



COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT

CITY OF BOERNE, TEXAS  
2017

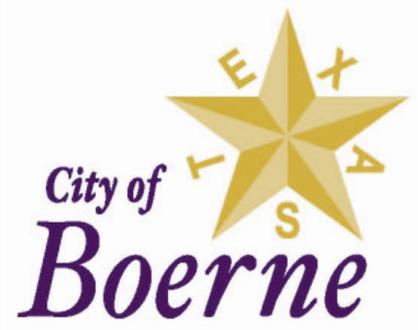


FISCAL YEAR ENDED SEPTEMBER 30, 2017

City of Boerne, Texas

Comprehensive Annual Financial Report  
Fiscal Year Ended  
September 30, 2017

Prepared by the Finance Department



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**CITY OF BOERNE, TEXAS**

Comprehensive Annual Financial Report  
September 30, 2017

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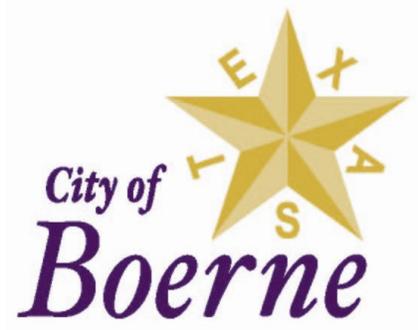
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## INTRODUCTORY SECTION



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*P.O. Box 1677 • 402 E. Blanco  
Boerne, Texas 78006*

March 27, 2018

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Boerne, Texas:

State law requires that all municipalities be audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby include the auditors' report in this comprehensive annual financial report of the City of Boerne (The City) for the fiscal year ended September 30, 2017.

This report consists of management's representations concerning the finances of the City of Boerne. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Boerne has established an 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 Boerne's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City of Boerne's 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 Boerne's financial statements have been audited by ABIP, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Boerne for the fiscal year ended September 30, 2017, 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 Boerne's financial statements for the fiscal year ended September 30, 2017 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

Governmental Accounting Standards Board (GASB) 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 Boerne's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Boerne, Texas, incorporated in 1909, is located in the south-central part of the state just west of the San Antonio metropolis, the Nation's seventh largest city and recognized internationally as the top tourist destination in Texas. The City acts as the service center for the surrounding community, providing retail, recreation, and food service to a population of 42,540 people. Similarly, the City serves as the County Seat for Kendall County. The City of Boerne currently occupies a land area of 11.596 square miles with a population of 14,968. The City of Boerne is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when requested by property owners in the areas adjacent to the City, and approved by City Council. The City has operated under the council-manager form of government since 1995. Policy-making and legislative authority are vested in a governing council consisting of the mayor and five other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for the hiring and firing of employees. The council is elected on a non-partisan basis. Council members serve two-year staggered terms, with three council members elected every year.

The City of Boerne provides a full range of services, including:

Animal Control	Municipal Court
Cemetery	Parks and Recreation
Code Enforcement	Planning and Community Development
Dispatch/Communications	Police Protection
Emergency Operations	Street Construction and Maintenance
Fire Protection	Visitor Information Center
Library	

In addition, the City provides electric, water, wastewater, reclaimed water, gas and solid waste collection and recycling services to its citizens.

The annual budget serves as the foundation for the City of Boerne's financial planning and control. All departments of the City of Boerne are required to submit requests for appropriation to the Budget Officer early in the budget process each year. The Budget Officer uses these requests as the starting point for developing a proposed budget. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than September 20, near the close of the City of Boerne's fiscal year.

The appropriated budget is prepared by fund, function, and department. The City Manager and Budget Officer may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the governing council. 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 as part of the required supplementary information section of this report. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the other supplementary information section of this report.

### **Local economy**

The City of Boerne currently enjoys a favorable economic environment partially due to the fact that Boerne is located in close proximity to the San Antonio metropolitan area. To an extent, Boerne's economy aligns with that of San Antonio, benefitting from an influx of tourists to the area. Boerne does not have any major manufacturers or industries within city boundaries but does enjoy a very favorable position of being strategically located between San Antonio and the very popular and beautiful Texas Hill Country along Interstate Highway (IH10). Boerne is a favorite destination for visiting tourists from all parts of Texas, from all over the country, and from the residents of San Antonio.

The City's population has seen a healthy growth rate of almost 52% over the last ten years compared to the US growth rate of 7.0% for that same period. Of the total City population 57% are between the ages of 18 and 65 and an additional 18% are over the age of 65. The median household income for the area surrounding Boerne, Kendall County, of \$81,110 fared well above the State median of \$71,307. The unemployment for the Boerne and Kendall County area at September 30, 2017 was 2.9%. During this fiscal year, the region stood about 1.1% under the State unemployment rate and 1.3 % under the U.S. rate at September 30, 2017. The outlook is expected to mirror that of the past decade and Boerne should continue to experience a healthy sales tax and property tax climate. In fact, over the last ten years property tax values have increased 90% in amount, while property tax rates have increased by three cents (6.8%) over the rate in effect ten years ago.

### **Long-term financial planning**

Each year the City develops a Five-Year Financial Forecast and Capital Improvement Plan (Five-Year Plan), which is the guiding document for long-range fiscal planning and serves as the framework for development of the next adopted budget. The Five-Year Plan is adopted annually and contains projections that inform the City Council and the public of the long-term costs of programs and projected revenue growth. The Five-Year Plan also demonstrates that the City maintains fund balances in the governmental funds which cover program costs and maintain the minimum fund balance required by the City's fiscal policy. A copy of the Five-Year Plan can be obtained on the City of Boerne's website.

## **Relevant financial policies**

For this fiscal year, the City of Boerne had no new policies or changes in existing financial policies that would have made a significant impact on the current period's financial statements.

## **Major projects planned**

The City continues to experience consistent growth with fiscal year 2017 Ad Valorem collections increasing by 3.42%. Sales Tax did not increase year over year due to the high collections in 2016 due to storms in Texas that drove sales tax up by 12.35% that year. The city was, however, able to sustain the new, higher levels and so far in fiscal year 2018, sales tax is once again rising with a 2.5% increase in the first quarter. Utility plant capacities and a focus on reliability through system redundancy has brought about significant capital additions in the Electric, Water, Wastewater, and Natural Gas Utilities in recent years. The Gas utility continues to be the fastest growing of the city's 5 utility systems with 11.8% new customer growth year over year. The city experienced new home starts at a rate over 300 (342) for the first time since the economic downturn of 2009.

The Electric Utility is serving load from two substations, including a recently completed substation at the south end of the City which was built in cooperation with the Lower Colorado River Authority (LCRA) and Bandera Electric Cooperative (BEC). All four feeder lines from the new substation are operational and three of the four have had load transferred to them. The Electric Utility continues to work on upgrading four feeders extending from both substations in order to balance load and enhance redundancy including a \$600,000 project which was completed in 2017.

Construction was completed on a new Wastewater Treatment and Recycling Center in April of 2013. The plant serves the southern half of the City as well as the high growth area in the northeastern sector. The new plant was designed for and is producing Type I reclaimed wastewater for use as another source of water for irrigation in the northeast area of the City where much of the new home growth (4,500 homes in various stages of development) is occurring. The Water system continues to prepare for the eventual expansion of the water treatment plant to meet future peaking needs that will more than double the treatment capacity to three million gallons per day. The recently completed Water 2070 Plan indicates that this expansion could be necessary between 2025 and 2030. This plant improvement will be performed when the system peaks, usually associated with irrigation, exceed our current ability to meet high demand usage. The potential for new customers for the reclaimed water system, as well as conservation measures, will allow this project to be deferred from its original projected construction timing. The City began serving reclaimed water to retail customers in January 2016 and as of January 31, 2018, there are now just over 200 customers on the reclaimed water system, up from 126 a year ago.

Projects to increase service capacity and redundancy in the Natural Gas utility have been recently completed. These improvements included constructing a second gate station south

of the City and extending mains to that station. The City also extended a new main along IH-10 to help balance system pressure during high demand periods and open new territory to service from that utility. Much of the new home sites planned will be gas utility customers and accelerated growth of that utility is anticipated. This growth, again primarily located in the northeast sector, will bring with it the need for new mains to meet supply requirements and to loop the gas system for redundancy and reliability. These improvements are planned based on the velocity of home sales and indicate a need for additional mains once again in the 2020-2025 time frame.

Design of a new City Hall building is nearing completion. The new building will be located on Main Street and will be approximately 44,624 square feet and will house 10 City departments that are currently located in six different buildings. Construction is scheduled to begin in fiscal year 2018, and the expected completion date is September 2019.

There are several major roadway projects underway or planned for the upcoming year:

IH10 Frontage Road Extension (underway) - Texas Department of Transportation (TxDOT) has agreed to fund this project with the city and it was bid in the fall of 2014. The projected total expenditure by the City is estimated at between \$700,000-900,000 with TxDOT accounting for \$3,100,000. The City funded this project in FY 2014. The much-delayed project will be completed in 2018.

Scenic Loop Overpass at IH10 (underway) – This TxDOT project will add turn lanes and expand the underpass to four lanes at a total cost of \$11,000,000. The funding will come from the City of Boerne (\$550,000), Kendall County (\$550,000), and TxDOT at \$9,900,000. The project is on scheduled for completion in mid to late 2018.

Highway 46 East Expansion – This TxDOT project will expand to four lanes the stretch of the highway known as River Road in Boerne from the Esser Bridge to Amman Road. The project was delayed by 12 months due to utility relocation conflicts but is expected to be bid in April of 2018 with completion in 2020.

Highway 46 at IH10 & Highway 87 at IH10 – TxDOT will combine these two large overpass projects estimated at \$64,000,000 in total in order to facilitate the conversion of the frontage roads and address key traffic sites in Boerne. The Hwy 87 overpass project will be needed prior to the new Buc-ees construction. The projects are under design and will be let in March of 2018 with completion 3-4 years after.

The city has issued \$2,000,000 in short term debt to extend the new Herff Road through the South Boerne (SoBo) development to intersect with Christus Parkway and connect to the newly completed Frontage Road. This group of roadways will greatly enhance crosstown and IH 10 access once all segments are completed. The bridge connection segment on the north end of the project is underway, and the south roadway segment will begin after the acquisition of land and right of way is complete in early 2018.

## Awards and Acknowledgements

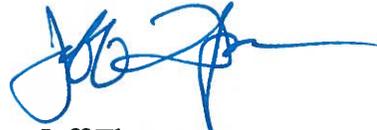
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Boerne for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2016. This was the thirtieth consecutive year that the City of Boerne has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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.

We wish to express our appreciation to the entire staff of the finance and administration departments who assisted and contributed to the preparation of this report. In addition, we would like to thank the members of our City Council and the Mayor for the ongoing support to maintain the highest professional standards in the management of the City of Boerne's finances.

Respectfully submitted,



Ronald C. Bowman  
City Manager



Jeff Thompson  
Deputy City Manager



Linda S. Zartler  
Assistant City Manager



Sandra Mattick, CPA, CGFO  
Finance Director



Government Finance Officers Association

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

Presented to

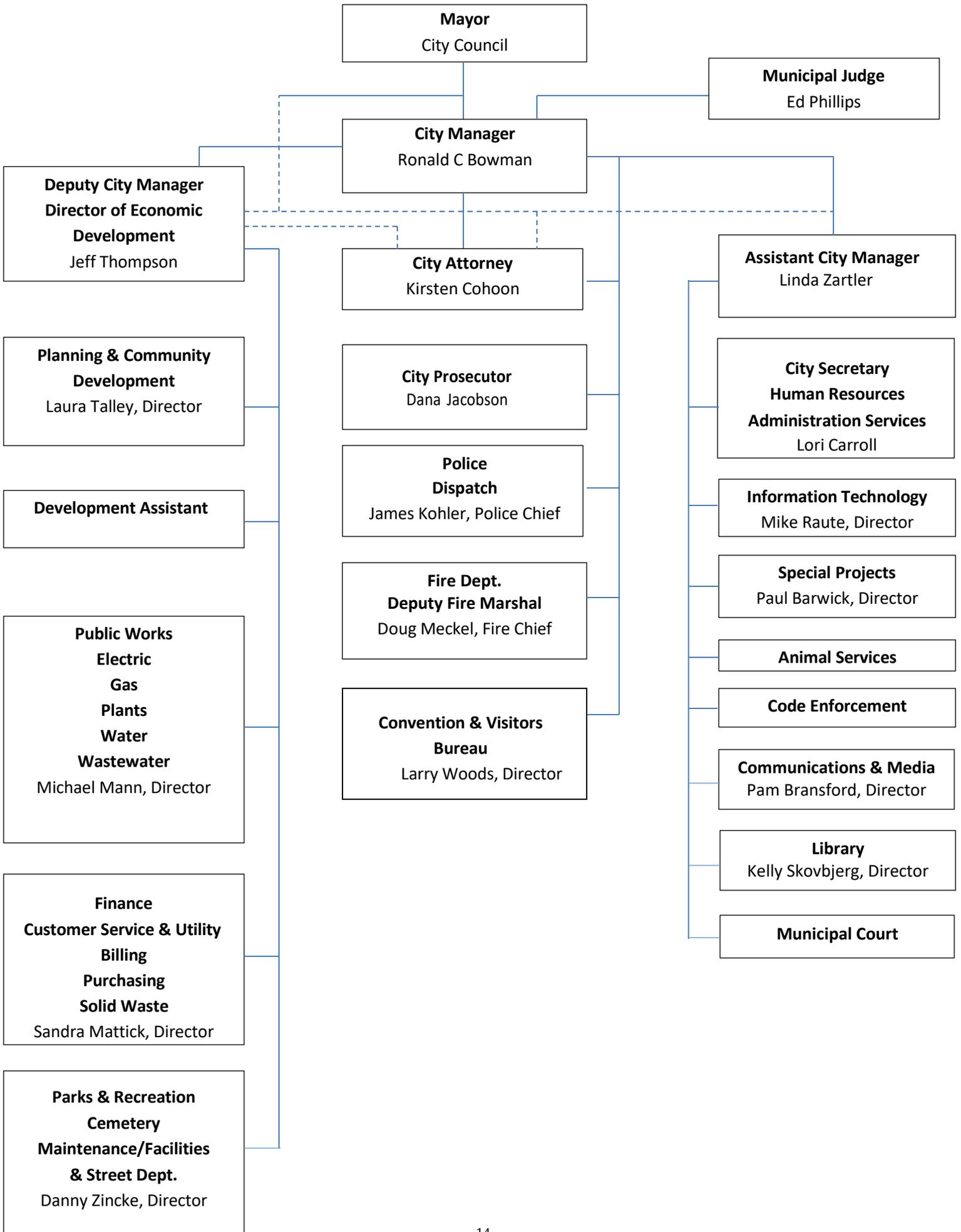
**City of Boerne  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

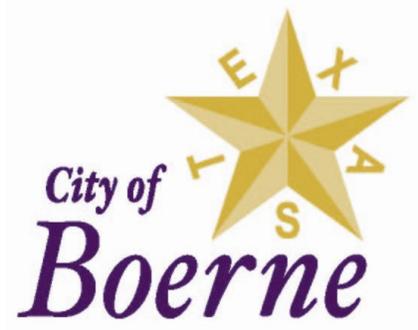
*Christopher P. Morill*

Executive Director/CEO



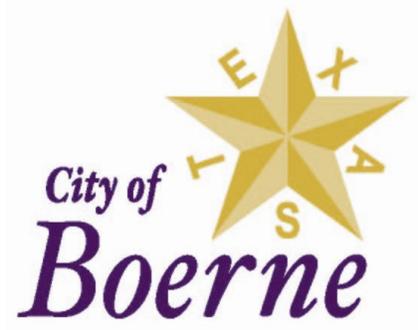
**City of Boerne, Texas  
List of Principal Officials  
September 30, 2017**

<b><u>Title</u></b>	<b><u>Name</u></b>
Mayor	Michael D. Schultz
Mayor Pro Tem – District 2	Nina Woolard
City Council Members	
District 1	Joe Anzollitto
District 3	Charlie Boyd IV
District 4	Ron Cisneros
District 5	Craig Colvin
City Manager	Ronald C. Bowman
Deputy City Manager	Jeff Thompson
Assistant City Manager	Linda S. Zartler
Chief of Police	James Kohler
City Attorney	Kirsten Cohoon
City Secretary	Lori Carroll
Convention and Visitors Bureau Director	Larry Woods
Finance Director	Sandra Mattick, CPA, CGFO
Assistant Finance Director	Angelene Rios, CPA
Fire Chief/Fire Marshal	Doug Meckel
Information Technology Director	Mike Raute
Library Director	Kelly Skovbjerg
Parks and Recreation Director	Danny Zincke
Planning & Community Development Director	Laura Talley
Public Relations Coordinator	Pam Bransford
Public Works Director	Michael Mann, PE



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## FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council  
City of Boerne, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Boerne, Texas (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Boerne, Texas as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund, Schedule of Changes in the Net Pension Liability and TMRS Related Ratios; Schedule of Contributions and Notes to Schedules of Contributions, and Schedule of Funding Progress – Other Postemployment Benefit Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The combining and individual non-major fund financial statements, the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual for the Debt Service Fund, Hotel-Motel/Convention and Visitor's Bureau Special Revenue Fund, Park Special Revenue Fund, Library Special Revenue Fund, Economic Development Special Revenue Fund, 2009 G.O. Capital Projects Fund, 2012 Tax Note Capital Projects Fund, Cemetery Permanent Fund, and Statement of Changes in Assets & Liabilities, as listed in the table as other supplementary information, 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018, on our consideration of the City of Boerne'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 Boerne's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas

March 27, 2018



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## **Management's Discussion and Analysis**

As management of the City of Boerne ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### **Financial Highlights**

- The assets and deferred outflows of the City exceeded its liabilities at the close of the most recent fiscal year by \$103,400,929 (*net position*). Of this amount, \$23,150,318 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$15,779,481 which can be attributed to large capital contributions from developers and an increase in charges for services and general revenues with only a small increase in expenses.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$37,025,244.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,503,769, or 72.2% of total general fund expenditures.
- The City's general obligation debt increased by \$20,400,000 during the current fiscal year. The increase is due to issuance of tax notes along with principal retirements.

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

This discussion and analysis are intended to serve as an introduction to the City of Boerne's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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 of Boerne's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these 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 is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this

statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and compensated absences).

Both of the government-wide financial statements distinguish functions of the City 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 include general government, special revenue, debt service, capital projects, and permanent funds. The business-type activities of the City include Electric, Water, Wastewater, Gas and Solid Waste operations.

**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 Boerne, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be 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 maintains ten individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Debt Service Fund, and the 2017 Tax Notes Construction Fund which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary funds.** The City maintains six proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for

its electric, water, wastewater, gas and solid waste operations. Additionally, the City also reports the Internal Service Fund, which is used to account for facility maintenance services.

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 electric, water, wastewater, gas and solid waste operations, and Internal Service Fund.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Boerne's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**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 the accompanying notes, this report also presents required supplementary information which includes a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget. This report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees and retirees.

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

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In fiscal year 2017, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$103,400,929.

A very large portion of the City's net position (65.9%) reflects its net investment in capital assets, \$68,196,634 (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens: consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## City of Boerne's Net Position information:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$37,886,839	\$14,552,856	\$39,009,702	\$34,648,413	\$ 76,896,541	\$ 49,201,269
Capital assets	50,388,785	46,433,480	78,647,486	73,769,300	129,036,271	120,202,780
Total assets	88,275,624	60,986,336	117,657,188	108,417,713	205,932,812	169,404,049
Deferred outflows of resources	3,827,734	3,758,932	1,728,671	1,706,029	5,556,405	5,464,961
Long-term liabilities	56,135,609	35,190,607	43,964,463	45,119,035	100,100,072	80,309,642
Other liabilities	3,333,223	2,686,021	4,654,993	4,251,899	7,988,216	6,937,920
Total liabilities	59,468,832	37,876,628	48,619,456	49,370,934	108,088,288	87,247,562
Net Position:						
Net investment in capital assets	27,421,550	22,983,923	40,775,084	34,595,282	68,196,634	57,579,205
Restricted-debt service	791,089	698,449	3,797,098	4,016,822	4,588,187	4,715,271
Restricted - tourism	385,598	357,975	-	-	385,598	357,975
Restricted - public safety	276,162	232,981	-	-	276,162	232,981
Restricted - capital improvements	-	-	6,103,238	4,475,199	6,103,238	4,475,199
Nonexpendable-cemetery fund	700,792	665,669	-	-	700,792	665,669
Unrestricted	3,059,335	1,929,643	20,090,983	17,665,505	23,150,318	19,595,148
Total net position	\$32,634,526	\$26,868,640	\$ 70,766,403	\$ 60,752,808	\$103,400,929	\$ 87,621,448

An additional portion of the City of Boerne's net position, \$12,053,977; represents resources that are subject to external restrictions on how they may be used. There was a 15.4% increase, \$1,606,882, in total restricted net position reported: an increase of \$198,567 in governmental activities and an increase of \$1,408,315 in the City's business-type activities.

The remaining balance of \$23,150,318 is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Boerne 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 major components of the changes in net position are explained in more detail on pages 27-30.

