outflows of resources in the amount of $510 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Fiscal Year Ended September 30,		
2019	$	1,869
2020		1,869
2021		1,869
2022		1,869
2023		1,869
Thereafter		2,447
	$	11,792

NOTE 12 - PRIOR PERIOD ADJUSTMENT

In accordance with GASB Statement No. 75, the City has recorded a prior period adjustment to recognize the Other Postemployment Benefits (OPEB) Liability as described in Note 11, above. The OPEB liability at September 30, 2017 was allocated between the general fund and the water and wastewater funds resulting in a prior period adjustment to restate the beginning fund balances as of September 30, 2017 as follows:

	Governmental Activities	Water and Sewer Fund	Total
Beginning Net Position, as Previously Reported	$ 26,383,449	$ 29,892,179	$ 56,275,628
Understated OPEB Liability	(104,234)	(15,754)	(119,988)
Beginning Net Position, Restated	$ 26,279,215	$ 29,876,425	$ 56,155,640

NOTE 13 - JOINT VENTURES

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 Cibolo and Schertz 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 CVLGC, 108 West Mountain Street, Seguin, TX 78156.

NOTE 13 - JOINT VENTURES (Continued)

Cibolo Valley Local Government Corporation (Continued)

The City of Cibolo is jointly liable, together with the City of Schertz, 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	1,503,917
TOTAL ASSETS	1,947,008
LIABILITIES:	
Current Liabilities	90,238
TOTAL LIABILITIES	90,238
NET POSITION:	
Net Investment in Capital Assets	1,503,917
Unrestricted	352,853
TOTAL NET POSITION	$ 1,856,770

Canyon Regional Water Authority

Canyon Regional Water Authority (the "Authority") operates under Chapter 65 of the Texas Water Code. The Authority is comprised of the eleven member entities listed in Note 1 section A. The Authority was created to purchase, own, hold, lease and otherwise acquire sources of potable water; build, operate and maintain facilities for the treatment and transportation of water; sell potable water to local governments, water supply corporations and other persons in this state; and to protect, preserve and restore the purity and sanitary condition of water in the area. Separate financial statements may be obtained from the Authority.

NOTE 13 - JOINT VENTURES (Continued)

Canyon Regional Water Authority (Continued)

Following is a summary of financial data as reported in the Authority's audited financial statements dated September 30, 2018:

ASSETS:	
Cash and Investments	$ 6,050,650
Other Current Assets	2,308,836
Other Assets	19,934,164
Capital Assets (Net)	145,895,818
TOTAL ASSETS	174,189,468
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Debt Refunding	225,978
LIABILITIES:	
Accounts Payable and Accruals	10,060,824
Long Term Debt	131,202,589
TOTAL LIABILITIES	141,263,413
NET POSITION:	
Net Investment in Capital Assets	17,602,305
Restricted	5,897,098
Unrestricted	9,652,630
TOTAL NET POSITION	$ 33,152,033

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Litigation

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

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 $230,924 for property and casualty and workers compensation coverage.

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