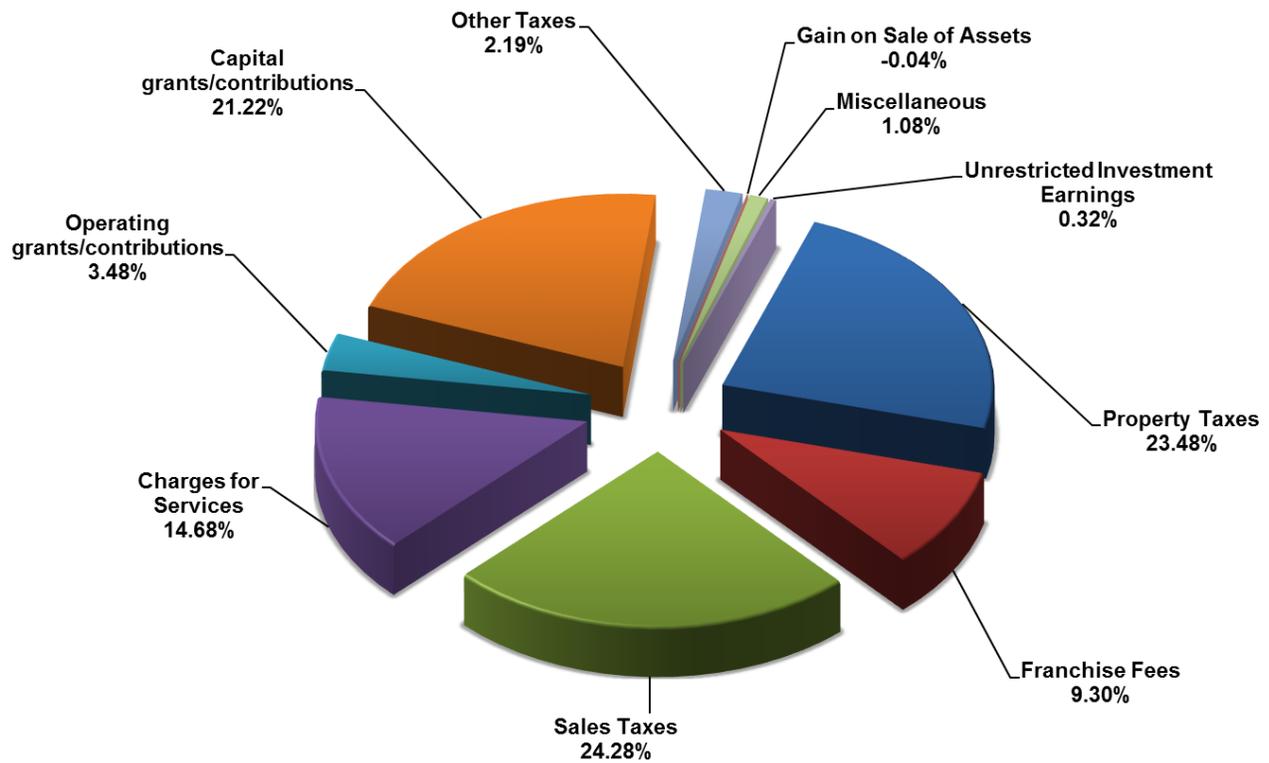
## City of Boerne's Revenues, Expense, Changes in Net Position information:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 4,009,640	\$ 3,608,431	\$28,966,893	\$27,700,192	\$32,976,533	\$31,308,623
Operating Grants and Contributions	948,921	828,004	35,829	25,952	984,750	853,956
Capital Grants and Contributions	5,792,264	1,854,325	11,612,611	10,390,016	17,404,875	12,244,341
General revenues:						
Property taxes	6,408,676	6,716,220	-	-	6,408,676	6,716,220
Sales taxes	6,628,822	6,657,261	-	-	6,628,822	6,657,261
Other taxes	597,974	546,239	-	-	597,974	546,239
Franchise fees	2,539,941	2,454,521	-	-	2,539,941	2,454,521
Investment Earnings and Other	370,776	712,313	241,058	139,420	611,834	851,733
Total revenues	27,297,014	23,377,314	40,856,391	38,255,580	68,153,405	61,632,894
Expenses:						
General government	4,066,160	4,139,288	-	-	4,066,160	4,139,228
Public safety	10,460,090	10,252,055	-	-	10,460,090	10,252,055
Highways/streets	2,595,872	2,794,067	-	-	2,595,872	2,794,067
Economic development	751,422	1,025,169	-	-	751,422	1,025,169
Culture and recreation	3,872,533	3,939,720	-	-	3,872,533	3,939,720
Interest on long-term debt	748,770	699,457	-	-	748,770	699,457
Electric	-	-	14,748,981	13,762,430	14,748,981	13,762,430
Water	-	-	5,231,602	4,962,987	5,231,602	4,962,987
Wastewater	-	-	7,001,087	6,763,885	7,001,087	6,763,885
Gas	-	-	2,131,493	1,934,105	2,131,493	1,934,105
Garbage	-	-	765,914	698,642	765,914	698,642
Total expenses	22,494,847	22,849,696	29,879,077	28,122,049	52,373,924	50,971,745
Increase (Decrease) in net position before transfers	4,802,167	527,618	10,977,314	10,133,531	15,779,481	10,661,149
Transfers	963,719	1,621,568	(963,719)	(1,621,568)	-	-
Increase (Decrease) in net position	5,765,886	2,149,186	10,013,595	8,511,963	15,779,481	10,661,149
Beginning net position (restated)	26,868,640	24,719,454	60,752,808	52,240,845	87,621,448	76,960,299
Ending net position	\$32,634,526	\$26,868,640	\$70,766,403	\$60,752,808	\$103,400,929	\$87,621,448

**Governmental activities.** Governmental activities increased the City of Boerne's net position by \$5,765,886. Key elements of this increase are as follows:

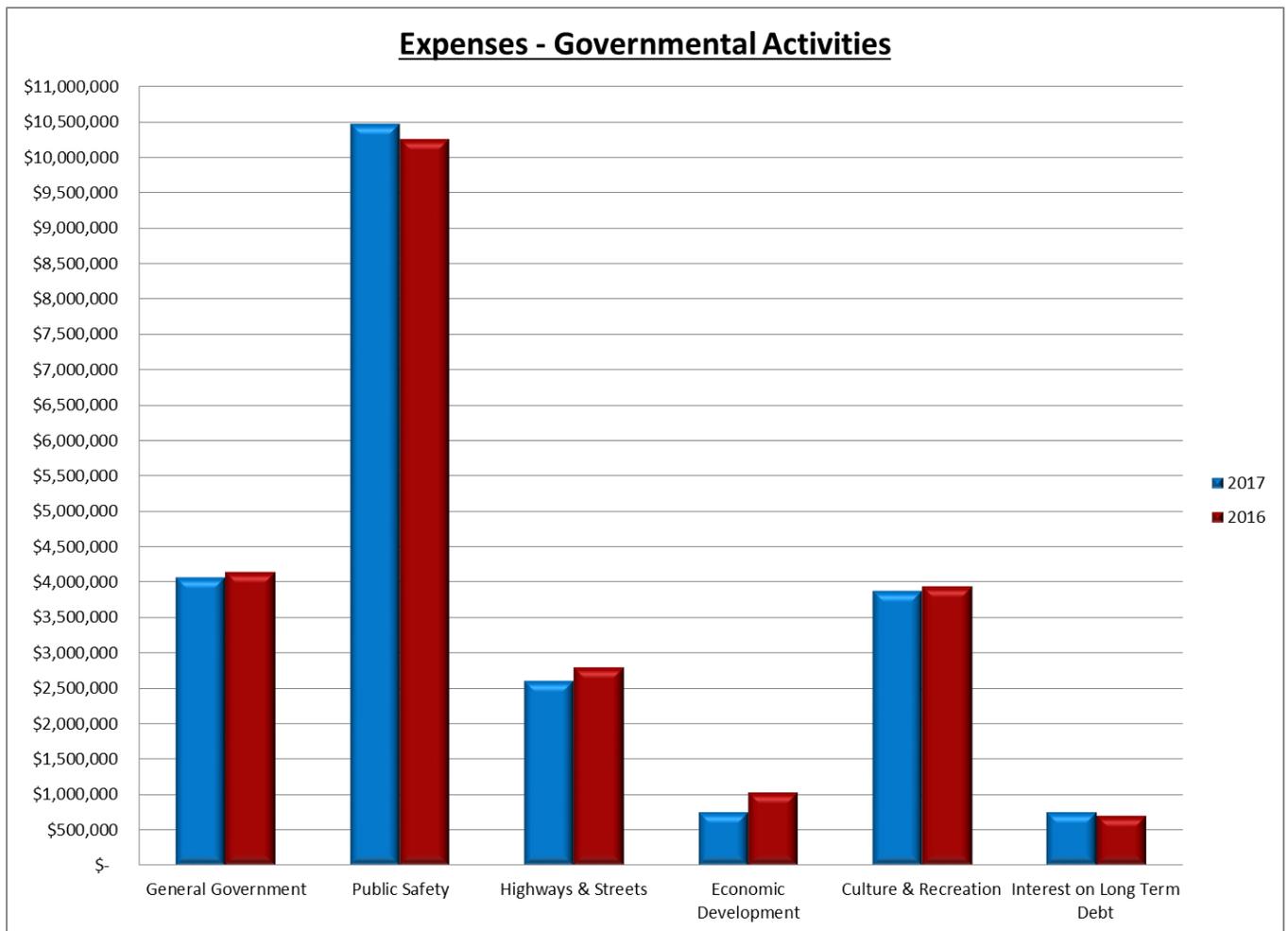
- Charges for services revenues increased by 11.12% or \$401,209 from the previous year. This increase can be attributed to a \$131,495 increase in permit revenue, and a \$206,153 increase in contributions from Interlocal agreements which can be attributed to new development and growth in the City.
- Capital grants and contributions increased by 212% or \$3,937,939, from the previous year. The increase is due to large developer contributions of streets.

## Revenues by Source - Governmental Activities



Total expenses saw a slight decrease of 1.55%, \$354,849, for the year. Some of the reasons for the decrease in expenses are:

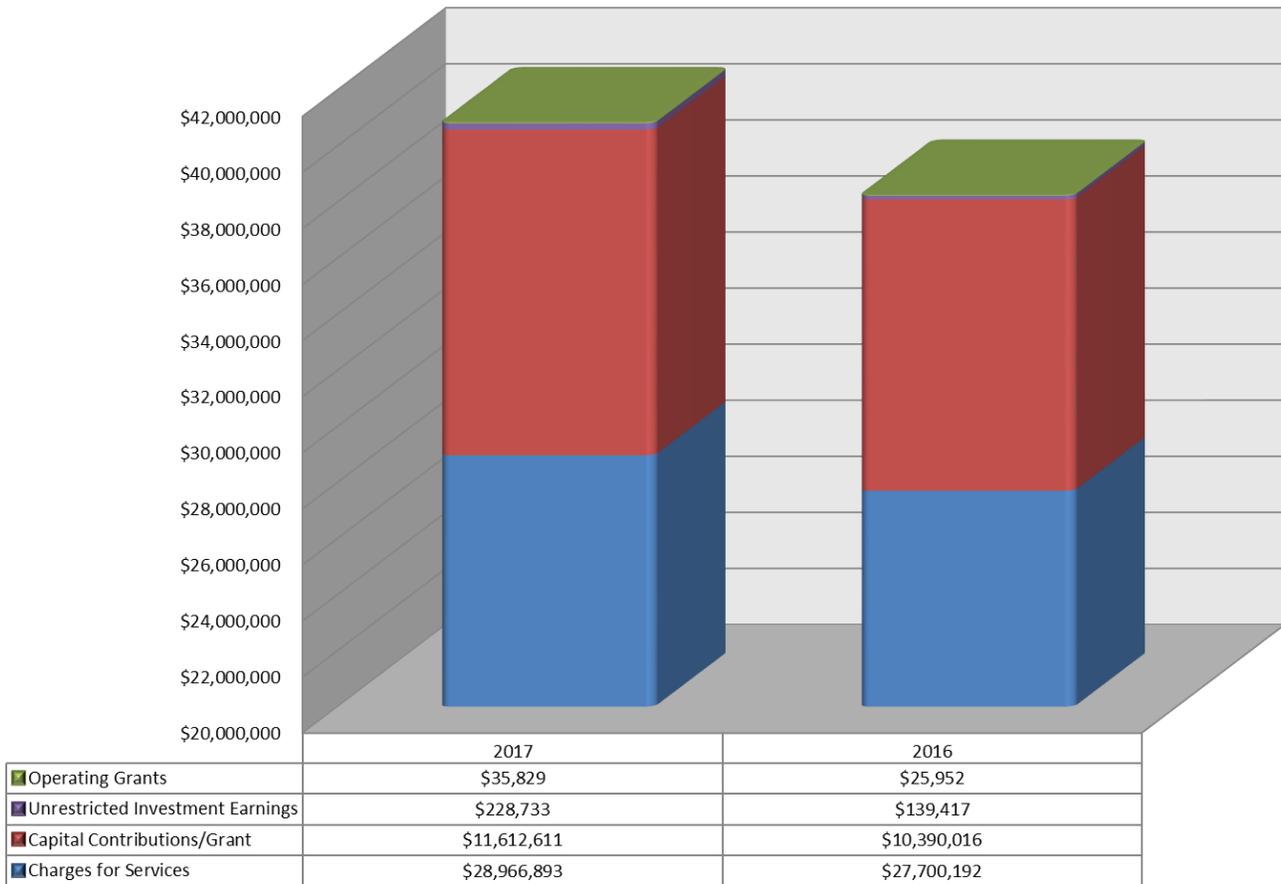
- Economic development expenses decreased by \$273,747 or 26.7% from the previous year due to the reduction in payments for 380 agreements.
- Highways and streets expenses decreased by \$198,195 or 7.09% from previous year due to a decrease in materials and supplies and maintenance expenditures.



**Business-type activities.** Business-type activities increased the City of Boerne’s net position by \$10,013,595. Key elements of this increase are as follows:

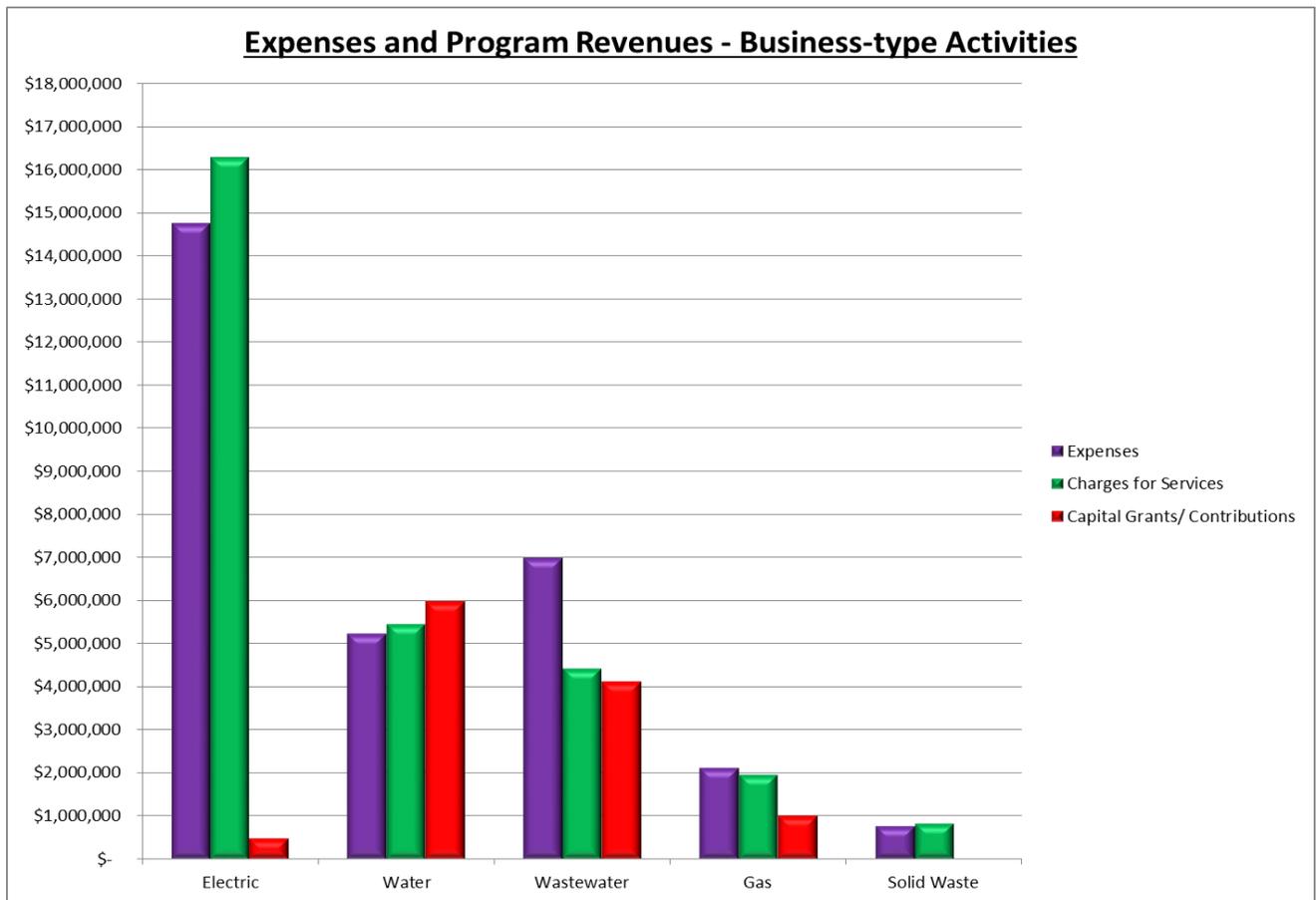
- Charges for services increased by 4.57% or \$1,266,701 from the previous year. The increase is attributable to a growth in customers in every utility due to continued growth in the City.
- Capital grants and contributions increased by 11.8% or \$1,222,595. This increase is attributable to a large increase in developer contributions of completed infrastructure to the City.
- Investment earnings increased by 72.9% or \$101,638. This is due to an increase in interest rates and investing in higher yield investments.

### Revenues by Source - Business-type Activities



An increase in total expenses of 6.25% and decrease in transfers of 40.57% contributed to the increase in net position. Some of the reasons for the increase in expenses are:

- Electric expenses increased by \$986,551 from the previous year due to an increase in the cost of power purchased.
- Water expenses increased by \$268,615 from the previous year. This is due to an increase in personnel costs, and an increase in the cost of water purchased.
- Wastewater expenses increased by \$237,202 from the previous year. This is due to an increase in personnel costs, operational costs and an increase in depreciation due to large capital contributions.
- Transfers decreased by \$657,849 from the previous year. The elimination of one-time transfers to the General Fund made in 2016 for special projects contributed to this decrease.



### Financial Analysis of the Government's Funds

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

**Government funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$37,025,244, an increase of \$23,304,626 in comparison with the prior year as a result of the issuance of \$21,835,000 in Tax Notes and a decrease in capital outlay due to several large projects in the prior year. Approximately 28% of this total amount, \$10,503,769, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. Of the remaining fund balance, \$22,912,568 is *restricted* to indicate that there are constraints on the use of the funds. These *restricted* fund balances can only be used to pay debt service, promote tourism in the City, to pay for Capital projects currently underway from General Obligation bond issues, and to pay for certain Police and Court expenditures. An additional \$700,792 is nonspendable in that the funds are required to be maintained intact as in the case of the permanent Cemetery fund. The other \$2,908,115 is reported as *assigned* fund balance. This *assigned* fund balance is constrained by the City's intent to use these funds for maintenance of the City's Park programs, to maintain the Public Library, and for Economic Development projects within the City.

The general fund is the chief operating fund of the City of Boerne. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,503,769. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 72.15 % of total general fund expenditures. The fund balance in the City's general fund increased by \$1,037,484 (10.65%) during the current fiscal year. This increase in fund balance can be mainly attributed to:

1. Continued strong earnings in permits and franchise fees.
2. A decrease in total expenditures of \$214,462 due to a decrease in capital outlay offset by increases in other department expenditures.

**Proprietary funds.** The City of Boerne'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 proprietary funds at the end of the year amounted to: Electric \$10,081,229, Water \$6,026,443, Wastewater \$3,499,044, Gas \$98,231, Solid Waste \$386,036 and Internal Service Fund \$153,676. The total increase in net position for the utility funds of \$10,013,595; was an increase of \$1,383,230, \$5,984,601, \$1,672,415, \$936,605, and \$36,744 to Electric, Water, Wastewater, Gas, and Solid Waste respectively. This was the first year for the Internal Service Fund.

All utilities except Wastewater and Gas had positive net income before capital contributions and transfers. Wastewater was at (\$2,403,464) due in part to an 8.13% increase in operating expenses resulting from the addition of new personnel, an increase in maintenance costs, and an increase in depreciation expense. Gas was at (\$153,086) due to an increase in the cost of fuel purchased and in personnel and depreciation expense. Electric, Water and Solid Waste utilities were at \$1,622,812; \$325,885; and \$71,744 respectively. The positive net income in Electric can be attributed to an increase in the power cost recovery revenues and a small increase in the number of customers. The positive net income in Water is due to a growth in customers and the increase in revenue staying ahead of the increase in expenses. The positive net income in Solid Waste is due to a growth in sales for the year (5.64%) along with an increase in rates keeping revenues ahead of the growth in expenses.

The combined utilities (not including Solid Waste) have a revenue bond coverage ratio of 2.36 times coverage which is an increase from the previous year's 2.32 times coverage. This increase in coverage ratio can be attributed to an increase in revenue available over the prior year and a decrease in the annual debt service. The bond covenants require a minimum of 1.20 times debt service coverage.

### **General Fund Budgetary Highlights**

Differences between the original General Fund budget and the final amended budget amounted to \$687,000 (increase in appropriations). Significant budget amendments can be summarized as follows:

- 1) The administration budget was increased by \$13,500 for an additional transfer to the Parks department as a result of additional costs on the Parks Master Plan.
- 2) The administration budget was also increased by \$655,000 to account for additional transfers to the Economic Development fund for payments on 380 agreements and a reimbursement from the 2017 Tax Notes for City Hall design and engineering.
- 3) The communications department budget was increased by \$32,000 to account for the purchase of an additional radio tower.

This increase in the budget is not expected to significantly affect either future services or liquidity of the General Fund.

There were also several variances between the final General Fund budget and the actual amounts of revenues and expenditures. Examples of these variances would be:

- Licenses and permits exceeded the final budget by \$335,546 due to an increase in permits issued for new development in the City;
- Miscellaneous revenue exceeded the final budget by \$205,469 due to collection of the new municipal facility fee on homes built in Esperanza;
- Administration department expenditures were \$710,557 under budget due to the reclassification of professional fees for the new City Hall design to Capital Outlay which caused Capital Outlay to appear over budget;
- Law enforcement department expenditures were \$152,714 under budget due to personnel vacancies and reduced supplies expenditures;
- Facilities and emergency operations expenditures were \$188,287 under budget due to personnel vacancies and reduced maintenance costs.

### **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, 2017, amounts to \$129,036,271 (net of accumulated depreciation). This investment in capital assets includes land, buildings and plant, improvements other than buildings, machinery and equipment, and construction in progress. The total increase in the City's net investment in capital assets for the current fiscal year was \$8,833,491 (an 8.51% increase for governmental activities and a 6.61% increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Infrastructure contributed by developers to streets - \$5,708,482;
- Improvements to the Electric Utility distribution system - \$348,703;
- Infrastructure contributed by developers for electric distribution system - \$482,124
- Infrastructure contributed by developers for reclaimed water system - \$2,136,313
- Infrastructure contributed by developers for water system - \$2,484,048;

- Infrastructure contributed by developers for wastewater system – \$2,557,413;
- Infrastructure contributed by developers for the gas system - \$1,020,266

### City of Boerne’s Capital Assets (Net of Depreciation)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
Land	\$ 9,833,819	\$ 9,833,819	\$ 2,705,658	\$ 2,686,158	\$ 12,539,477	\$ 12,519,977
Buildings and Plant	13,651,769	14,698,668	27,623,944	29,419,045	41,275,713	44,117,713
Improvements Other Than Buildings	3,814,367	19,853,542	-	39,736,387	3,814,367	59,589,929
Machinery & Equipment	1,719,976	1,970,323	1,120,541	1,259,090	2,840,517	3,229,413
Infrastructure Construction	20,018,686	-	46,676,621	-	66,695,307	-
In Progress	1,350,168	77,128	520,722	668,620	1,870,890	745,748
<b>Total</b>	<b>\$ 50,388,785</b>	<b>\$ 46,433,480</b>	<b>\$ 78,647,486</b>	<b>\$ 73,769,300</b>	<b>\$ 129,036,271</b>	<b>\$ 120,202,780</b>

For a more detailed presentation on capital assets, please refer to the Notes to Financial Statements on pages 70-72.

### Long-term Debt.

At the end of the current fiscal year, the City of Boerne had total debt outstanding of \$82,970,000. Of this amount, \$54,715,000 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., utility revenue bonds).

### City of Boerne’s Outstanding Debt

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
General Obligation Revenue Bonds	\$ 43,685,000	\$ 23,285,000	\$ 11,030,000	\$ 11,435,000	\$ 54,715,000	\$ 34,720,000
Bonds	\$ -	\$ -	\$ 28,255,000	\$ 29,210,000	\$ 28,255,000	\$ 29,210,000
<b>Total</b>	<b>\$ 43,685,000</b>	<b>\$ 23,285,000</b>	<b>\$ 39,285,000</b>	<b>\$ 40,645,000</b>	<b>\$ 82,970,000</b>	<b>\$ 63,930,000</b>

The City’s total debt increased by \$19,040,000 during the current fiscal year. The net increase was the result of principal payments on the debt and the issuance of Tax Notes.

The City currently has a rating from Moody’s Aa2 on its General Obligation bonded debt, and a rating of Aa3 on its Utility System Revenue debt. The City has a rating from Fitch of AA on General Obligation debt with the rating outlook as stable, and a rating on the City’s Utility System Revenue debt as A with a stable outlook.

State statutes limit the amount of general obligation debt a governmental entity may issue to ten percent of its total assessed valuation. The current debt limitation for the City of Boerne is \$155,269,505, which is significantly in excess of the City of Boerne's outstanding \$54,715,000 General Obligation debt. Additional detailed information on debt for the City may be found in the Notes to Financial Statements on pages 75-77.

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

- Sales Tax revenues are stable and have been escalating over the last several years. Budgets are conservative at 5%.
- Appraisal values are expected to increase at modest levels while new additions to the tax rolls will be driven by the velocity of the new home construction and ancillary commercial projects related to that growth. The budget projects a 6.95% growth rate in ad valorem tax revenues based on the tax rolls received from the appraisal district.
- New development and new home construction is projected to continue at a slightly higher pace (325 permits) from the past fiscal year (294 permits).
- Over 1,400 new home sites have become ready to build on in the last several fiscal years and another 4,100 are in some stage of development.
- A slight increase is expected for investment interest rates during this fiscal year.
- City staff and the City Council are active in using incentives as allowed by Chapter 380 of the Texas Local Government Code for economic development. The 2013 budget established an economic development fund in order to set aside monies for the staff and council to use in economic development. For fiscal year 2018, \$600,000 was set aside to be used for this purpose, which is up from \$500,000 in the prior five years. Several Chapter 380 Economic Development Agreements have been executed over the last five years. The goal is to use a return on investment (ROI) approach to evaluate potential projects and infrastructure initiatives that are strategically aimed at being a catalyst for growth to increase City revenues. The increased revenues would come from taxes, fees and utility services. It is anticipated that funding for economic development initiatives will continue into fiscal year 2019 and beyond.
- A 120-room hotel with 7,500 square feet of conference and meeting space is under construction and will be completed in 2019. The new full-service facility is expected to have a significant positive impact on sales and hotel-motel tax revenues and will be valued at approximately \$25 million on the tax rolls.
- A 50,000-square foot medical office building began construction in the commercial development area referred to as SoBo in late 2017 and will be completed in late 2018. The facility will include an ambulatory surgical center which will provide for additional jobs in the medical and technical fields.

These factors were considered in preparing the City of Boerne's budget for the 2018 fiscal year:

- General Government Budget was balanced with no Ad Valorem Tax rate increase but a projected increase in Sales Tax revenues.
- Permits and fees revenues were forecast with an 18% increase over the past fiscal year budget.
- Several one-time projects will be completed during the year and will be financed by available bond funds, tax notes, General Government revenues and excess fund balance:
  - a. Connector Bridge at Menger Creek - \$1,900,000;
  - b. Roadway Striping Equipment - \$53,500;
  - c. Pool Improvements - \$92,000;
  - d. Streets and new sidewalks - \$480,000;
  - e. Sludge Press at Wastewater Treatment Plant - \$650,000
- A rate increase of 4% was included in the 2018 budget for the Water fund. The rate increase was needed to off-set the increasing cost of the water that we are purchasing for resale. Electric, Wastewater and Gas will have a rate increase of 1.6% to cover increases in operating expenses.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Boerne'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 City of Boerne, Office of the Finance Director, P. O. Box 1677, Boerne, Texas 78006.

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## BASIC FINANCIAL STATEMENTS



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**CITY OF BOERNE, TEXAS**

Statement of Net Position  
September 30, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,616,448	\$ 15,130,162	\$ 22,746,610
Investments	6,367,965	5,823,693	12,191,658
Receivables (net of allowance)	1,393,746	3,793,767	5,187,513
Inventories	-	1,076,403	1,076,403
Prepays	4,385	289	4,674
Restricted assets:			
Cash and cash equivalents	22,260,530	10,739,821	33,000,351
Investments	243,765	2,445,567	2,689,332
Capital assets not being depreciated:			
Land	9,833,819	2,705,658	12,539,477
Construction in progress	1,350,168	520,722	1,870,890
Capital assets net of accumulated depreciation:			
Buildings and plant	13,651,769	27,623,944	41,275,713
Improvements other than buildings	3,814,367	-	3,814,367
Infrastructure	20,018,686	46,676,621	66,695,307
Machinery and equipment	1,719,976	1,120,541	2,840,517
Total Capital assets	50,388,785	78,647,486	129,036,271
Total Assets	88,275,624	117,657,188	205,932,812
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	746,134	474,479	1,220,613
Deferred outflows related to pension	3,081,600	1,254,192	4,335,792
Total deferred outflows of resources	3,827,734	1,728,671	5,556,405
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	720,709	3,179,436	3,900,145
Non-current liabilities:			
Due within one year	2,612,514	1,475,557	4,088,071
Due beyond one year	56,135,609	43,964,463	100,100,072
Total Liabilities	59,468,832	48,619,456	108,088,288
<b>NET POSITION</b>			
Net investment in capital assets	27,421,550	40,775,084	68,196,634
Restricted for:			
Debt service	791,089	3,797,098	4,588,187
Tourism	385,598	-	385,598
Law enforcement	276,162	-	276,162
Capital improvements	-	6,103,238	6,103,238
Nonexpendable:			
Cemetery Fund - perpetual care	700,792	-	700,792
Unrestricted	3,059,335	20,090,983	23,150,318
Total net position	\$ 32,634,526	\$ 70,766,403	\$ 103,400,929

The notes to the financial statements are an integral part of this statement.

**CITY OF BOERNE, TEXAS**

Statement of Activities  
Year Ended September 30, 2017

Functions/programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and contributions	Capital Grants and contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 4,066,160	\$ 45,468	\$ 573,161	\$ -
Public safety	10,460,090	3,220,636	-	83,782
Highways and streets	2,595,872	3,726	-	5,708,482
Economic development & assistance	751,422	-	-	-
Culture and recreation	3,872,533	739,810	375,760	-
Interest on long-term debt	748,770	-	-	-
<b>Total governmental activities</b>	<b>22,494,847</b>	<b>4,009,640</b>	<b>948,921</b>	<b>5,792,264</b>
Business-type activities				
Electric	14,748,981	16,278,423	-	482,124
Water	5,231,602	5,453,144	26,113	5,974,608
Wastewater	7,001,087	4,434,700	-	4,134,596
Gas	2,131,493	1,974,451	-	1,021,283
Solid Waste	765,914	826,175	9,716	-
<b>Total business-type activities</b>	<b>29,879,077</b>	<b>28,966,893</b>	<b>35,829</b>	<b>11,612,611</b>
<b>Total Primary Government</b>	<b>\$ 52,373,924</b>	<b>\$ 32,976,533</b>	<b>\$ 984,750</b>	<b>\$ 17,404,875</b>
General revenues:				
Taxes:				
Property taxes				
Sales taxes				
Other taxes				
Franchise Fees				
Investment earnings				
Miscellaneous				
Gain/(Loss) on Sale of Assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

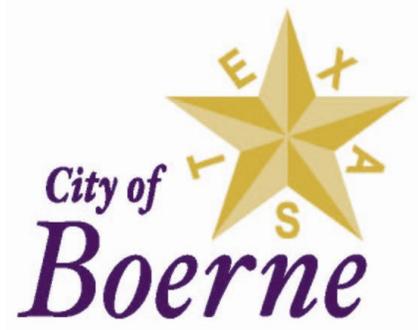
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**CITY OF BOERNE, TEXAS**

Statement of Activities  
Year Ended September 30, 2017

Net (Expenses) Revenues and Changes in Net Position		
Governmental	Business	Total
\$ (3,447,531)	\$ -	\$ (3,447,531)
(7,155,672)	-	(7,155,672)
3,116,336	-	3,116,336
(751,422)	-	(751,422)
(2,756,963)	-	(2,756,963)
(748,770)	-	(748,770)
<u>(11,744,022)</u>	<u>-</u>	<u>(11,744,022)</u>
-	2,011,566	2,011,566
-	6,222,263	6,222,263
-	1,568,209	1,568,209
-	864,241	864,241
-	69,977	69,977
<u>-</u>	<u>10,736,256</u>	<u>10,736,256</u>
<u>\$ (11,744,022)</u>	<u>\$ 10,736,256</u>	<u>\$ (1,007,766)</u>
\$ 6,408,676	\$ -	\$ 6,408,676
6,628,822	-	6,628,822
597,974	-	597,974
2,539,941	-	2,539,941
86,679	228,733	315,412
295,240	-	295,240
(11,143)	12,325	1,182
963,719	(963,719)	-
<u>17,509,908</u>	<u>(722,661)</u>	<u>16,787,247</u>
5,765,886	10,013,595	15,779,481
26,868,640	60,752,808	87,621,448
<u>\$ 32,634,526</u>	<u>\$ 70,766,403</u>	<u>\$ 103,400,929</u>

The notes to the financial statements are an integral part of this statement.



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**CITY OF BOERNE, TEXAS**

Balance Sheet - Governmental Funds  
September 30, 2017

	General Fund	Debt Service Fund	2017 Tax Notes Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,352,630	\$ 789,519	\$ -	\$ 3,358,496	\$ 7,500,645
Investments	\$ 6,367,965	-	-	-	6,367,965
Receivables	1,242,465	13,410	-	133,309	1,389,184
Prepays	4,385	-	-	-	4,385
Restricted cash and cash equivalents	152,555	-	21,331,061	776,914	22,260,530
Restricted investments	-	-	-	243,765	243,765
Total assets	<u>\$ 11,120,000</u>	<u>\$ 802,929</u>	<u>\$ 21,331,061</u>	<u>\$ 4,512,484</u>	<u>\$ 37,766,474</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 95,544	\$ -	\$ 191,229	\$ 66,773	\$ 353,546
Other payables	191,445	-	-	54,804	246,249
Total liabilities	<u>286,989</u>	<u>-</u>	<u>191,229</u>	<u>121,577</u>	<u>599,795</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	\$ 53,080	\$ 11,840	\$ -	\$ 76,515	\$ 141,435
Total deferred inflows of resources	<u>53,080</u>	<u>11,840</u>	<u>-</u>	<u>76,515</u>	<u>141,435</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Cemetery fund	-	-	-	700,792	700,792
Restricted:					
Law enforcement seized funds	152,555	-	-	-	152,555
Court technology	39,848	-	-	-	39,848
Court security	83,759	-	-	-	83,759
Debt service	-	791,089	-	-	791,089
Hotel/Motel-tourism promotion	-	-	-	385,598	385,598
Capital projects funds:					
Public Safety Center	-	-	-	93,948	93,948
Sidewalks	-	-	-	182,670	182,670
Library	-	-	-	43,269	43,269
City Hall	-	-	19,479,862	-	19,479,862
Street Construction	-	-	1,659,970	-	1,659,970
Assigned:					
Parks & recreation	-	-	-	1,326,589	1,326,589
Library	-	-	-	414,465	414,465
Cemetery	-	-	-	231,297	231,297
Economic Development	-	-	-	935,764	935,764
Unassigned	10,503,769	-	-	-	10,503,769
Total fund balances	<u>10,779,931</u>	<u>791,089</u>	<u>21,139,832</u>	<u>4,314,392</u>	<u>37,025,244</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,120,000</u>	<u>\$ 802,929</u>	<u>\$ 21,331,061</u>	<u>\$ 4,512,484</u>	

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

Capital assets net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported in the funds.	50,388,785
Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore, are not reported in the funds.	(58,721,158)
Deferred outflows (inflows) relating to deferred amounts on refunding and pensions are not financial resources and therefore are not reported in the funds.	3,751,378
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	141,435
The assets and liabilities of the internal service fund are not included in the fund financial statements, but are included in the governmental activities of the statement of net position	153,676
Accrued interest on debt is not reported in the funds.	<u>(104,834)</u>
Net position of governmental activities	<u>\$ 32,634,526</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BOERNE, TEXAS**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended September 30, 2017

	General Fund	Debt Service Fund	2017 Tax Notes Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Ad valorem taxes	\$ 2,228,832	1,997,214	-	2,171,244	\$ 6,397,290
Sales tax	6,628,822	-	-	-	6,628,822
Hotel-Motel Tax	-	-	-	597,974	597,974
Library, parks & swimming revenues	-	-	-	866,220	866,220
Franchise fees	2,539,941	-	-	-	2,539,941
Licenses and permits	1,071,546	-	-	-	1,071,546
Fines	346,143	-	-	-	346,143
Grants	11,185	-	-	15,480	26,665
Contributions & donations	2,222,308	-	-	360,280	2,582,588
Miscellaneous	275,469	-	-	78,368	353,837
Investment earnings	86,679	8,517	33,624	34,443	163,263
<b>Total revenues</b>	<b>15,410,925</b>	<b>2,005,731</b>	<b>33,624</b>	<b>4,124,009</b>	<b>21,574,289</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Administration	2,083,015	-	-	-	2,083,015
Streets	1,524,170	-	-	-	1,524,170
Law enforcement	4,471,196	-	-	-	4,471,196
Municipal court	299,087	-	-	-	299,087
Animal control	248,128	-	-	-	248,128
Emergency operations	249,112	-	-	-	249,112
Code enforcement	373,462	-	-	-	373,462
Planning	504,146	-	-	-	504,146
Communications	1,051,501	-	-	-	1,051,501
Information technology	767,182	-	-	-	767,182
Fire department	1,736,178	-	-	-	1,736,178
Park Fund	-	-	-	1,733,001	1,733,001
Library Fund	-	-	-	1,139,097	1,139,097
Hotel/Motel Fund	-	-	-	576,317	576,317
Cemetery Fund	-	-	-	59,144	59,144
Economic Development Fund	-	-	-	161,859	161,859
Capital outlay	1,250,772	-	221,825	656,430	2,129,027
<b>Debt service:</b>					
Principal	-	1,435,000	-	-	1,435,000
Interest	-	706,160	-	-	706,160
Bond issuance costs	-	-	296,557	-	296,557
Fiscal agent fees	-	1,524	-	-	1,524
<b>Total expenditures</b>	<b>14,557,949</b>	<b>2,142,684</b>	<b>518,382</b>	<b>4,325,848</b>	<b>21,544,863</b>
<b>Excess/(Deficiency) of revenues over (under) expenditures</b>	<b>852,976</b>	<b>(136,953)</b>	<b>(484,758)</b>	<b>(201,839)</b>	<b>29,426</b>

(Continued)

**CITY OF BOERNE, TEXAS**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended September 30, 2017

	General Fund	Debt Service Fund	2017 Tax Notes Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):					
Transfers in	631,620	229,593	-	1,258,588	2,119,801
Transfers out	(456,729)	-	(674,353)	(25,000)	(1,156,082)
Sale of Capital Assets	9,617	-	-	2,921	12,538
Issuance of debt	-	-	21,835,000	-	21,835,000
Premium on debt issuance	-	-	463,943	-	463,943
Total other financing sources	184,508	229,593	21,624,590	1,236,509	23,275,200
Net change in fund balances	1,037,484	92,640	21,139,832	1,034,670	23,304,626
Fund balances - beginning	9,742,447	698,449	-	3,279,722	13,720,618
Fund balances - ending	<u>\$ 10,779,931</u>	<u>\$ 791,089</u>	<u>\$ 21,139,832</u>	<u>\$ 4,314,392</u>	<u>\$ 37,025,244</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BOERNE, TEXAS**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended September 30, 2017

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

Net change in fund balances-total governmental funds	\$ 23,304,626
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 depreciable expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. There was \$223,790 in capital outlay expense which did not meet capitalization threshold.	(1,743,496)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, donations) is to increase net position.	5,698,801
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of the governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(20,850,692)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	11,386
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.	(808,415)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) is reported with the governmental activities.	153,676
Change in net position of governmental activities	<u><u>\$ 5,765,886</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BOERNE, TEXAS**

Statement of Net Position  
 Proprietary Funds  
 September 30, 2017

	Business-type Activities-Enterprise Funds						Governmental
	Electric	Water	Wastewater	Gas	Solid Waste	Total	Activities Internal Service Fund
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 5,649,426	\$ 4,717,197	\$ 3,997,189	\$ 364,153	\$ 402,197	\$ 15,130,162	\$ 115,803
Investments	4,335,893	1,487,800	-	-	-	5,823,693	-
Accounts receivable	2,239,477	759,295	542,298	195,852	56,845	3,793,767	4,562
Inventories	760,161	194,304	10,884	111,054	-	1,076,403	-
Prepays	289	-	-	-	-	289	-
Restricted cash and cash equivalents:							
Customer deposits	652,134	544,314	-	117,664	-	1,314,112	-
Revenue bond interest and sinking accounts	8,699	135,814	361,113	5,583	-	511,209	-
Total current assets	<u>13,646,079</u>	<u>7,838,724</u>	<u>4,911,484</u>	<u>794,306</u>	<u>459,042</u>	<u>27,649,635</u>	<u>120,365</u>
Non-current assets:							
Restricted cash and cash equivalents:							
Revenue bond reserve accounts	151,069	244,649	1,748,861	151,070	-	2,295,649	-
Bond construction	-	-	1,970,940	-	-	1,970,940	-
Capital improvements	-	2,831,067	1,816,844	-	-	4,647,911	-
Restricted investments:							
Revenue bond covenant accounts	-	-	990,240	-	-	990,240	-
Capital improvements	-	1,455,327	-	-	-	1,455,327	-
Capital assets:							
Land	84,601	792,133	1,784,655	44,269	-	2,705,658	-
Buildings/Plant	773,342	1,802,522	37,978,313	141,725	-	40,695,902	-
Infrastructure	13,023,625	31,578,427	24,791,950	8,578,386	-	77,972,388	-
Machinery and equipment	1,953,677	1,309,438	1,037,564	575,666	-	4,876,345	-
Construction in progress	275,007	89,418	88,021	68,276	-	520,722	-
Less accumulated depreciation	(8,744,102)	(16,323,501)	(19,605,271)	(3,450,655)	-	(48,123,529)	-
Total capital assets (net)	<u>7,366,150</u>	<u>19,248,437</u>	<u>46,075,232</u>	<u>5,957,667</u>	<u>-</u>	<u>78,647,486</u>	<u>-</u>
Total non-current assets	<u>7,517,219</u>	<u>23,779,480</u>	<u>52,602,117</u>	<u>6,108,737</u>	<u>-</u>	<u>90,007,553</u>	<u>-</u>
Total assets	<u>21,163,298</u>	<u>31,618,204</u>	<u>57,513,601</u>	<u>6,903,043</u>	<u>459,042</u>	<u>117,657,188</u>	<u>120,365</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred charge on refunding	28,394	36,610	332,762	76,713	-	474,479	-
Deferred outflows related to pension	516,508	293,092	286,166	158,426	-	1,254,192	76,356
Total deferred outflows of resources	<u>544,902</u>	<u>329,702</u>	<u>618,928</u>	<u>235,139</u>	<u>-</u>	<u>1,728,671</u>	<u>76,356</u>
<b>LIABILITIES</b>							
Current liabilities payable from non-restricted assets:							
Accounts payable	1,214,835	182,175	45,343	71,155	67,510	1,581,018	4,631
Other payables	78,903	20,788	19,294	13,295	5,496	137,776	11,449
Compensated absences	7,887	1,705	3,147	2,065	-	14,803	-
Total current liabilities payable from non-restricted assets	<u>1,301,625</u>	<u>204,668</u>	<u>67,784</u>	<u>86,515</u>	<u>73,006</u>	<u>1,733,597</u>	<u>16,080</u>
Current liabilities payable from restricted assets:							
Customer deposits	652,134	544,314	-	117,664	-	1,314,112	-
Revenue bonds payable	56,177	334,292	913,287	156,998	-	1,460,754	-
Accrued interest payable	2,241	7,909	126,106	6,274	-	142,530	-
Total current liabilities payable from restricted assets	<u>710,552</u>	<u>886,515</u>	<u>1,039,393</u>	<u>280,936</u>	<u>-</u>	<u>2,917,396</u>	<u>-</u>
Total current liabilities	<u>2,012,177</u>	<u>1,091,183</u>	<u>1,107,177</u>	<u>367,451</u>	<u>73,006</u>	<u>4,650,993</u>	<u>16,080</u>
Non-current liabilities:							
Compensated absences	149,847	32,400	59,785	39,226	-	281,258	-
Revenue bonds payable	527,444	395,477	36,508,918	1,425,228	-	38,857,067	-
Net pension liability	1,966,812	1,180,268	1,083,818	599,240	-	4,830,138	26,965
Total non-current liabilities	<u>2,644,103</u>	<u>1,608,145</u>	<u>37,652,521</u>	<u>2,063,694</u>	<u>-</u>	<u>43,968,463</u>	<u>26,965</u>
Total liabilities	<u>4,656,280</u>	<u>2,699,328</u>	<u>38,759,698</u>	<u>2,431,144</u>	<u>73,006</u>	<u>48,619,456</u>	<u>43,045</u>
<b>NET POSITION</b>							
Net investment in capital assets	6,810,923	18,555,278	10,956,729	4,452,154	-	40,775,084	-
Restricted net position							
Restricted for debt service	159,768	380,463	3,100,214	156,653	-	3,797,098	-
Restricted for capital improvements - impact fees	-	4,286,394	1,816,844	-	-	6,103,238	-
Unrestricted	10,081,229	6,026,443	3,499,044	98,231	386,036	20,090,983	153,676
Total Net Position	<u>\$ 17,051,920</u>	<u>\$ 29,248,578</u>	<u>\$ 19,372,831</u>	<u>\$ 4,707,038</u>	<u>\$ 386,036</u>	<u>\$ 70,766,403</u>	<u>\$ 153,676</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BOERNE, TEXAS**

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 Year Ended September 30, 2017

	Business-type Activities-Enterprise Funds						Governmental
	Electric	Water	Wastewater	Gas	Solid Waste	Total	Internal Service Fund
<b>Operating revenues:</b>							
Charges for sales and services	\$ 15,624,934	\$ 5,076,083	\$ 4,360,606	\$ 1,689,295	\$ 818,712	\$ 27,569,630	\$ 868,858
Connection fees	3,264	255	14,333	251,845	-	269,697	-
Primary extensions	97,988	104,938	-	545	-	203,471	-
Penalties	119,653	47,784	47,335	15,774	7,463	238,009	-
Other	432,584	224,084	12,426	16,992	-	686,086	1,585
Total operating revenues	16,278,423	5,453,144	4,434,700	1,974,451	826,175	28,966,893	870,443
<b>Operating expenses:</b>							
Cost of fuel and water reservation	9,178,627	1,334,394	-	545,543	-	11,058,564	-
Personnel	2,409,800	1,372,208	1,357,478	764,130	-	5,903,616	535,878
Franchise fees	1,375,491	258,036	218,435	85,170	711,060	2,648,192	-
Administration	1,129,100	679,957	972,653	253,773	35,301	3,070,784	180,889
Depreciation	573,842	1,456,926	2,947,506	402,350	-	5,380,624	-
Other	55,309	16,203	16,654	10,321	478	98,965	-
Total operating expenses	14,722,169	5,117,724	5,512,726	2,061,287	746,839	28,160,745	716,767
Operating income (loss)	1,556,254	335,420	(1,078,026)	(86,836)	79,336	806,148	153,676
<b>Non-operating revenues (expenses):</b>							
Investment earnings	81,045	78,230	64,752	2,939	1,767	228,733	-
Grant income	-	26,113	-	-	9,716	35,829	-
Interest expense	(26,812)	(91,837)	(1,488,361)	(70,206)	-	(1,677,216)	-
Grant expense	-	(22,041)	-	-	(19,075)	(41,116)	-
Bond costs	-	-	-	-	-	-	-
Gain on sale of capital assets	12,325	-	-	-	-	12,325	-
Total non-operating revenues (expenses)	66,558	(9,535)	(1,423,609)	(67,267)	(7,592)	(1,441,445)	-
Income (loss) before capital contributions and transfers	1,622,812	325,885	(2,501,635)	(154,103)	71,744	(635,297)	153,676
Capital contributions	482,124	5,974,608	4,134,596	1,021,283	-	11,612,611	-
Transfers in	-	99,971	150,000	80,000	-	329,971	-
Transfers out	(721,706)	(415,863)	(110,546)	(10,575)	(35,000)	(1,293,690)	-
Change in net position	1,383,230	5,984,601	1,672,415	936,605	36,744	10,013,595	153,676
Net position - beginning	15,668,690	23,263,977	17,700,416	3,770,433	349,292	60,752,808	-
Net position - ending	\$ 17,051,920	\$ 29,248,578	\$ 19,372,831	\$ 4,707,038	\$ 386,036	\$ 70,766,403	\$ 153,676

The notes to the financial statements are an integral part of this statement.

**CITY OF BOERNE, TEXAS**

Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2017

	Business-type Activities-Enterprise Funds						Governmental
	Electric	Water	Wastewater	Gas	Solid Waste	Totals	Activities Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers	\$ 16,213,499	\$ 5,312,425	\$ 4,729,141	\$ 1,968,528	\$ 817,528	\$ 29,041,121	\$ 865,881
Payments to suppliers	(11,285,964)	(2,302,783)	(1,322,885)	(894,996)	(740,739)	(16,547,367)	\$ (164,809)
Payments to employees	(2,299,968)	(1,314,258)	(1,313,323)	(719,500)	-	(5,647,049)	\$ (585,269)
Net cash provided by operating activities	2,627,567	1,695,384	2,092,933	354,032	76,789	6,846,705	115,803
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in	-	99,971	150,000	80,000	-	329,971	-
Transfers out	(721,706)	(415,863)	(110,546)	(10,575)	(35,000)	(1,293,690)	-
Grant reimbursement	-	26,113	-	-	9,716	35,829	-
Grant expense	-	(22,041)	-	-	(19,075)	(41,116)	-
Net cash provided by (used in) noncapital financing activities	(721,706)	(311,820)	39,454	69,425	(44,359)	(969,006)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Capital grant reimbursement	-	-	98,171	1,017	-	99,188	-
Acquisition of capital assets	(718,260)	(321,512)	(281,763)	(257,111)	-	(1,578,646)	-
Capital Recovery Contributions	-	1,354,247	1,479,012	-	-	2,833,259	-
Proceeds from sale of assets	12,325	-	-	-	-	12,325	-
Revenue bonds and certificates-principal	(49,063)	(337,862)	(845,514)	(127,561)	-	(1,360,000)	-
Revenue bonds and certificates-interest	(26,537)	(92,595)	(1,521,694)	(69,000)	-	(1,709,826)	-
Net cash used in capital and related financing activities	(781,535)	602,278	(1,071,788)	(452,655)	-	(1,703,700)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Net sale (purchase) of investments	(390,147)	(2,702,313)	7,390	-	-	(3,085,070)	-
Interest earned	81,045	78,230	64,752	2,939	1,767	228,733	-
Net cash provided by (used in) investing activities	(309,102)	(2,624,083)	72,142	2,939	1,767	(2,856,337)	-
Net increase in cash and cash equivalents	815,224	(638,241)	1,132,741	(26,259)	34,197	1,317,662	115,803
Balances - beginning of year	5,646,104	9,111,282	8,762,206	664,729	368,000	24,552,321	-
Balances - end of year	\$ 6,461,328	\$ 8,473,041	\$ 9,894,947	\$ 638,470	\$ 402,197	\$ 25,869,983	\$ 115,803
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 1,556,254	\$ 335,420	\$ (1,078,027)	\$ (86,836)	\$ 79,336	\$ 806,147	153,676
Adjustments to reconcile operating income (loss) to net cash provided by operating activities							
Depreciation expense	573,842	1,456,926	2,947,507	402,350	-	5,380,625	-
Changes in assets, liabilities and deferred outflows:							
Accounts payable	434,839	37,194	(117,325)	1,116	6,100	361,924	16,080
Receivables	(184,712)	(140,003)	294,441	11,844	(8,647)	(27,077)	(4,562)
Inventory	136,480	(52,104)	2,182	(19,071)	-	67,487	-
Prepays	1,032	-	-	-	-	1,032	-
Deferred outflows	(18,075)	(10,274)	(21,382)	(5,983)	-	(55,714)	(76,356)
Net pension liability	111,324	62,076	62,637	34,268	-	270,305	26,965
Compensated absences	16,583	6,149	2,900	16,344	-	41,976	-
Net cash provided by operating activities	\$ 2,627,567	\$ 1,695,384	\$ 2,092,933	\$ 354,032	\$ 76,789	\$ 6,846,705	\$ 115,803
Noncash, investing, capital, and financing activities:							
Contribution of capital assets by Developers	\$ 482,124	\$ 4,620,361	\$ 2,557,413	\$ 1,020,266	\$ -	\$ 8,680,164	-

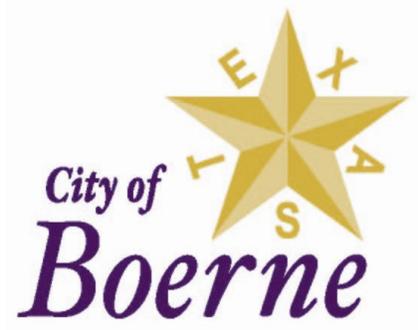
The notes to the financial statements are an integral part of this statement.

**CITY OF BOERNE, TEXAS**

Statement of Net Position  
Fiduciary Fund  
September 30, 2017

	Agency Fund
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 853</u>
Total assets	<u><u>\$ 853</u></u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 853</u>
Total liabilities	<u><u>\$ 853</u></u>

The notes to the financial statements are an integral part of this statement.



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# CITY OF BOERNE, TEXAS

Notes to the Financial Statements  
September 30, 2017

## I. Summary of significant accounting policies

### A. Reporting entity

The City of Boerne is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Based on our review there are no component units or other entities that meet the criteria for inclusion in the basic financial statements.

### 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 the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements, however, interfund services provided and used are not eliminated in the process of consolidation. *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 segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges for service which represent charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and

## CITY OF BOERNE, TEXAS

### Notes to the Financial Statements September 30, 2017

fiduciary 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.

In accordance with state statutes, the City levies property tax in October (the assessment date) of each year based on the assessed value of the previous January 1 for all real property. The assessed date represents the date in which an enforceable legal claim to the assets arise. Appraised values established by the Kendall County Appraisal District are to equal to 100 percent of the appraised market value as required under the State Property Code. Taxes are payable upon receipt of the tax bill and are due the following February 1 to avoid penalty and interest charges.

Total value for real and personal property on the tax roll was approximately \$1,968,000,000 as of October 1, 2016, as certified by the Kendall County Appraisal District.

The City's assessed tax rate approved by the City Council for 2017 is \$0.4720 per \$100 of taxable value of all taxable property within the City.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and qualifying expenditures have been incurred.

Agency funds, however, are unlike all other types of funds, reporting only assets and liabilities. Therefore, Agency funds cannot be said to have a measurement focus.

Government 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 enough 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. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

## CITY OF BOERNE, TEXAS

### Notes to the Financial Statements September 30, 2017

The *debt service fund* accounts for all financial resources that are restricted, committed, or assigned for the payment of principal and interest of long term obligations of governmental funds.

The *2017 tax notes capital projects fund* accounts for all financial resources of the 2017 Tax Note that are restricted, committed, or assigned to expenditure for capital outlays for various capital construction projects such as a new City Hall and road and bridge additions.

The City reports the following major proprietary funds:

The *electric fund* accounts for the activities of the electric distribution operations.

The *water fund* accounts for the activities of the water distribution operations.

The *wastewater fund* accounts for the activities of the wastewater operations.

The *gas fund* accounts for the activities of the gas distribution operations. \*

The solid *waste fund* accounts for the activity of the solid waste collection operation. \*

\*Note: These funds do not meet the criteria for a major fund, but management has elected to present as major funds for the benefit of the financial statement users.

Additionally, the City also reports the Internal Service Fund which is used to account for facility maintenance services.

The City also reports the following fiduciary fund type:

The *agency fund* is used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the City's own programs. The City's role is strictly custodial with the agency fund and holds the assets for a period of time for payment and subsequent return of bonds posted in conjunction with legal cases pending in its municipal court system.

The City reports the following permanent fund type:

The *cemetery trust fund* is used to account for resources legally held in trust to provide for upkeep of the cemetery. This fund is restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs – that is, for the benefit of the City or its citizens. This fund meets the criteria of a permanent trust fund and thus has been reported as governmental activity in the Statement of Net Position.

# CITY OF BOERNE, TEXAS

Notes to the Financial Statements  
September 30, 2017

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 utility funds 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 non-operating 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. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance**

### **1. Deposits and investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Cities in Texas are authorized to make investments as follows:

- Obligations of the U.S. or its agencies.
- Obligations of the State of Texas or its agencies,
- Obligations guaranteed by the U.S. or the State of Texas,
- Certificates of deposit of federally insured banks and savings and loans domiciled in Texas,
- Various others meeting specific requirements of the Texas Public Funds Investment Act.

The City's investment activity is regulated by state statutes and, as required by state law, the City has a written investment policy approved by the City Council.

The City may invest in any of the various instruments authorized by the Public Funds Investment Act of Texas. Investments are reported at fair value, amortized cost, or net asset value, as applicable.

### **2. Receivables and payables**

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectability of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is

# CITY OF BOERNE, TEXAS

Notes to the Financial Statements  
September 30, 2017

inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

### ***3. Inventories and prepaid items***

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of enterprise funds are recorded as expenses when consumed rather than when purchased. There are no material inventories in the governmental funds.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### ***4. Restricted assets***

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable bond covenants. Customer deposit accounts are used to report deposits paid by customers on utility accounts that could be refunded to the customer. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond covenant" account has a current and a non-current portion. The current portion is used to segregate resources accumulated for debt service payments over the next twelve months. The noncurrent portion is used to report resources set aside to make up potential future deficiencies in the current portion. Capital contribution accounts are used to account for impact fees paid that will be used for either debt service on bonds or future capital projects.

Certain resources in the governmental activities are classified as restricted. The cemetery has an endowment fund that is restricted in use for care of the cemetery. There are three capital project funds that are used to report the unspent proceeds of a General Obligation Bond and two Tax Notes that are restricted for use in certain construction projects.

### ***5. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., 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 \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Infrastructure that was acquired prior to the implementation of GASB-Statement No. 34 is included and reported in the government-wide financial statements in this report. The City used backtrending (i.e.,

# CITY OF BOERNE, TEXAS

Notes to the Financial Statements  
September 30, 2017

estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year) for the purpose of estimating historical cost for the initial reporting of these assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	20-40
Buildings and plant	20-30
Improvements other than buildings	20-25
Machinery & equipment	3-10

## **6. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. The second is contributions made to the pension plan in the 2017 fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

## **7. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions

# CITY OF BOERNE, TEXAS

Notes to the Financial Statements  
September 30, 2017

to/deductions from TMRS's Fiduciary Net Position 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. Investments are reported at fair value.

## **8. Compensated absences**

Accumulated unpaid compensated absences are accrued when incurred in all funds reported within the proprietary fund financial statements as well as the governmental activities and business-type activities columns of the government-wide statements. The expense is recognized in the governmental fund financial statements when paid or expected to be paid with current financial resources. Compensated absences liabilities are reported in governmental funds only if they have matured.

## **9. 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. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred. Long-term obligations are not due and payable in the current period, and therefore are not reported in the funds.

## **10. Fund balance**

The City reports several types of fund balances in its governmental funds: "*Unspendable, Restricted, Assigned, and Unassigned*". For purposes of fund balance classification, expenditures are to be spent from "*restricted*" fund balance first, followed in order by "*committed*" fund balance, "*assigned*" fund balance and lastly "*unassigned*" fund balance. The City considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for which both restricted and unrestricted amounts are available.

1) "*Nonspendable*" fund balances are those that are not in a spendable form. The City currently reports a nonspendable fund balance for the permanent Cemetery fund and prepaid expenses.

2) "*Restricted*" fund balances are those that have constraints placed on the use of their resources. These constraints can be: (a) externally imposed by creditors (i.e. debt covenants), grantors, contributors or laws/regulations of other governments; or (b) imposed by law through constitutional provision or enabling legislation. Both constraints are legally enforceable by an external party. Currently, the City reports restricted fund balances for the major General fund for police seizure funds and restricted court funds, for the major Debt Service fund, for the major 2017 tax notes capital projects fund for City Hall and street construction, the non-major Capital projects fund, and the non-major special revenues Hotel/Motel fund.

# CITY OF BOERNE, TEXAS

Notes to the Financial Statements  
September 30, 2017

3) *“Assigned”* fund balances are those that are constrained by the City’s *“intent”* to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances do not require City Council formal action. The City’s Fiscal and Budget Policy authorizes the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose. The City currently reports four funds containing assigned fund balances: the special revenue Parks fund with specific purpose to maintain the City Parks and recreation programs; the special revenue Library fund with specific purpose to maintain the City’s public library; the special revenue Economic Development fund with the specific purpose to bring economic development to the City; and the Cemetery fund.

4) *“Unassigned”* fund balances are those within the General Fund and represent fund balance that has not been restricted, committed, or assigned. The General fund is the only fund that the City reports with positive unassigned fund balance.

It is important to note that the City has established basic minimum fund balances within all funds. The minimum fund balances are proposed to be available in case of unexpected revenue shortfalls or for unforeseeable expenditures. The basic premise of these minimums is to maintain ninety to one hundred twenty days of operating expense as the desired minimum fund balances. These minimums are reviewed each year during the budgeting process for the upcoming fiscal year budget. If necessary, increases in the minimums are determined prior to the adoption of the new fiscal year budget.

## **11. Current year GASB Statement Implementations**

In fiscal year 2017, the City implemented the following GASB Statements:

GASB Statement No. 77, *“Tax Abatement Disclosures,”* addresses financial reporting for tax abatement agreements entered into by state and local governments. This Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The City implemented this Statement in the current fiscal year.

GASB Statement No. 78, *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,”* addresses a practice issue regarding the scope and applicability of Statement No. 68, *“Accounting and Financial Reporting for Pensions”*. Statement No. 78 is to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or

## CITY OF BOERNE, TEXAS

Notes to the Financial Statements  
September 30, 2017

local governmental employers that provide pensions through the pension plan). The implementation of this statement has no effect on the financial statements.

### **12. Future GASB Statement Implementations**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, addresses the need to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The City will implement this Statement in fiscal year 2018.

GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, has as its primary objective to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. Application of this statement is effective for fiscal year ending September 30, 2018. Management is currently evaluating the impact of this pronouncement as it's likely to have a material impact on the City's financial statements.

The City has not fully determined the effects that implementation of these statements will have on the City's financial statements.

**CITY OF BOERNE, TEXAS**

Notes to the Financial Statements  
September 30, 2017

**II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

Total fund balances of the City’s governmental funds, \$37,025,244, differs from net position of governmental activities, \$32,634,526, reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheets.

When capital assets (land, infrastructure, buildings, equipment, and intangible assets) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

Cost of capital assets.....	\$ 91,205,953
Accumulated depreciation .....	<u>(40,817,168)</u>
	<u>\$ 50,388,785</u>

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Bonds payable .....	\$(43,685,000)
Bond premium.....	(1,679,317)
Accrued vacation and sick leave pay.....	(816,417)
Other postemployment benefits obligation .....	(648,178)
Net pension liability.....	<u>(11,892,246)</u>
	<u>\$(58,721,158)</u>

Deferred outflows (inflows) of resources related to pensions and debt refundings in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Deferred loss on refunding of debt.....	\$ 746,134
Deferred outflows of resources related to pensions.....	<u>3,005,244</u>
	<u>\$ 3,751,378</u>

The assets and liabilities of the internal service fund are not included in the fund financial statements, but are included in the governmental activities of the statement of net position. \$ 153,676

**CITY OF BOERNE, TEXAS**

Notes to the Financial Statements  
September 30, 2017

Because the focus of governmental funds is on the availability of resources, some assets will not be available to pay for current period expenditures. Those assets are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.

Unavailable property tax revenues \$ 141,435

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. \$ (104,834)

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government - wide statement of activities.**

The net change in fund balances for governmental funds, \$23,304,626, differs from the change in net position for governmental activities, \$5,765,886, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds.

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital expenditures .....	\$ 2,129,027
Expense under capitalization threshold.....	(223,790)
Depreciation expense.....	<u>(3,648,733)</u>
	<u><u>\$(1,743,496)</u></u>

In the statement of activities, only the *gain* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets sold. (23,681)

Donations of capital assets and capital contributions increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 5,722,482

Net effect of miscellaneous transactions involving capital assets. \$5,698,801

**CITY OF BOERNE, TEXAS**

Notes to the Financial Statements  
September 30, 2017

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

Issuance of Tax Note debt .....	\$(21,835,000)
Principal repayment of long-term debt .....	1,435,000
Amortization of loss on refunding .....	(73,128)
Amortization of bond premium .....	<u>(377,564)</u>
	<u>\$ (20,850,692)</u>

Revenues that were unavailable and reported as deferred inflows of resources in the governmental funds are recognized as revenues in the statement of activities.

Change in deferred inflows – property tax.....	<u>\$ 11,386</u>
--	------------------

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.

Change in compensated absences.....	\$ (23,406)
Change in interest expense.....	(42,610)
Change in net OPEB obligation.....	(168,959)
Change in pension expense.....	<u>(573,440)</u>
	<u>\$ (808,415)</u>

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) is reported with the governmental activities. \$ 153,676

**III. Stewardship, compliance, and accountability**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end. Before August 1st, the proposed budget is presented to the City’s council for review. The council holds public hearings and the final budget must be prepared and adopted no later than September 20th. The appropriated budget is prepared by fund, function, and department. The City’s manager and budget official may make transfers of appropriations within a department. Transfers of appropriations between departments or an increase in the

# CITY OF BOERNE, TEXAS

## Notes to the Financial Statements September 30, 2017

budget requires the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council made several budgetary appropriations throughout the year as follows:

	Original Budget	Budget Increase	Amended Budget
General Fund	\$15,448,161	\$ 687,000	\$16,135,161
Hotel/Motel	576,306	2,500	578,806
Park	2,475,252	13,500	2,488,752
Library	1,078,914	91,485	1,170,399
2017 Tax Notes Construct	-	22,332,567	22,332,567
Utility Funds:			
Electric	14,792,167	717,000	15,509,167
Total	\$ 34,370,800	\$ 23,844,052	\$ 58,214,852

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2017.

#### IV. Detailed notes on all funds

##### A. Deposits and investments

###### Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act ("the Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City maintains an account with the Texas Local Government Investment Pool (TexPool). Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State of Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

The City utilizes the Texas Short Term Asset Reserve Program (TexSTAR). JPMorgan Fleming Asset Management Inc. and First Southwest Asset Management, Inc. serve as co-

# CITY OF BOERNE, TEXAS

## Notes to the Financial Statements September 30, 2017

administrators under an agreement with the TexSTAR board of directors to provide investment and participant services for this pool. JPMorgan Chase Bank or its subsidiary JP Morgan Investor Services Co. provides the custodial, transfer, agency, fund accounting, and depository services for this pool.

The City is also invested in Texas Daily, a portfolio of the TexasTERM Local Government Investment Pool ("Pool") which was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. The Pool is directed by an Advisory Board of experienced local government finance directors and treasurers. The Advisory Board contracts for services with professional service providers who are industry leaders in their field.

The City also has an account with Texas Class. They are supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf of the Trust in order to effectuate the terms of the Trust Agreement. It also selects the consultants for Texas Class, including the Program Administrator and the Custodian.

At year end, the City's carrying amount of deposits was \$6,069,113 and the bank balance was \$5,999,805. Of the bank balance, \$250,000 was covered by federal depositor insurance, and the balance over \$250,000 was covered by collateral held by the City's agent in the City's name. As of September 30, 2017, the City had the following cash, cash equivalents and investments:

	Carrying Amount	Investments Weighted Average Maturity (WAM) days
Cash on hand	\$ 2,451	N/A
Cash in bank	6,069,113	N/A
TexPool	20,700,384	15
Texas Term	854,312	1
Texas Class	26,164,533	28
TexStar	1,957,021	1
Total cash & cash equivalents	<u>55,747,814</u>	
U.S. Agencies	4,964,295	806
Certificates of Deposit	7,685,966	451
Municipal Bonds	739,059	342
Commercial Paper	1,491,670	139
Total Investments	<u>14,880,990</u>	
Total	<u>\$ 70,628,804</u>	

*Interest rate risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its invested

**CITY OF BOERNE, TEXAS**

Notes to the Financial Statements  
September 30, 2017

operating funds and debt service funds to less than 12 months. Similarly, bond proceeds are limited to less than 24 months of weighted average maturity. In addition, investments of debt reserves, contingency reserves and other reserves may exceed 24 months of weighted average maturity but are limited to 60 months with approval of the City Manager or Deputy City Manager.

*Credit risk.* Deposits with the investment pools are recorded at amortized cost or fair value per share of the pool’s underlying investments, as applicable. The investment pools have as one of their objectives the maintenance of a stable net asset value of \$1.00. The City’s investment policy requires that the net asset value of the pools also be \$1.00 and be rated no lower than “AAA” or “AAA-m” or no lower than investment grade with a weighted average maturity no greater than 90 days. As of September 30, 2017, the ratings of the various investment pools were:

<u>Pool</u>	<u>Rating</u>	<u>Rating Agency</u>
Texas Class	AAAm	Standard & Poor’s
TexPool	AAAm	Standard & Poor’s
Tex STAR	AAAm	Standard & Poor’s
Texas TERM	AAAm	Standard & Poor’s

Similarly, the City’s investment policy requires that obligations of states, agencies, counties, cities and other political subdivisions be rated not less than “A” or its equivalent. The current ratings of the U. S. Agencies included in the investment portfolio of the City at September 30, 2017 were:

<u>U.S. Agency</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Percentage</u>
FFCB	AA+	Standard & Poor’s	7%
FHLMC	AA+	Standard & Poor’s	7%
FNMA	AA+	Standard & Poor’s	7%
FFCB	AA+	Standard & Poor’s	7%
FFCB	AA+	Standard & Poor’s	7%

*Concentration of credit risk.* The City is required to disclose investments in any one issuer that represent 5 percent or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The City’s investment policy does not specifically address the concentration of credit risk, as this is accomplished through diversity of its holdings. The City’s investments exceeding 5 percent are shown in the table above.

## CITY OF BOERNE, TEXAS

### Notes to the Financial Statements September 30, 2017

*Custodial credit risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are not exposed to custodial credit risk as of September 30, 2017 as they are held by financial institutions in the name of the City.

The City adopted GASB Statement No. 72, *Fair Value Measurement and Application* in fiscal year 2016. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation input 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 which include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; or other observable inputs such as interest rates and yield curves at commonly quoted intervals, implied volatilities, and credit spreads; or market-corroborated inputs
- Level 3 inputs are significant unobservable inputs

# CITY OF BOERNE, TEXAS

## Notes to the Financial Statements September 30, 2017

The carrying amount of investments and fair value hierarchy at September 30, 2017 is shown below:

	<u>September 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Certificates of Deposit	\$ 6,237,966	\$ -	\$ 6,237,966	\$ -
Commercial Paper	1,491,670	-	1,491,670	-
Debt Securities				
Federal Farm Credit Banks Funding Corporation	996,515		996,515	
Federal Home Loan Mortgage Corporation	994,870		994,870	
Federal National Mortgage Association	990,500	-	990,500	-
Federal Farm Credit Banks Funding Corporation	992,170	-	992,170	-
Federal Farm Credit Banks Funding Corporation	990,240	-	990,240	-
Total Debt Securities	<u>4,964,295</u>	<u>-</u>	<u>4,964,295</u>	<u>-</u>
Municipal Bonds				
Oakland CA Taxable Pension	220,518		220,518	
Belmont Fresh Water Supply	268,556		268,556	
Port of Corpus Christi TX Auth Taxable	249,985	-	249,985	-
Total Municipal Bonds	<u>739,059</u>	<u>-</u>	<u>739,059</u>	<u>-</u>
Total investments by fair value level:	<u>13,432,990</u>	<u>\$ -</u>	<u>\$ 13,432,990</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Certificates of Deposit	1,448,000			
External Investment Pools				
TexPool	20,700,384			
TexasDAILY	854,312			
Total External Investment Pools	<u>21,554,696</u>			
Total investments measured at amortized cost	<u>23,002,696</u>			
Investments measured at net asset value ("NAV"):				
External Investment Pools				
Tex STAR	1,957,021			
Texas Class	26,164,533			
Total External Investment Pools	<u>28,121,554</u>			
Total investments measured at NAV	<u>28,121,554</u>			
Total	<u>64,557,240</u>			

Certificates of deposit, commercial paper, and debt securities classified in Level 2 of the fair value hierarchy are valued using computerized valuation formulas to arrive at an estimated market value.

# CITY OF BOERNE, TEXAS

## Notes to the Financial Statements September 30, 2017

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at NAV:				
Tex STAR	\$ 1,957,021	N/A	Daily	N/A
Texas Class	26,164,533	N/A	Daily	N/A
Total External Investment Pools	<u>28,121,554</u>			
Total investments measured at NAV	<u>28,121,554</u>			

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The portfolio is a government-repurchase agreement ("REPO") pool, utilizing primarily U.S. Treasury securities, U.S. agency securities, and REPO collateralized obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the US or its agencies or its instrumentalities. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Texas Cooperative Liquid Assets Securities Systems ("Texas CLASS") is a local government investment pool specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The portfolio may include U.S. Treasuries, agencies, state and local governmental obligations, collateralized certificates of deposit, repurchase agreements (REPOs), and highly rated commercial paper. The fair values of the investments in this type have been determined using the NAV per share of the investments.

**CITY OF BOERNE, TEXAS**

Notes to the Financial Statements  
September 30, 2017

**B. Receivables**

Receivables as of year-end for the City’s Governmental major funds, nonmajor and other funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Receivables:	General	Debt Service	2017 Tax Notes Capital Projects Fund	Nonmajor Funds	Total
Property taxes	\$ 67,492	\$ 15,055	\$ -	\$ 60,611	\$ 143,158
Sales taxes	1,070,262	-	-	-	1,070,262
Access line fees	36,065	-	-	-	36,065
Franchise fees	47,576	-	-	-	47,576
Miscellaneous	31,194	613	-	81,790	113,597
Gross receivables	1,252,589	15,668	-	142,401	1,410,658
Less uncollectible	(10,124)	(2,258)	-	(9,092)	(21,474)
Net Total Receivables	<u>\$1,242,465</u>	<u>\$ 13,410</u>	<u>\$ -</u>	<u>\$133,309</u>	<u>\$1,389,184</u>

Receivables as of year-end for the City’s Proprietary funds are as follows:

Receivables:	Electric	Water	Wastewater	Gas	Solid Waste	Total	Governmental Activities Internal Service Fund
Interest	\$ 17,471	\$ 567	\$ 546	\$ -	\$ -	\$ 18,584	\$ -
Accounts	2,037,294	618,724	836,193	207,698	48,198	3,748,107	4,562
Total Receivables	<u>\$2,054,765</u>	<u>\$619,291</u>	<u>\$ 836,739</u>	<u>\$207,698</u>	<u>\$48,198</u>	<u>\$3,766,691</u>	<u>\$ 4,562</u>

**C. Capital Assets**

Capital asset activity for Governmental Activities for the year ended September 30, 2017, was as follows:

Governmental activities:	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 9,833,819	\$ -	\$ -	\$ -	\$ 9,833,819
Construction in progress	77,128	1,273,040	-	-	1,350,168
Total Capital assets, not being depreciated	<u>9,910,947</u>	<u>1,273,040</u>	<u>-</u>	<u>-</u>	<u>11,183,987</u>
Capital assets, being depreciated:					
Buildings and plant	24,302,243	92,947	-	-	24,395,190
Improvements other than buildings	40,668,212	62,756	(29,072,485)	(189,417)	11,469,066
Infrastructure	-	5,723,237	29,072,485	-	34,795,722
Machinery and equipment	9,146,508	475,739	23,621	(283,882)	9,361,986
Total Capital assets being depreciated	<u>74,116,963</u>	<u>6,354,679</u>	<u>23,621</u>	<u>(473,299)</u>	<u>80,021,964</u>

# CITY OF BOERNE, TEXAS

## Notes to the Financial Statements September 30, 2017

Less accumulated depreciation for:

Buildings and plant	(9,603,575)	(1,139,846)	-	-	(10,743,421)
Improvements other than buildings	(20,814,670)	(414,056)	13,408,291	165,736	(7,654,699)
Infrastructure	-	(1,368,746)	(13,408,291)	-	(14,777,037)
Machinery and equipment	(7,176,185)	(726,085)	(23,621)	283,882	(7,642,009)
Total accumulated depreciation	(37,594,430)	(3,648,733)	(23,621)	449,618	(40,817,166)
Total Capital assets being depreciated, net	36,522,533	2,705,946	-	(23,681)	39,204,798
Governmental activities Capital assets, net	\$46,433,480	\$3,978,986	\$ -	\$(23,681)	\$50,388,785

Capital asset activity for Business-type Activities for the year ended September 30, 2017, was as follows:

<b>Business-type activities:</b>	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 2,686,158	19,500	\$ -	\$ -	\$ 2,705,658
Construction in progress	668,620	729,929	(877,827)	-	520,722
Total Capital assets, not being depreciated	3,354,778	749,429	(877,827)	-	3,226,380
Capital assets, being depreciated:					
Buildings and plant	40,628,567	67,335	-	-	40,695,902
Infrastructure	67,737,388	9,357,173	877,827	-	77,972,388
Machinery and equipment	4,879,253	84,873	-	(87,781)	4,876,345
Total Capital assets being depreciated	113,245,208	9,509,381	877,827	(87,781)	123,544,635
Less accumulated depreciation for:					
Buildings and plant	(11,209,522)	(1,862,436)	-	-	(13,071,958)
Infrastructure	(28,001,001)	(3,294,766)	-	-	(31,295,767)
Machinery and equipment	(3,620,163)	(223,422)	-	87,781	(3,755,804)
Total accumulated depreciation	(42,830,686)	(5,380,624)	-	87,781	(48,123,529)
Total Capital assets being depreciated, net	70,414,522	4,128,757	877,827	-	75,421,106
Business-type activities Capital assets, net	\$73,769,300	\$4,878,186	\$ -	\$ -	\$78,647,486

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

<u>Governmental activities:</u>	
General government	\$ 254,029
Public safety	1,038,938
Highways and streets	1,496,597
Economic development and assistance	7,044
Culture and recreation	852,125
Total depreciation expense – governmental activities	<u>\$ 3,648,733</u>
<u>Business-type activities:</u>	

# CITY OF BOERNE, TEXAS

Notes to the Financial Statements  
September 30, 2017

Electric utility	\$ 573,842
Water utility	1,456,926
Wastewater utility	2,947,506
Natural Gas utility	<u>402,350</u>
Total depreciation expense – business-type activities	<u>\$ 5,380,624</u>

The City is a recipient of capital contributions from developers for the construction and development of certain infrastructure assets. The City is also a recipient of capital recovery fees charged to customers to connect to the water or wastewater system, which may only be used for additional infrastructure capacity. Capital contributions related to enterprise funds are recorded by the City as capital contributions in the statement of revenues, expenses, and changes in net position; and as program revenues (capital grants and contributions) in the statement of activities at the government wide level. Capital contributions related to governmental funds, are not recorded at the fund level, but are reported as program revenues (capital grants and contributions) in the statement of activities at the government wide level. On the statement of net position, at both the government wide level (governmental and business-type activities) and fund level (enterprise funds), capital contributions are recorded as a component of capital assets and depreciated accordingly over the estimated life of these assets.

## **E. Construction commitments**

The City has active construction projects as of September 30, 2017. The projects include:

- 2009 G.O. Construction projects
- 2012 Tax Note Construction projects
- 2017 Tax Note Construction projects

These projects are part of governmental activities. The 2009 projects include construction of the Public Safety Center, expansion of the Fire Station, Parks land and Trails Improvements and construction of a new Library. The 2012 projects include upgrade of the Public Safety radio system, sidewalk construction, and the purchase of a new fire truck. The 2017 projects include the construction of a new City Hall and the construction of new roads. At year-end, the City's commitments to these projects are as follows:

**CITY OF BOERNE, TEXAS**

Notes to the Financial Statements  
September 30, 2017

<u>Projects</u>	<u>09 G.O. Bond Projects</u>	
	<u>Spent-to-date</u>	<u>Remaining</u>
Public Safety Center	\$ 289,831	\$ 93,948
Fire Station	2,312,861	-
Park Land/Improvements	560,474	-
Park Trails	2,623,953	-
New Library	6,583,718	43,269
Sidewalks	587,204	31,910
	<u>\$ 12,958,041</u>	<u>\$ 169,127</u>

The 2009 G. O. Construction projects are being financed by proceeds from the General Obligation Bonds issued in October of 2009.

<u>Projects</u>	<u>2012 Tax Note Projects</u>	
	<u>Spent-to-date</u>	<u>Remaining</u>
Public Safety Radios	\$ 652,407	\$ -
Fire Truck	544,538	-
Street Sweeper	178,942	-
Sidewalks	-	150,760
	<u>\$ 1,358,287</u>	<u>\$ 150,760</u>

The 2012 Tax Note Construction projects are being financed by proceeds from the Tax Notes issued in December 2012.

<u>Projects</u>	<u>2017 Tax Note Projects</u>	
	<u>Spent-to-date</u>	<u>Remaining</u>
City Hall	\$ 591,758	\$ 18,583,153
Herff Road extension	267,679	2,593,420
	<u>\$ 859,437</u>	<u>\$ 21,176,573</u>

The 2017 Tax Note Construction projects are being financed by proceeds from the Tax Notes issued in August 2017.

**CITY OF BOERNE, TEXAS**

Notes to the Financial Statements  
September 30, 2017

**F. Interfund transfers**

The composition of interfund transfers as of September 30, 2017, is as follows:

Transfers out:	General Fund	Debt-Service Fund	Non-major Governmental Funds	Water Fund	Wastewater Fund	Gas Fund	Totals
General Fund	\$ -	\$ 176,717	\$ 280,012	-	\$ -	\$ -	\$ 456,729
Non-major Governmental Funds	25,000	-	-	-	-	-	25,000
2017 Tax Notes Construction Fund	571,620	-	102,733	-	-	-	674,353
Electric Enterprise Fund	-	15,863	625,843	-	-	80,000	721,706
Water Enterprise Fund	-	15,863	250,000	-	150,000	-	415,863
Wastewater Enterprise Fund	-	10,575	-	99,971	-	-	110,546
Gas Enterprise Fund	-	10,575	-	-	-	-	10,575
Solid Waste Fund	35,000	-	-	-	-	-	35,000
<b>Totals</b>	<b>\$ 631,620</b>	<b>\$ 229,593</b>	<b>\$ 1,258,588</b>	<b>\$ 99,971</b>	<b>\$ 150,000</b>	<b>\$ 80,000</b>	<b>\$ 2,449,772</b>

Transfers are used to: 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due; 2) move unrestricted fund revenue to finance various programs that the City must account for in other funds in accordance with budgetary authorizations. In the year ended September 30, 2017, the City made the following one-time transfers:

- \$176,717 from the General fund to Debt-Service for principal and interest due on debt obligations;
- \$280,012 from the General fund to Economic Development fund for payments on 380 development agreements;
- \$25,000 from the Economic Development fund to the General fund for the Public Art Project;
- \$571,620 from the 2017 Tax Notes Construction fund to the General fund for reimbursement of expenditures related to the City Hall construction project;
- \$102,733 from the 2017 Tax Notes Construction fund to the Economic Development fund for reimbursement of expenditures related to the Herff Road connector project;
- \$52,876 from the Electric, Water, Wastewater and Gas funds to the Debt Service fund for General Obligation debt service;
- \$375,843 from the Electric fund to the Park fund to assist with TAPS grant expenditures;
- \$500,000 from the Electric and Water funds to the Economic Development fund to assist with economic development projects within the City;
- \$99,971 from the Wastewater fund to the Water fund to transfer Construction in Progress expenses;
- \$150,000 from the Water to the Wastewater fund to assist with debt service;
- \$80,000 from the Electric to the Gas fund to assist with operations;

**CITY OF BOERNE, TEXAS**

Notes to the Financial Statements  
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- \$35,000 from the Solid Waste fund the General fund to assist with the purchase of a brush loader.

**G. Long-term Debt**

Long-term debt activity for the year ended September 30, 2017, was as follows:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Debt	\$43,685,000	\$23,285,000	\$11,030,000	\$11,435,000	\$54,715,000	\$34,720,000
Utility Revenue Debt	-	-	28,255,000	29,210,000	28,255,000	29,210,000
<b>Total</b>	<b>\$43,685,000</b>	<b>\$23,285,000</b>	<b>\$39,285,000</b>	<b>\$40,645,000</b>	<b>\$82,970,000</b>	<b>\$63,930,000</b>

**General Obligation Debt**

The City issues general obligation bonds, certificates and tax notes to provide the funds for acquisition and construction of major capital facilities and projects. The City’s General Obligation, Certificates of Obligation, and Tax Notes are pledged by ad valorem taxes levied upon all taxable property located within the City, within the limitations prescribed by law.

On August 8, 2017, the City issued \$21,835,000 in Tax Notes, Series 2017 with interest rates of 2% to 3%. The proceeds of this issuance are to be used for street construction and improvements and the design, engineering, constructing, and equipping of a new City Hall Complex.

General obligation debt currently outstanding is as follows:

	Original Amount	Interest Rate %	Balances October 1, 2016	Issued During Year	Retired During Year	Balances Sept. 30, 2017
<u>General Obligation Debt:</u>						
2009 GO Bonds	10,000,000	3.00 -5.00	250,000	-	250,000	-
2011 GO Refunding Bonds	6,345,000	2.00 -4.00	4,235,000	-	490,000	3,745,000
2012 Tax Notes	1,540,000	0.45 - 1.10	805,000	-	260,000	545,000
2014 GO Refunding Bonds	9,560,000	0.50 - 3.20	9,485,000	-	75,000	9,410,000
2016 GO Refunding Bonds	8,510,000	2.00 -5.00	8,510,000	-	360,000	8,150,000
2017 Tax Notes	21,835,000	2.00 - 3.00	-	21,835,000	-	21,835,000
<b>Total of bonded debt</b>			<b>\$23,285,000</b>	<b>\$21,835,000</b>	<b>\$1,435,000</b>	<b>\$43,685,000</b>

**CITY OF BOERNE, TEXAS**

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September 30, 2017

Debt service requirements to maturity for general obligation debt are as follows:

Year Ending September 30,	General Obligation Bonds		Total
	Principal	Interest	
2018	2,050,000	1,188,086	3,238,086
2019	2,090,000	1,107,082	3,197,082
2020	2,000,000	1,058,394	3,058,394
2021	2,055,000	1,003,494	3,058,494
2022	2,120,000	940,644	3,060,644
2023-2027	25,850,000	2,384,545	28,234,545
2028-2032	6,600,000	757,454	7,357,454
2033	920,000	18,400	938,400
	<u>\$43,685,000</u>	<u>\$ 8,458,099</u>	<u>\$ 52,143,099</u>
Average annual requirements			\$3,095,028

**Revenue and General Obligation Bonds**

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The City has pledged future electric, water, wastewater and gas customer revenue net of specified operating expenses, to repay \$28,255,000 in Utility System Revenue and Refunding bonds issued in 2010 and \$11,030,000 in General Obligation Refunding bonds issued in 2016.

Proceeds from these bonds have provided refunding of Wastewater and Water utility bonds to affect interest savings and defease the 1997, 1998 & 1999 Water and Wastewater Utility System Revenue bonds in 2009; various improvements in 2009 to the Wastewater system in preparation for the construction of a new Wastewater treatment plant; construction in 2010 of the new Wastewater treatment plant and recycling center that was completed in fiscal year 2013; and in 2016 refunding of the 2006 and 2009 Utility System Revenue bonds to affect interest savings. These bonds are payable solely from Electric, Water, Wastewater and Gas customer net revenues and are payable through 2040. The total principal and interest remaining to be paid on the bonds is \$64,698,938.

	Original Amount	Interest Rate %	Balances October 1, 2016	Additions During Year	Retired During Year	Balances Sept. 30, 2017
<b><u>Utility Revenue Bonds:</u></b>						
2009 Utility System Refund Bonds	4,850,000	2.00-5.00	485,000	-	485,000	-
2009 Utility System Revenue Bonds	6,660,000	2.00-5.00	200,000	-	200,000	-
2010 Utility System Revenue Bonds	30,000,000	2.00-5.00	28,525,000	-	270,000	28,255,000
Total of Utility Revenue Bonds			<u>\$29,210,000</u>	<u>-</u>	<u>\$955,000</u>	<u>\$28,255,000</u>
<b><u>General Obligation Bonds:</u></b>						
2016 General Obligation Refunding Bonds	11,435,000	2.00-5.00	11,435,000	-	405,000	11,030,000
Total of bonded debt			<u>\$40,645,000</u>	<u>-</u>	<u>\$1,360,000</u>	<u>\$39,285,000</u>

# CITY OF BOERNE, TEXAS

## Notes to the Financial Statements September 30, 2017

Revenue and General Obligation bond debt service requirements to maturity are as follows:

Year Ending September 30,	Utility Revenue and General Obligation Bonds		
	Principal	Interest	Total
2018	1,400,000	1,669,200	3,069,200
2019	1,435,000	1,630,850	3,065,850
2020	1,480,000	1,586,550	3,066,550
2021	1,535,000	1,538,800	3,073,800
2022	1,580,000	1,489,500	3,069,500
2023 - 2027	8,325,000	6,397,450	14,722,450
2028 - 2032	7,490,000	4,740,275	12,230,275
2033 - 2037	9,320,000	2,789,363	12,109,363
2038 - 2040	6,720,000	502,125	7,222,125
	<u>\$ 39,285,000</u>	<u>\$ 22,344,113</u>	<u>\$ 61,629,113</u>
Average annual requirements			\$ 2,679,527

### Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Governmental activities:					
Bonds payable:					
General Obligation bonds	\$22,480,000	\$ -	(\$1,175,000)	\$21,305,000	\$1,205,000
Tax notes	805,000	21,835,000	(260,000)	22,380,000	845,000
Bond Premium	1,301,752	463,943	(86,378)	1,679,317	152,676
Total bonds payable	24,586,752	22,298,943	(1,521,378)	45,364,317	2,202,676
OPEB obligation	479,219	217,906	(48,947)	648,178	-
Compensated absences	793,012	58,742	(35,337)	816,417	409,838
Net pension liability	11,253,232	4,853,890	(4,187,911)	11,919,211	-
Governmental activity long-term liabilities	\$37,112,215	\$27,429,481	(\$5,793,573)	\$58,748,123	\$2,612,514
Business-type activities:					
Bonds payable:					
Revenue bonds	\$29,210,000	\$ -	(\$955,000)	\$28,255,000	\$280,000
General Obligation bonds	11,435,000	-	(\$405,000)	11,030,000	1,120,000
GO Bond premium	1,093,576	-	(60,755)	1,032,821	60,754
Total bonds payable	41,738,576	-	(1,420,755)	40,317,821	1,460,754
Compensated absences	254,085	43,576	(1,600)	296,061	14,803
Net pension liability	4,559,833	1,970,080	(1,699,775)	4,830,138	-
Business-type long-term liabilities	\$46,552,494	\$2,013,656	(\$3,122,130)	\$45,444,020	\$1,475,557

# CITY OF BOERNE, TEXAS

Notes to the Financial Statements  
September 30, 2017

Long-term liabilities including compensated absences, net pension liabilities, and other post-employment benefit obligations attributable to governmental activities will be liquidated primarily by the general fund.

## H. Restricted assets

Restricted Asset Balances			
Governmental Activities		Business-type activities	
Capital projects funds	\$21,803,503	Customer deposits	\$ 1,314,112
Permanent Cemetery fund	<u>700,792</u>	Bond covenant accounts	3,797,098
Total restricted assets	<u>\$22,504,295</u>	Capital contributions	6,103,238
		Bond construction	<u>1,970,940</u>
			<u>\$ 13,185,388</u>

## V. Other information

### A. 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; natural disasters; and workers' compensation for which the City carries insurance. There have been no significant reductions in insurance coverage for these risks of loss since the prior year and there have been no settlements in excess of the insurance coverage for any of the past three fiscal years.

The City contracts with the Texas Municipal League Intergovernmental Risk Pool, ("TML") to provide for its worker's compensation, general and auto liability, and property insurance coverage. These multi-employer accounts provide for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability for the City is generally limited to the contributed amounts.

### B. Subsequent Events

On December 28, 2017, the City issued \$26,185,000 of General Obligation Refunding Bonds to refund the Series 2010 Utility System Revenue Bonds. The intent of this refunding was to affect a net present value saving of \$3,443,743 on the refunded issue. The interest rates on the bond range from 3.50% to 5.00% and the maturity date is March 1, 2032.

### C. Contingent liabilities

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the City, but which will only be resolved when one or more future events occur or fail to occur. The City's management and its legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss

## CITY OF BOERNE, TEXAS

Notes to the Financial Statements  
September 30, 2017

contingencies related to legal proceedings that are pending against the City or unasserted claims that may result in such proceedings, the City's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred, and the amount of the liability can be estimated, then the estimated liability would be accrued in the City's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if the determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Management has performed such assessment and consulted with its legal counsel as of the date of this report and is not aware of any contingencies requiring accrual or further disclosure.

### **D. Other postemployment benefits**

#### ***Plan Description***

The City's governing body approved an update to the defined benefits health plan for retirees effective October 1, 2015. Under this single-employer plan, the City makes available group medical, dental and vision insurance for retirees who are Pre-65 if they are eligible for retirement per the established criteria through the Texas Municipal Retirement System and as an active employee have been participating in the health insurance program for a minimum of one year.

Participation in coverage is optional to the employee who is retiring. Retirees may choose one of the following plans:

- (1) The same medical, dental and vision plans offered to active employees; or
- (2) Coverage through COBRA Continuation of Coverage; or
- (3) Pre-65 Retiree Coverage plans offered to active employees.

Should an employee under the age of 65 retire, the employee may elect to continue the coverage as provided to all active employees at the active employee rate. If the employee has worked 20 years or more with the City of Boerne and continues coverage, the employee qualifies for the Pre-65 subsidy as follows:

# CITY OF BOERNE, TEXAS

## Notes to the Financial Statements September 30, 2017

Years of Service in Boerne	City Subsidy
20 years	\$220.00
25 years	\$260.00
30 years	\$330.00
35 years	\$350.00
40 years	\$375.00

The City's subsidy offering and the Pre-65 coverage is set at a maximum of 5 years for a Pre-65 retiree who retires after October 1, 2015. Any Pre-65 retiree who retired prior to October 1, 2015 would qualify to receive the subsidy for up to a maximum of 10 years as provided for in the original plan.

Should an employee remain in employment with the City of Boerne past age 65 and then retire, the employee may qualify for a Post 65 subsidy based on their years of service with the City of Boerne as follows:

Years of Service in Boerne	City Subsidy
20 years	\$100.00
25 years	\$125.00
30 years	\$150.00
35 years	\$175.00
40 years	\$200.00

There is no separate, audited benefit plan report available for this defined benefit plan.

The City also participates in a cost-sharing multiple-employer defined benefit 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 to participate in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (Calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

**CITY OF BOERNE, TEXAS**

Notes to the Financial Statements  
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The City’s contributions to the TMRS SDBF for the years ended 2017, 2016, and 2015 were \$21,511, \$18,843, and \$17,030, respectively, which equaled the required contributions each year.

***Annual OPEB Cost and NET OPEB Obligation***

The City’s annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The annual OPEB cost for the fiscal year ending September 30, 2017 is as follows:

Annual required contribution	\$ 198,737
Interest on net OPEB obligation	19,169
Adjustment to annual required contribution	<u>(18,674)</u>
Annual OPEB cost	199,232
Contributions made	<u>(30,273)</u>
Increase on net OPEB obligation	\$168,959
Net OPEB obligation at beginning of year	<u>479,219</u>
Net OPEB obligation at end of year	<u><u>\$648,178</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2017 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
September 30, 2015	\$62,752	\$16,668	26.6%	\$309,899
September 30, 2016	\$193,269	\$23,949	12.4%	\$479,219
September 30, 2017	\$199,232	\$30,273	15.2%	\$648,178

**CITY OF BOERNE, TEXAS**

Notes to the Financial Statements  
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***Funding Status***

The funded status of the City’s retiree health care plan, under GASB Statement No. 45 as of December 31, 2016 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UAAL to Annual Covered Payroll (b-a)/d
12/31/2015	-	\$1,633,374	\$1,633,374	0.0%	13,444,231	12.15%

Under the reporting parameters, the City’s retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$1,633,374 at December 31, 2015. As of the most recent valuation, the ratio of the unfunded accrued liability to annual covered payroll is 12.15%.

***Actuarial methods and Assumptions***

The Projected Unit Credit Cost method is used to calculate the GASB ARC for the City’s retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

*Actuarial Methods and Assumptions*

Inflation rate	2.50% per annum
Investment rate of return	4.00% per annum, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year, open amortization
Payroll Growth	3.00% per annum
Medical Trend	Initial rate of 7.50%, declining to an ultimate rate of 4.25% after 15 years

## CITY OF BOERNE, TEXAS

Notes to the Financial Statements  
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Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### **E. Employee retirement systems and pension plans**

#### ***Texas Municipal Retirement System (TMRS)***

**Plan Description** - The City participates as one of the 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS 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](http://www.tmrs.com).

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

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

Benefits depend upon the sum of the employee's contributions to the TMRS plan, with interest, and the City-financed monetary credits with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. Prior service credit, granted by the City, is a monetary credit equal to the accumulated value of the percentage of prior service credit adopted times an employee's deposits that would have been made, based on the average salary prior to participation, for the number of months the employee has been employed, accruing 3% annual interest, and including the matching ratio adopted by the City (2 to 1). Monetary credits for service since the TMRS plan began are a percentage of the employee's accumulated contributions. In addition, the City may grant, as often as annually or annually on a repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically re-computing the employee's account balance by assuming that the current City deposit rate (7%) has always been in effect. The computation also assumes that the employee's salary has always been the employee's average salary, using a salary calculation based on the 36-month

# CITY OF BOERNE, TEXAS

## Notes to the Financial Statements September 30, 2017

period ending a year before the effective date of calculation. This hypothetical amount is increased by 3% each year and increased by the City's match currently in effect (100.0% match). The resulting sum is then compared to the employee's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or updated service credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted.

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the City-financed monetary credits with interest were used to purchase an annuity. Employees may choose to receive their retirement benefit in one of seven payment options: retiree life only; one of three survivor lifetime options; or one of the three guaranteed term options. Employees 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 under the retiree life only option, which cannot exceed 75.0% of the total employee's deposits and interest. The City may elect to increase the annuities of its retirees, either annually or on an annually repeating basis, effective January 1 of the calendar year. The City may also adopt an annuity increase at a rate equal to 70.0% of the increase in the Consumer Price Index - all Urban Consumers between the December preceding the employee's retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

TMRS provisions and contribution requirements are adopted by the City Council within the options available in the state statutes governing TMRS and within the actuarial constraints contained in the statutes. The ad hoc cost of living adjustments are deemed to be substantively automatic in TMRS's actuarial report. The default method for determining whether ad hoc benefit enhancements are substantively automatic is if the City had granted them in 1 of the last 2 years and two of the last five years. The City adopted a cost of living adjustment of 70% of CPI in 2006.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	245
Inactive employees or beneficiaries currently receiving benefits	74
Inactive employees entitled to but not yet receiving benefits	73
Total	<u>392</u>

**Contributions** - The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age

# CITY OF BOERNE, TEXAS

## Notes to the Financial Statements September 30, 2017

Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Boerne covered under TMRS were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rate for the City was 18.84% in calendar years 2016 and 2017; both rates were adopted by City Council during the annual budget process. The City's contributions to TMRS for fiscal year 2017 were \$3,663,456, with \$992,420 contributed by City employees, and \$2,671,036 contributed by the City. These amounts were equal to required contributions.

**Net Pension Liability** - The City's Net Pension Liability (NPL) was measured as of December 31, 2016 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The components of the Net Pension Liability, measured at December 31, 2016 were as follows:

Total Pension Liability	\$	57,358,974
Plan Fiduciary Net Position		40,609,625
Net Pension Liability	\$	<u>16,749,349</u>
Plan fiduciary net position as a percentage of the total pension		70.80%

**Actuarial Assumptions** - The TPL in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, 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 Healthy Mortality Tables with Blue Collar adjustment, 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

# CITY OF BOERNE, TEXAS

## Notes to the Financial Statements September 30, 2017

reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short term and long term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

**Discount Rate -** The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on

**CITY OF BOERNE, TEXAS**

Notes to the Financial Statements  
September 30, 2017

that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The following presents the Net Pension Liability, calculated using the discount rate of 6.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.0% lower (5.75%) or 1.0% higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 25,655,934	\$ 16,749,349	\$ 9,485,055

**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.tmr.com](http://www.tmr.com).

**Pension Expense** - For the year ended September 30, 2017, based on the actuarial valuation of December 31, 2016, the City recognized pension expense of \$3,388,341.

Schedule of Pension Expense	
Total Service Cost	\$2,493,905
Interest on the Total Pension Liability	3,539,542
Current Period Benefit Changes	-
Employee Contributions (Reduction of Expense)	(941,096)
Projected Earnings on Plan Investments (Reduction of Expense)	(2,430,296)
Administrative Expense	27,480
Other Changes in Fiduciary Net Position	1,481
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	119,367
Recognition of Current Year Outflow (Inflow) of Resources-Assets	(982)
Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	35,579
Amortization of Prior Year Outflows (Inflows) of Resources-Assets	543,361
Total Pension Expense	<u>\$3,388,341</u>

**Schedule of Changes in Net Pension Liability and Related Ratios** – The measurement date of the NPL, as well as the date of the actuarial valuation on which the TPL is based, is December 31, 2016. The table below presents the components used to calculate the NPL for the current reporting period.

**CITY OF BOERNE, TEXAS**

Notes to the Financial Statements  
September 30, 2017

Changes in the Net Pension Liability	
Total Pension Liability	
Service Cost	\$ 2,493,905
Interest (on the TPL)	3,539,542
Difference between expected and actual experience	761,562
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,253,485)</u>
Net change in TPL	\$ 5,541,524
Total pension liability - beginning	<u>51,817,450</u>
Total pension liability - ending	<u>\$ 57,358,974</u>
 Plan Fiduciary Net Position	
Contributions - employer	\$ 2,511,382
Contributions - employee	941,096
Net investment income	2,435,208
Benefit payments, including refunds of employee contributions	(1,253,485)
Administrative Expense	(27,480)
Other	<u>(1,481)</u>
Net change in plan fiduciary net position	\$ 4,605,240
Plan fiduciary net position - beginning	<u>36,004,385</u>
Plan fiduciary net position - ending	<u>\$ 40,609,625</u>
 Net Pension Liability	 <u>\$ 16,749,349</u>

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2017, the City reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 747,878	\$ -
Changes of assumptions	27,016	-
Net difference in projected and actual earnings on pension plan investments	1,548,346	-
Contributions made subsequent to the measurement date	<u>2,012,552</u>	<u>-</u>
Total	<u>\$ 4,335,792</u>	<u>-</u>

\$2,012,552 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported

# CITY OF BOERNE, TEXAS

## Notes to the Financial Statements September 30, 2017

as deferred outflows and inflows of resources, by year, will be recognized in pension expense as follows:

	Net Deferred Outflows (Inflows) of Resources
2017	\$ 697,325
2018	697,325
2019	619,385
2020	140,631
2021	123,039
Thereafter	45,535
Total	\$ 2,323,240

Deferred outflows of resources related to the difference between expected and actual plan experience and assumption changes are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of each measurement period. The deferred outflows of resources related to the difference between expected and actual investment returns is being amortized over a closed five-year period as of the beginning of each measurement period.

### **F. Tax Abatements and Economic Incentives**

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes and sales tax, and also include incentive payments and reductions in fees that are not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has two categories of economic development agreements:

- Tax Abatements – Tax Abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement,

## CITY OF BOERNE, TEXAS

### Notes to the Financial Statements

September 30, 2017

and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. Property taxes abated under this program were \$22,552 in fiscal year 2017.

- General Economic Development – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property taxes or sales tax received by the City, may result in fee reductions such as utility charges or building inspection fees, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs or other expenses. For fiscal year 2017, the City rebated \$143,408 in taxes and made incentive payments of \$41,033.

REQUIRED SUPPLEMENTARY  
INFORMATION



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**CITY OF BOERNE, TEXAS**

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual  
Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes (including interest and penalties)	\$ 2,189,216	\$ 2,229,216	\$ 2,228,832	\$ (384)
Sales tax	6,634,171	6,634,171	6,628,822	(5,349)
Franchise fees	2,405,857	2,405,857	2,539,941	134,084
Licenses and permits	736,000	736,000	1,071,546	335,546
Fines	281,600	281,600	346,143	64,543
Grants	50,000	50,000	11,185	(38,815)
Contributions & donations	2,219,713	2,219,713	2,222,308	2,595
Miscellaneous	70,000	70,000	275,469	205,469
Interest earned	25,000	65,000	86,679	21,679
Total revenues	<u>14,611,557</u>	<u>14,691,557</u>	<u>15,410,925</u>	<u>719,368</u>
<b>Expenditures:</b>				
Current:				
Administration	2,276,772	2,793,572	2,083,015	710,557
Streets	1,675,235	1,675,235	1,524,170	151,065
Law enforcement	4,628,910	4,623,910	4,471,196	152,714
Municipal court	331,614	331,614	299,087	32,527
Animal control	259,361	259,361	248,128	11,233
Facilities and Emergency Operations	437,399	437,399	249,112	188,287
Code enforcement	387,458	387,458	373,462	13,996
Planning	622,831	609,331	504,146	105,185
Communications	1,130,808	1,162,808	1,051,501	111,307
Information Technology	839,520	839,520	767,182	72,338
Fire department	1,749,224	1,749,224	1,736,178	13,046
Capital outlay	816,557	816,557	1,250,772	(434,215)
Total expenditures	<u>15,155,689</u>	<u>15,685,989</u>	<u>14,557,949</u>	<u>1,128,040</u>
Excess(Deficiency) of revenues over(under) expenditures	(544,132)	(994,432)	852,976	1,847,408
Other financing sources (uses):				
Transfers from other funds	64,000	639,000	631,620	(7,380)
Transfers to other funds	(292,472)	(449,172)	(456,729)	(7,557)
Sale of capital assets	10,000	10,000	9,617	(383)
Total other financing sources (uses)	<u>(218,472)</u>	<u>199,828</u>	<u>184,508</u>	<u>(15,320)</u>
Excess(Deficiency) of revenues and other sources (uses), over(under) expenditures	(762,604)	(794,604)	1,037,484	1,832,088
Fund balance at October 1, 2016	9,742,447	9,742,447	9,742,447	-
Fund balance at September 30, 2017	<u>\$ 8,979,843</u>	<u>\$ 8,947,843</u>	<u>\$ 10,779,931</u>	<u>\$ 1,832,088</u>

Note 1 - Basis of Budgeting:

There were no *budgetary expenditures in excess of appropriations* for this fiscal year. Annual budgets are adopted on a *basis consistent with generally accepted accounting principles* and therefore no *reconciliation between the basis of budgeting and generally accepted accounting principles* is required.

**CITY OF BOERNE, TEXAS**

Required Supplementary Information  
 Schedule of Changes in the Net Pension Liability and TMRS Related Ratios  
 Fiscal Year Ending September 30, 2017

	September 30, 2017	September 30, 2016	September 30, 2015
<b>Total Pension Liability</b>			
Service Cost	\$ 2,493,905	\$ 2,224,334	\$ 1,919,644
Interest	3,539,542	3,351,716	3,064,431
Differences Between Expected and Actual Experience	761,562	30,940	157,833
Changes of assumptions	-	39,494	-
Benefit Payments, including refunds of employee contributions	<u>(1,253,485)</u>	<u>(1,197,037)</u>	<u>(1,183,335)</u>
<b>Net Change in Total Pension Liability</b>	\$ 5,541,524	\$ 4,449,447	\$ 3,958,573
<b>Total Pension Liability - Beginning</b>	<u>51,817,450</u>	<u>47,368,003</u>	<u>43,409,430</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 57,358,974</u>	<u>\$ 51,817,450</u>	<u>\$ 47,368,003</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 2,511,382	\$ 2,344,680	\$ 2,120,885
Contributions - Employee	941,096	878,191	794,715
Net Investment Income	2,435,208	50,123	1,745,475
Benefit Payments, including Refunds of Employee Contributions	(1,253,485)	(1,197,037)	(1,183,335)
Administrative Expense	(27,480)	(30,522)	(18,218)
Other	<u>(1,481)</u>	<u>(1,508)</u>	<u>(1,498)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	\$ 4,605,240	\$ 2,043,928	\$ 3,458,024
<b>Plan Fiduciary Net Position - Beginning</b>	<u>36,004,385</u>	<u>33,960,457</u>	<u>30,502,433</u>
<b>Plan Fiduciary Net Position - Ending (b)*</b>	<u>\$ 40,609,625</u>	<u>\$ 36,004,385</u>	<u>\$ 33,960,457</u>
<b>City's Net Pension Liability - Ending (a) - (b)</b>	\$ 16,749,349	\$ 15,813,065	\$ 13,407,546
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	70.80%	69.48%	71.69%
<b>Covered Employee Payroll</b>	\$ 13,444,231	\$ 12,545,593	\$ 11,353,077
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	124.58%	126.04%	118.10%

\*FNP may be off a dollar due to rounding

Notes to Schedule: N/A

Per GASB No. 68 the required supplementary information should include 10 year fiscal history built prospectively; historical information prior to implementation of GASB No. 68 is not available.

**CITY OF BOERNE, TEXAS**

Required Supplementary Information  
 Schedule of Contributions and Notes to Schedule of Contributions  
 Fiscal Year Ending September 30, 2017

	<b>Schedule of Contributions</b>			
	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 2,671,035	\$ 2,567,437	\$ 2,234,020	\$ 2,143,585
Contributions in relation to the actuarially determined contribution	\$ 2,671,035	\$ 2,567,437	\$ 2,234,020	\$ 2,143,585
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 14,177,471	\$ 13,627,933	\$ 11,857,858	\$ 11,399,302
Contributions as a percentage of covered employee payroll	18.84%	18.84%	18.84%	18.80%

<b>Notes to Schedule of Contributions</b>
---

**Valuation Date**  
 Notes Actuarially determined contributions are determined as of December 31 and become effective in January 13 months later

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

Actuarial cost method Entry Age Normal  
 Amortization method Level Percentage of Payroll, Closed

**Remaining Amortization Period** 29 years

**Asset Valuation Method** 10 Year smoothed market; 15.0% soft corridor

**Actuarial Assumption:**

Inflation 2.50%  
 Salary Increases 3.50% to 10.5% including inflation  
 Investment Rate of Return 6.75%  
 Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to experience study of the period 2010 - 2014  
 Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109.0% and female rates multiplied by 103.0% and protected on a fully generational basis with scale BB

**Other Information:**  
 Notes There were no benefit changes during the year.

**CITY OF BOERNE, TEXAS**

Required Supplementary Information  
 Other Postemployment Benefits Plan  
 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UAAL to Annual Covered Payroll (b-a)/d
10/1/2008	\$ -	\$ 500,795	\$ 500,795	0.0%	\$ 8,463,230	5.92%
12/31/2011	-	195,611	195,611	0.0%	10,220,178	1.91%
12/31/2013	-	521,650	521,650	0.0%	10,902,299	4.78%
12/31/2015	-	1,633,374	1,633,374	0.0%	13,444,231	12.15%

Note: A valuation dated December 31, 2015 was completed which calculated the ARC and associated liabilities for the fiscal year beginning October 1, 2015. The ARC and associated liabilities are higher in the updated report primarily due to the participation assumption for future retirees. This assumption has been revised based on updated data.

OTHER SUPPLEMENTARY  
INFORMATION



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## **Nonmajor Governmental Funds Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.

Hotel-Motel/Convention/Visitors Bureau Fund (CVB) - This fund is used to account for proceeds of the City's hotel-motel lodging tax revenues that are restricted or committed to the promotion of tourism and the Hotel-Motel industry within the City's boundaries.

Parks Fund - This fund is used to account for proceeds of specific Parks revenue sources that are intended to be spent for maintenance of the City's Parks and recreation programs.

Library Fund - This fund is used to account for proceeds of specific Library revenue sources that are intended to be spent for maintenance of the City's public library.

Economic Development Fund – This fund is used to account for transfers from other funds that are intended to be spent for economic development projects and contracts.

## **Permanent Funds**

Permanent funds are used to account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs – that is, for the benefit of the City or its citizens.

Cemetery Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the City cemetery.

**CITY OF BOERNE, TEXAS**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 September 30, 2017

	<b>SPECIAL REVENUE</b>				<b>TOTAL</b>
	<b>HOTEL- MOTEL/CVB FUND</b>	<b>PARK FUND</b>	<b>LIBRARY FUND</b>	<b>ECONOMIC DEVL FUND</b>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 316,570	\$ 1,393,565	\$ 437,139	\$ 979,329	\$ 3,126,603
Receivables	77,699	38,513	16,732	-	132,944
Prepaid items	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
Total assets	<u>\$ 394,269</u>	<u>\$ 1,432,078</u>	<u>\$ 453,871</u>	<u>\$ 979,329</u>	<u>\$ 3,259,547</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 957	\$ 14,970	\$ 7,107	\$ 43,565	\$ 66,599
Other payables	7,714	29,486	16,817	-	54,017
Deferred revenue	-	61,033	15,482	-	76,515
Total liabilities	<u>\$ 8,671</u>	<u>\$ 105,489</u>	<u>\$ 39,406</u>	<u>\$ 43,565</u>	<u>\$ 197,131</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Permanent-Cemetery	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:					
Hotel/Motel -Tourism	385,598	-	-	-	385,598
Capital Projects:					
Public Safety Center	-	-	-	-	-
Sidewalks	-	-	-	-	-
Library	-	-	-	-	-
Public Safety	-	-	-	-	-
Assigned:					
Parks & recreation	-	1,326,589	-	-	1,326,589
Library	-	-	414,465	-	414,465
Economic Development	-	-	-	935,764	935,764
Cemetery	-	-	-	-	-
Total fund balances	<u>\$ 385,598</u>	<u>\$ 1,326,589</u>	<u>\$ 414,465</u>	<u>\$ 935,764</u>	<u>\$ 3,062,416</u>
Total liabilities and fund balances	<u>\$ 394,269</u>	<u>\$ 1,432,078</u>	<u>\$ 453,871</u>	<u>\$ 979,329</u>	<u>\$ 3,259,547</u>

<b>CAPITAL PROJECTS</b>		<b>PERMANENT FUND</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>2009 G.O.</b>	<b>2012 TAX NOTE</b>	<b>CEMETERY FUND</b>	
\$ -	\$ -	\$ 231,893	\$ 3,358,496
-	-	365	133,309
-	-	-	-
169,127	150,760	700,792	1,020,679
<u>\$ 169,127</u>	<u>\$ 150,760</u>	<u>\$ 933,050</u>	<u>\$ 4,512,484</u>
\$ -	\$ -	\$ 174	\$ 66,773
-	-	787	54,804
-	-	-	76,515
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 961</u>	<u>\$ 198,092</u>
\$ -	\$ -	\$ 700,792	\$ 700,792
-	-	-	385,598
93,948	-	-	93,948
31,910	150,760	-	182,670
43,269	-	-	43,269
-	-	-	-
-	-	-	1,326,589
-	-	-	414,465
-	-	-	935,764
-	-	231,297	231,297
<u>\$ 169,127</u>	<u>\$ 150,760</u>	<u>\$ 932,089</u>	<u>\$ 4,314,392</u>
<u>\$ 169,127</u>	<u>\$ 150,760</u>	<u>\$ 933,050</u>	<u>\$ 4,512,484</u>

**CITY OF BOERNE, TEXAS**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended September 30, 2017

	<b>SPECIAL REVENUE</b>				<b>TOTAL</b>
	<b>HOTEL- MOTEL/CVB</b>	<b>PARK</b>	<b>LIBRARY</b>	<b>ECONOMIC DEVELOPMENT</b>	
<b>REVENUES</b>					
Ad valorem taxes	\$ -	\$ 1,349,211	\$ 822,033	\$ -	\$ 2,171,244
Hotel-Motel taxes	597,974	-	-	-	597,974
Special revenues	-	673,759	45,501	-	719,260
Grants	-	-	15,480	-	15,480
Contributions	-	25,478	334,802	-	360,280
Other	4,301	43,687	10	-	47,998
Interest	1,665	15,013	5,269	4,302	26,249
Total revenues	<u>603,940</u>	<u>2,107,148</u>	<u>1,223,095</u>	<u>4,302</u>	<u>3,938,485</u>
<b>EXPENDITURES</b>					
Current:					
Public Safety	-	-	-	-	-
Culture and recreation	-	1,733,001	1,139,097	-	2,872,098
Economic development	576,317	-	-	161,859	738,176
Capital outlay:					
Public Safety	-	-	-	-	-
Culture and recreation	-	516,564	22,377	-	538,941
Economic development	-	-	-	102,734	102,734
Total expenditures	<u>576,317</u>	<u>2,249,565</u>	<u>1,161,474</u>	<u>264,593</u>	<u>4,251,949</u>
Excess (Deficiency) of revenues over/ (under) expenditures	<u>27,623</u>	<u>(142,417)</u>	<u>61,621</u>	<u>(260,291)</u>	<u>(313,464)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in:					
General fund	-	38,500	-	241,512	280,012
2017 Tax Notes Construction Fund	-	-	-	102,733	102,733
Electric fund	-	375,843	-	250,000	625,843
Water fund	-	-	-	250,000	250,000
Transfers out:					
General fund	-	-	-	(25,000)	(25,000)
Parks fund	-	-	-	-	-
Sale of Assets	-	2,339	582	-	2,921
Total other financing sources and (uses)	<u>-</u>	<u>416,682</u>	<u>582</u>	<u>819,245</u>	<u>1,236,509</u>
Net change in fund balances	27,623	274,265	62,203	558,954	923,045
Fund balances - beginning	357,975	1,052,324	352,262	376,810	2,139,371
Fund balances - ending	<u>\$ 385,598</u>	<u>\$ 1,326,589</u>	<u>\$ 414,465</u>	<u>\$ 935,764</u>	<u>\$ 3,062,416</u>

CAPITAL PROJECTS		PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
2009 G.O.	2012 TAX NOTE	CEMETERY	
\$ -	\$ -	\$ -	\$ 2,171,244
-	-	-	597,974
-	-	146,960	866,220
-	-	-	15,480
-	-	-	360,280
-	-	30,370	78,368
1,071	883	6,240	34,443
<u>1,071</u>	<u>883</u>	<u>183,570</u>	<u>4,124,009</u>
-	-	59,144	59,144
-	-	-	2,872,098
-	-	-	738,176
-	-	14,755	14,755
-	-	-	538,941
-	-	-	102,734
<u>-</u>	<u>-</u>	<u>73,899</u>	<u>4,325,848</u>
<u>1,071</u>	<u>883</u>	<u>109,671</u>	<u>(201,839)</u>
-	-	-	280,012
-	-	-	102,733
-	-	-	625,843
-	-	-	250,000
-	-	-	(25,000)
-	-	-	-
-	-	-	2,921
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,236,509</u>
1,071	883	109,671	1,034,670
168,056	149,877	822,418	3,279,722
<u>\$ 169,127</u>	<u>\$ 150,760</u>	<u>\$ 932,089</u>	<u>\$ 4,314,392</u>

**CITY OF BOERNE, TEXAS**

Debt Service Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
 Budget and Actual  
 Year Ended September 30, 2017

	<b>ORIGINAL &amp; FINAL BUDGETED AMOUNTS</b>	<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>
<b>REVENUES</b>			
Ad valorem taxes	\$ 1,926,784	\$ 1,997,214	\$ 70,430
Interest	1,000	8,517	7,517
Total revenues	<u>1,927,784</u>	<u>2,005,731</u>	<u>77,947</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal	1,890,000	1,435,000	455,000
Interest	1,747,689	706,160	1,041,529
Paying agent fees	3,500	1,524	1,976
Bond issuance costs	-	-	-
Total expenditures	<u>3,641,189</u>	<u>2,142,684</u>	<u>1,498,505</u>
Excess/(Deficiency) of revenues over/(under) expenditures	<u>(1,713,405)</u>	<u>(136,953)</u>	<u>1,576,452</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	1,611,905	229,593	(1,382,312)
Total other financing sources	<u>1,611,905</u>	<u>229,593</u>	<u>(1,382,312)</u>
Net change in fund balances	(101,500)	92,640	194,140
Fund balances - beginning	698,449	698,449	-
Fund balances - ending	<u>\$ 596,949</u>	<u>\$ 791,089</u>	<u>\$ 194,140</u>

**CITY OF BOERNE, TEXAS**

Hotel-Motel/Convention/Visitors Bureau - Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
 Budget and Actual  
 Year Ended September 30, 2017

	<b>ORIGINAL BUDGETED AMOUNTS</b>	<b>FINAL BUDGETED AMOUNTS</b>	<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>
<b>REVENUES</b>				
Hotel-motel taxes	\$ 575,000	\$ 575,000	\$ 597,424	\$ 22,424
Penalties	1,000	1,000	550	(450)
Miscellaneous Revenues	500	500	4,301	3,801
Interest on investments	100	100	1,665	1,565
Total revenues	<u>576,600</u>	<u>576,600</u>	<u>603,940</u>	<u>27,340</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	576,306	578,806	576,317	2,489
Capital outlay:				
Economic development	-	-	-	-
Total expenditures	<u>576,306</u>	<u>578,806</u>	<u>576,317</u>	<u>2,489</u>
Excess/(Deficiency) of revenues over/ (under) expenditures	<u>294</u>	<u>(2,206)</u>	<u>27,623</u>	<u>29,829</u>
<b>OTHER FINANCING (USES)</b>				
Transfers out	-	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	294	(2,206)	27,623	29,829
Fund balances - beginning	357,975	357,975	357,975	-
Fund balances - ending	<u>\$ 358,269</u>	<u>\$ 355,769</u>	<u>\$ 385,598</u>	<u>\$ 29,829</u>

**CITY OF BOERNE, TEXAS**

Park Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
 Budget and Actual  
 Year Ended September 30, 2017

	<b>ORIGINAL BUDGETED AMOUNTS</b>	<b>FINAL BUDGETED AMOUNTS</b>	<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,314,206	\$ 1,314,206	\$ 1,349,211	\$ 35,005
Special revenues	535,000	535,000	673,759	138,759
Contributions	2,500	2,500	25,478	22,978
Other	47,000	47,000	43,687	(3,313)
Interest	1,500	1,500	15,013	13,513
Total revenues	<u>1,900,206</u>	<u>1,900,206</u>	<u>2,107,148</u>	<u>206,942</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	1,800,652	1,814,152	1,733,001	81,151
Capital outlay:				
Culture and recreation	674,600	674,600	516,564	158,036
Total expenditures	<u>2,475,252</u>	<u>2,488,752</u>	<u>2,249,565</u>	<u>239,187</u>
Excess/(Deficiency) of revenues over (under) expenditures	<u>(575,046)</u>	<u>(588,546)</u>	<u>(142,417)</u>	<u>446,129</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	525,000	538,500	414,343	(124,157)
Sale of Capital Assets	-	-	2,339	2,339
Total Other Financing Sources	<u>525,000</u>	<u>538,500</u>	<u>416,682</u>	<u>(121,818)</u>
Net change in fund balances	(50,046)	(50,046)	274,265	324,311
Fund balances - beginning	1,052,324	1,052,324	1,052,324	-
Fund balances - ending	<u>\$ 1,002,278</u>	<u>\$ 1,002,278</u>	<u>\$ 1,326,589</u>	<u>\$ 324,311</u>

**CITY OF BOERNE, TEXAS**

Library Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
 Budget and Actual  
 Year Ended September 30, 2017

	<b>ORIGINAL BUDGETED AMOUNTS</b>	<b>FINAL BUDGETED AMOUNTS</b>	<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>
<b>REVENUES</b>				
Ad valorem taxes	\$ 801,422	\$ 801,422	\$ 822,033	\$ 20,611
Special revenues	39,000	39,000	45,501	6,501
Grants	-	-	15,480	15,480
Contributions	235,192	326,677	334,802	8,125
Other	2,500	2,500	10	(2,490)
Interest on investments	800	800	5,269	4,469
Total revenues	<u>1,078,914</u>	<u>1,170,399</u>	<u>1,223,095</u>	<u>52,696</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	1,077,914	1,147,614	1,139,097	8,517
Capital outlay:				
Culture and recreation	1,000	22,785	22,377	408
Total expenditures	<u>1,078,914</u>	<u>1,170,399</u>	<u>1,161,474</u>	<u>8,925</u>
Excess/(Deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>61,621</u>	<u>61,621</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of Assets	-	-	582	582
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>582</u>	<u>582</u>
Net change in fund balances	-	-	62,203	62,203
Fund balances - beginning	352,262	352,262	352,262	-
Fund balances - ending	<u>\$ 352,262</u>	<u>\$ 352,262</u>	<u>\$ 414,465</u>	<u>\$ 62,203</u>

**CITY OF BOERNE, TEXAS**

Economic Development - Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
 Budget and Actual  
 Year Ended September 30, 2017

	<b>ORIGINAL &amp; FINAL BUDGETED AMOUNTS</b>	<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>
<b>REVENUES</b>			
Interest on investments	\$ 150	\$ 4,302	\$ 4,152
Total revenues	<u>150</u>	<u>4,302</u>	<u>4,152</u>
<b>EXPENDITURES</b>			
Current:			
Economic development	988,017	161,859	826,158
Capital outlay:			
Economic development	-	102,734	(102,734)
Total expenditures	<u>988,017</u>	<u>264,593</u>	<u>723,424</u>
Excess/(Deficiency) of revenues over/ (under) expenditures	<u>(987,867)</u>	<u>(260,291)</u>	<u>727,576</u>
<b>OTHER FINANCING (USES)</b>			
Transfers in	647,174	844,245	197,071
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	-
Total other financing (uses)	<u>622,174</u>	<u>819,245</u>	<u>197,071</u>
Net change in fund balances	(365,693)	558,954	924,647
Fund balances - beginning	376,810	376,810	-
Fund balances - ending	<u>\$ 11,117</u>	<u>\$ 935,764</u>	<u>\$ 924,647</u>

**CITY OF BOERNE, TEXAS**

2009 General Obligation Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 From Inception and for the Year Ended September 30, 2017

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>			
G.O. Bond proceeds - General Fund	\$ 3,051,400	-	\$ 3,051,400
G.O. Bond proceeds - Parks Fund	2,276,200	-	2,276,200
G.O. Bond proceeds - Library Fund	4,612,400	-	4,612,400
Contributions/Donations - Library	1,557,701	-	1,557,701
Interest on investments	26,718	1,071	27,789
Total revenues	<u>11,524,419</u>	<u>1,071</u>	<u>11,525,490</u>
<b>EXPENDITURES</b>			
Bond Issuance Costs	282,266	-	282,266
Engineering - General Fund	127,178	-	127,178
Engineering - Parks Fund	200,738	-	200,738
Engineering - Library Fund	106,940	-	106,940
Engineering - Sidewalks	87,617	-	87,617
Capital outlay:			
General Government - Public Safety	2,887,596	-	2,887,596
General Government - Culture & Recreation	9,265,706	-	9,265,706
Total expenditures	<u>12,958,041</u>	<u>-</u>	<u>12,958,041</u>
Excess/(Deficiency) of revenues over/ (under) expenditures	<u>(1,433,622)</u>	<u>1,071</u>	<u>(1,432,551)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 1,259,412	\$ -	\$ 1,259,412
Transfers out	(3,023)	-	(3,023)
Premium on General Obligation bonds issued	345,289	-	345,289
Total other financing sources (uses)	<u>1,601,678</u>	<u>-</u>	<u>1,601,678</u>
Net change in fund balances	<u>\$ 168,056</u>	1,071	<u>\$ 169,127</u>
Fund balances - beginning		168,056	
Fund balances - ending		<u>\$ 169,127</u>	

**CITY OF BOERNE, TEXAS**

2012 Tax Notes Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 From Inception and for the Year Ended September 30, 2017

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>			
Tax Notes proceeds	\$ 1,540,000	\$ -	\$ 1,540,000
Interest on investments	1,104	883	1,987
Total revenues	<u>1,541,104</u>	<u>883</u>	<u>1,541,987</u>
<b>EXPENDITURES</b>			
Bond Issuance costs	15,340	-	15,340
Capital outlay:			
Highways and Streets	178,942	-	178,942
Public Safety	667,433	-	667,433
Total expenditures	<u>861,715</u>	<u>-</u>	<u>861,715</u>
Excess of revenues over expenditures	679,389	883	680,272
<b>Other Financing uses:</b>			
Transfers out	<u>(529,512)</u>	<u>-</u>	<u>(529,512)</u>
Net change in fund balances	<u>\$ 149,877</u>	883	<u>\$ 150,760</u>
Fund balances - beginning		<u>149,877</u>	
Fund balances - ending		<u>\$ 150,760</u>	

**CITY OF BOERNE, TEXAS**

Cemetery Permanent Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
 Budget and Actual  
 Year Ended September 30, 2017

	<b>ORIGINAL &amp; FINAL BUDGETED AMOUNTS</b>	<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>
<b>REVENUES:</b>			
Special revenues			
Lot sales	\$ 100,000	\$ 124,210	\$ 24,210
Urn Garden sales	8,000	22,750	14,750
Other - Endowment revenue	20,200	30,370	10,170
Endowment interest	500	2,522	2,022
Interest	500	3,718	3,218
Total revenues	<u>129,200</u>	<u>183,570</u>	<u>54,370</u>
<b>EXPENDITURES:</b>			
Personnel	58,438	46,864	11,574
Supplies	3,000	1,528	1,472
General	1,000	383	617
Maintenance	3,650	627	3,023
Contractual	34,603	9,742	24,861
Capital outlay	25,500	14,755	10,745
Total expenditures	<u>126,191</u>	<u>73,899</u>	<u>52,292</u>
Excess/(Deficiency) of revenues over/ (under) expenditures	<u>3,009</u>	<u>109,671</u>	<u>106,662</u>
<b>OTHER FINANCING (USES)</b>			
Transfers out	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,009	109,671	106,662
Fund balances - beginning	822,418	822,418	-
Fund balances - ending	<u>\$ 825,427</u>	<u>\$ 932,089</u>	<u>\$ 106,662</u>

**CITY OF BOERNE, TEXAS**

Statement of Changes in Assets and Liabilities  
Agency Fund  
Year Ended September 30, 2017

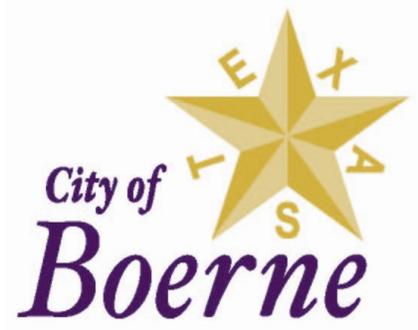
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,070	\$ 3,645	\$ (3,862)	\$ 853
Total Assets	<u>\$ 1,070</u>	<u>\$ 3,645</u>	<u>\$ (3,862)</u>	<u>\$ 853</u>
<b>Liabilities:</b>				
Accounts payable	\$ 1,070	\$ 2,722	\$ (2,939)	\$ 853
Total Liabilities	<u>\$ 1,070</u>	<u>\$ 2,722</u>	<u>\$ (2,939)</u>	<u>\$ 853</u>

## STATISTICAL SECTION

This part of the City of Boerne, Texas comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	115-122
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and the Electric Utility Sales revenue.	123-127
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	128-132
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	133-134
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	135-137

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year.



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**CITY OF BOERNE, TEXAS**

Net Position by Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013 *</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 16,273,769	\$ 15,846,052	\$ 18,000,161	\$ 19,450,251	\$ 19,571,756	\$ 18,157,123	\$ 19,046,817	\$ 21,692,143	\$ 22,983,923	\$ 27,421,550
Restricted	1,141,717	1,181,650	1,566,068	1,645,612	1,829,410	1,972,707	3,597,587	2,139,963	1,955,074	2,153,641
Unrestricted	5,609,828	6,991,345	8,173,245	5,338,306	6,341,545	6,738,731	7,608,138	887,348	1,929,643	3,059,335
<b>Total governmental activities net position</b>	<b>\$ 23,025,314</b>	<b>\$ 24,019,047</b>	<b>\$ 27,739,474</b>	<b>\$ 26,434,169</b>	<b>\$ 27,742,711</b>	<b>\$ 26,868,561</b>	<b>\$ 30,252,542</b>	<b>\$ 24,719,454</b>	<b>\$ 26,868,640</b>	<b>\$ 32,634,526</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 28,765,087	\$ 29,968,615	\$ 29,313,411	\$ 27,450,008	\$ 19,244,222	\$ 26,963,246	\$ 29,206,459	\$ 28,462,491	\$ 34,595,282	\$ 40,775,084
Restricted	1,516,531	1,407,517	1,764,788	2,388,744	2,778,849	3,118,441	3,165,146	7,518,901	8,492,021	9,900,336
Unrestricted	7,719,283	9,650,484	12,765,404	15,299,718	26,491,187	18,557,728	20,521,968	16,259,453	17,665,505	20,090,983
<b>Total business-type activities net position</b>	<b>\$ 38,000,901</b>	<b>\$ 41,026,616</b>	<b>\$ 43,843,603</b>	<b>\$ 45,138,470</b>	<b>\$ 48,514,258</b>	<b>\$ 48,639,415</b>	<b>\$ 52,893,573</b>	<b>\$ 52,240,845</b>	<b>\$ 60,752,808</b>	<b>\$ 70,766,403</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 45,038,856	\$ 45,814,667	\$ 47,313,572	\$ 46,900,259	\$ 38,815,978	\$ 45,120,369	\$ 48,253,276	\$ 50,154,634	\$ 57,579,205	\$ 68,196,634
Restricted	2,658,248	2,589,167	3,330,856	4,034,356	4,608,259	5,091,148	6,762,733	9,658,864	10,447,095	12,053,977
Unrestricted	13,329,111	16,641,829	20,938,649	20,638,024	32,832,732	25,296,459	28,130,106	17,146,801	19,595,148	23,150,318
<b>Total primary government net position</b>	<b>\$ 61,026,215</b>	<b>\$ 65,045,663</b>	<b>\$ 71,583,077</b>	<b>\$ 71,572,639</b>	<b>\$ 76,256,969</b>	<b>\$ 75,507,976</b>	<b>\$ 83,146,115</b>	<b>\$ 76,960,299</b>	<b>\$ 87,621,448</b>	<b>\$ 103,400,929</b>

**CITY OF BOERNE, TEXAS**

Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,131,444	\$ 1,971,855	\$ 2,530,904	\$ 2,453,996	\$ 2,604,602	\$ 2,510,530	\$ 3,007,864	\$ 4,621,744	\$ 4,139,228	\$ 4,066,160
Public safety	4,892,745	5,798,082	6,308,002	7,310,411	7,323,674	7,869,498	8,835,090	9,300,269	10,252,055	10,460,090
Highways & streets	2,001,546	1,927,992	2,006,388	2,216,205	2,158,471	2,266,961	2,357,844	2,452,071	2,794,067	2,595,872
Economic Development and assistance	279,057	375,069	406,730	396,847	409,890	436,306	761,734	915,793	1,025,169	751,422
Culture & recreation	2,168,831	2,396,489	2,421,140	3,170,061	3,000,519	4,340,210	5,091,619	3,470,167	3,939,720	3,872,533
Interest on long term debt	987,906	900,390	1,320,546	1,293,803	1,121,400	1,131,656	1,104,084	805,586	699,457	748,770
Total government activities expenses	\$ 12,461,529	\$ 13,369,877	\$ 14,993,710	\$ 16,841,323	\$ 16,618,556	\$ 18,555,161	\$ 21,158,235	\$ 21,565,630	\$ 22,849,696	\$ 22,494,847
Business-type activities:										
Electric	\$ 12,598,026	\$ 12,502,141	\$ 12,369,579	\$ 12,861,039	\$ 12,593,722	\$ 12,262,199	\$ 14,159,182	\$ 14,422,455	13,762,430	14,748,981
Water	3,183,931	3,664,574	4,077,894	4,569,970	4,624,902	4,572,830	4,418,399	4,680,585	4,962,987	5,231,602
Wastewater	2,101,301	2,261,011	2,708,628	3,775,324	4,262,799	5,182,105	6,178,373	6,496,625	6,763,885	7,001,087
Gas	1,796,011	1,720,871	2,155,397	1,679,275	1,632,058	1,659,027	1,992,137	1,925,674	1,934,105	2,131,493
Solid Waste	444,013	486,104	498,007	536,432	568,090	586,371	598,292	700,442	698,642	765,914
Total business-type activities expenses	20,123,282	20,634,701	21,809,505	23,422,040	23,681,571	24,262,532	27,346,383	28,225,781	28,122,049	29,879,077
Total primary government expenses	\$ 32,584,811	\$ 34,004,578	\$ 36,803,215	\$ 40,263,363	\$ 40,300,127	\$ 42,817,693	\$ 48,504,618	\$ 49,791,411	\$ 50,971,745	\$ 52,373,924
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 411,345	\$ 140,788	\$ 133,675	\$ 109,590	\$ 74,803	\$ 61,020	\$ 62,147	\$ 67,004	\$ 21,505	\$ 45,468
Public safety	1,959,546	1,736,155	1,809,486	1,782,195	1,901,382	2,137,987	2,589,549	2,366,888	2,906,752	3,220,636
Highways & streets	-	-	1,400	549	143	-	-	88	450	3,726
Culture & recreation	487,010	483,361	463,942	527,594	489,884	498,018	542,087	570,145	679,724	739,810
Total charges for services	2,857,901	2,360,304	2,408,503	2,419,928	2,466,212	2,697,025	3,193,783	3,004,125	3,608,431	4,009,640
Operating grants and contributions	164,904	460,728	461,943	523,219	587,686	579,134	599,513	677,415	828,004	948,921
Capital grants and contributions	1,959,145	196,322	3,978,553	347,907	252,050	534,403	5,781,669	2,096,374	1,854,325	5,792,264
Total governmental activities program revenues	\$ 4,981,950	\$ 3,017,354	\$ 6,848,999	\$ 3,291,054	\$ 3,305,948	\$ 3,810,562	\$ 9,574,965	\$ 5,777,914	\$ 6,290,760	\$ 10,750,825
Business-type activities:										
Charges for services:										
Electric	\$ 13,334,922	\$ 14,105,684	\$ 13,542,999	\$ 13,721,849	\$ 14,331,712	\$ 13,571,874	\$ 15,214,937	17,248,469	15,752,733	\$ 16,278,423
Water	2,990,178	3,336,403	3,287,331	4,198,571	4,067,670	4,271,406	4,447,030	4,645,301	5,109,931	5,453,144
Wastewater	2,074,367	2,651,909	3,230,305	3,439,563	3,767,118	3,748,289	3,906,546	4,030,775	4,223,193	4,434,700
Gas	1,680,600	1,528,691	1,866,484	1,634,740	1,523,688	1,513,893	2,075,464	1,995,865	1,834,219	1,974,451
Solid Waste	475,735	513,080	526,885	549,714	583,393	624,917	647,758	700,792	780,116	826,175
Total charges for services	20,555,802	22,135,767	22,454,004	23,544,437	24,273,581	23,730,379	26,291,735	28,621,202	27,700,192	28,966,893
Operating grants and contributions	4,612	-	62,611	95,550	212,916	23,537	28,959	57,365	25,952	35,829
Capital grants and contributions	4,508,717	1,394,783	2,093,451	1,157,061	2,659,318	1,380,320	5,780,513	4,653,095	10,390,016	11,612,611
Total business-type activities program revenues	25,069,131	23,530,550	24,610,066	24,797,048	27,145,815	25,134,236	32,101,207	33,331,662	38,116,160	40,615,333
Total primary government program revenues	\$ 30,051,081	\$ 26,547,904	\$ 31,459,065	\$ 28,088,102	\$ 30,451,763	\$ 28,944,798	\$ 41,676,172	\$ 39,109,576	\$ 44,406,920	\$ 51,366,158
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (7,479,579)	\$ (10,352,523)	\$ (8,144,711)	\$ (13,550,269)	\$ (13,312,608)	\$ (14,744,599)	\$ (11,583,270)	\$ (15,787,716)	\$ (14,104,415)	\$ (9,204,081)
Business-type activities	4,945,849	2,895,849	2,800,561	1,375,008	3,464,244	871,704	4,754,824	5,105,881	9,994,111	10,736,256
Total primary government net expense	\$ (2,533,730)	\$ (7,456,674)	\$ (5,344,150)	\$ (12,175,261)	\$ (9,848,364)	\$ (13,872,895)	\$ (6,828,446)	\$ (10,681,835)	\$ (4,110,304)	\$ 1,532,175

**CITY OF BOERNE, TEXAS**

Changes in Net Position  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 3,718,880	\$ 4,546,162	\$ 4,904,034	\$ 4,834,525	\$ 5,065,159	\$ 5,546,182	\$ 5,883,300	\$ 6,279,784	\$ 6,716,220	\$ 6,408,676
Sales taxes	4,194,543	4,368,109	4,474,155	4,832,704	4,739,388	5,313,433	5,460,798	5,841,658	6,657,261	6,628,822
Other taxes	346,290	356,673	377,530	379,218	420,617	468,556	498,886	553,729	546,239	597,974
Franchise fees	1,562,623	1,804,527	1,827,711	1,929,954	1,966,300	2,087,618	2,297,457	2,568,986	2,454,521	2,539,941
Investment earnings	225,597	93,482	24,553	11,443	6,112	17,378	29,965	34,758	83,538	86,679
Miscellaneous	247,055	124,427	204,279	104,244	2,272,313	158,036	243,969	433,187	628,775	284,097
Transfers	52,876	52,876	52,876	152,876	151,261	450,816	552,876	2,610,209	1,621,568	963,719
Total governmental activities	\$ 10,347,864	\$ 11,346,256	\$ 11,865,138	\$ 12,244,964	\$ 14,621,150	\$ 14,042,019	\$ 14,967,251	\$ 18,322,311	\$ 18,708,122	\$ 17,509,908
Business-type activities:										
Investment earnings	\$ 569,669	\$ 182,742	\$ 69,302	\$ 72,735	\$ 51,865	\$ 45,063	\$ 52,210	\$ 97,999	\$ 139,417	\$ 228,733
Miscellaneous	-	-	-	-	10,940	22,097	-	18,526	3	12,325
Transfers	(52,876)	(52,876)	(52,876)	(152,876)	(151,261)	(450,816)	(552,876)	(2,610,209)	(1,621,568)	(963,719)
Total business-type activities	516,793	129,866	16,426	(80,141)	(88,456)	(383,656)	(500,666)	(2,493,684)	(1,482,148)	(722,661)
Total primary government	\$ 10,864,657	\$ 11,476,122	\$ 11,881,564	\$ 12,164,823	\$ 14,532,694	\$ 13,658,363	\$ 14,466,585	\$ 15,828,627	\$ 17,225,974	\$ 16,787,247
<b>Change in Net Position</b>										
Governmental activities	\$ 2,868,285	\$ 993,733	\$ 3,720,427	\$ (1,305,305)	\$ 1,308,542	\$ (702,580)	\$ 3,383,981	\$ 2,534,595	\$ 2,149,186	\$ 5,765,886
Business-type activities	5,462,642	3,025,715	2,816,987	1,294,867	3,375,788	488,048	4,254,158	2,612,197	8,511,963	10,013,595
Total primary government	\$ 8,330,927	\$ 4,019,448	\$ 6,537,414	\$ (10,438)	\$ 4,684,330	\$ (214,532)	\$ 7,638,139	\$ 5,146,792	\$ 10,661,149	\$ 15,779,481

**CITY OF BOERNE, TEXAS**

General Government Tax Revenues by Source  
Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Ad Valorem Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Total</b>
2008	3,718,880	4,194,543	1,562,623	9,476,046
2009	4,546,162	4,368,109	1,804,527	10,718,798
2010	4,825,698	4,135,773	1,827,711	10,789,182
2011	4,768,108	4,447,723	1,929,954	11,145,785
2012	5,040,616	4,765,341	1,966,300	11,772,257
2013	5,548,012	5,243,148	2,087,618	12,878,778
2014	5,869,666	5,420,528	2,297,457	13,587,651
2015	6,263,241	5,876,279	2,415,090	14,554,610
2016	6,654,315	7,143,387	2,454,521	16,252,223
2017	6,397,290	6,628,822	2,539,941	15,566,053

**CITY OF BOERNE, TEXAS**

Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (Modified accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund										
Restricted	-	-	-	-	\$ 154,143	\$ 233,957	\$ 181,694	\$ 215,226	\$ 232,981	\$ 276,162
Nonspendable	-	-	-	-	-	-	1,550,000	4,578	-	-
Unassigned	5,548,186	5,762,758	5,416,495	4,742,104	5,937,743	6,863,709	5,636,863	7,651,822	9,509,466	10,503,769
Total general fund	<u>\$ 5,548,186</u>	<u>\$ 5,762,758</u>	<u>\$ 5,416,495</u>	<u>\$ 4,742,104</u>	<u>\$ 6,091,886</u>	<u>\$ 7,097,666</u>	<u>\$ 7,368,557</u>	<u>\$ 7,871,626</u>	<u>\$ 9,742,447</u>	<u>\$ 10,779,931</u>
All other governmental funds										
Restricted	\$ 11,631,396	\$ 6,958,652	\$ 10,334,535	\$ 3,894,842	\$ 1,873,798	\$ 1,851,532	\$ 1,552,523	\$ 1,491,782	\$ 1,374,357	\$ 22,636,406
Assigned	468,657	783,360	1,106,521	1,305,767	1,345,188	1,917,829	2,296,930	1,817,953	1,937,815	2,908,115
Nonspendable	561,294	504,380	545,176	608,629	634,857	675,859	741,419	767,678	665,999	700,792
Total all other governmental funds	<u>\$ 12,661,347</u>	<u>\$ 8,246,392</u>	<u>\$ 11,986,232</u>	<u>\$ 5,809,238</u>	<u>\$ 3,853,843</u>	<u>\$ 4,445,220</u>	<u>\$ 4,590,872</u>	<u>\$ 4,077,413</u>	<u>\$ 3,978,171</u>	<u>\$ 26,245,313</u>

**CITY OF BOERNE, TEXAS**

Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Ad valorem taxes	\$ 3,718,880	\$ 4,446,346	\$ 4,825,698	\$ 4,768,108	\$ 5,040,616	\$ 5,548,012	\$ 5,869,666	\$ 6,263,241	\$ 6,654,315	\$ 6,397,290
Sales tax	4,194,543	4,053,884	4,135,773	4,447,723	4,765,341	5,243,148	5,420,528	5,876,279	7,143,387	6,628,822
Hotel-Motel tax	346,290	356,673	377,530	379,218	420,617	468,556	498,886	553,729	546,239	597,974
Library, parks & swimming revenues	375,370	435,973	447,425	520,690	545,724	575,268	635,317	669,848	824,119	866,220
Franchise fees	1,562,623	1,804,527	1,827,711	1,929,954	1,966,300	2,087,618	2,297,457	2,568,986	2,454,521	2,539,941
Licenses & permits	471,065	276,536	333,791	404,746	451,526	526,713	934,541	698,757	940,051	1,071,546
Fines	352,402	315,780	374,193	334,505	287,541	347,142	316,436	238,562	367,768	346,143
Rents	124,651	132,811	130,542	107,419	72,854	61,020	62,147	66,376	15,331	-
Grants	63,476	119,107	350,981	53,364	9,093	105,094	32,647	149,877	158,083	26,665
Contributions & donations	1,394,326	1,535,676	2,806,287	1,879,470	1,685,023	1,807,408	1,937,632	2,405,192	2,314,010	2,582,588
Miscellaneous	230,159	115,670	185,382	104,244	306,170	146,263	276,474	422,679	614,534	353,837
Interest earned	626,984	237,738	56,981	24,054	12,341	17,378	29,964	38,772	101,706	163,263
<b>Total revenues</b>	<b>\$ 13,460,769</b>	<b>\$ 13,830,721</b>	<b>\$ 15,852,294</b>	<b>\$ 14,953,495</b>	<b>\$ 15,563,146</b>	<b>\$ 16,933,620</b>	<b>\$ 18,311,695</b>	<b>\$ 19,952,298</b>	<b>\$ 22,134,064</b>	<b>\$ 21,574,289</b>
<b>Expenditures:</b>										
General government	\$ 1,935,132	\$ 1,706,485	\$ 1,843,755	\$ 1,884,531	\$ 2,155,208	\$ 2,154,800	\$ 2,619,570	\$ 2,630,721	\$ 2,935,432	\$ 3,354,343
Public safety	4,330,994	5,206,189	5,786,130	6,116,646	6,472,489	6,845,431	7,624,418	8,035,246	8,824,004	8,487,808
Highways & streets	1,142,966	1,140,925	1,171,132	1,286,214	1,236,591	1,408,011	1,427,229	1,286,420	1,471,268	1,524,170
Economic development and assistance	279,057	375,069	394,149	393,428	405,257	422,791	757,666	904,553	1,003,922	738,176
Culture & recreation	1,615,509	1,892,255	1,924,468	2,029,605	2,252,021	2,375,379	2,547,634	2,709,127	3,069,393	2,872,098
Capital outlay	1,836,295	5,979,088	9,494,253	8,256,048	3,874,870	2,024,439	1,128,183	4,716,638	2,472,434	2,129,027
Debt service										
Principal	800,000	885,000	650,000	715,000	950,000	965,000	1,235,000	1,270,000	1,385,000	1,435,000
Interest and fees	1,006,115	907,726	1,551,892	1,293,047	1,163,324	1,134,572	1,108,328	824,765	712,727	707,684
Bond issuance costs	-	-	-	-	-	15,340	-	213,022	119,965	296,557
<b>Total expenditures</b>	<b>\$ 12,946,068</b>	<b>\$ 18,092,737</b>	<b>\$ 22,815,779</b>	<b>\$ 21,974,519</b>	<b>\$ 18,509,760</b>	<b>\$ 17,330,423</b>	<b>\$ 18,448,028</b>	<b>\$ 22,590,492</b>	<b>\$ 21,994,145</b>	<b>\$ 21,544,863</b>
Excess of revenues over(under) expenditures	\$ 514,701	\$ (4,262,016)	\$ (6,963,485)	\$ (7,021,024)	\$ (2,946,614)	\$ (396,803)	\$ (136,333)	\$ (2,638,194)	\$ 139,919	\$ 29,426
<b>Other financing sources (uses):</b>										
Issuance and refunding of Bonds/Notes - net	\$ -	\$ -	\$ 10,285,289	\$ -	\$ 40,714	\$ 1,540,000	\$ -	\$ (37,751)	\$ (34,825)	\$ 22,298,943
Transfers from other funds	701,385	374,231	329,138	1,485,164	501,767	1,353,597	885,694	3,688,578	2,106,052	2,119,801
Transfers to other funds	(648,509)	(321,355)	(276,262)	(1,332,288)	(348,891)	(902,781)	(332,818)	(1,078,369)	(484,484)	(484,484)
Sale of capital assets	16,896	8,757	18,897	16,763	2,147,411	18,484	-	55,346	44,917	12,538
<b>Total other financing sources (uses)</b>	<b>\$ 52,876</b>	<b>\$ 52,876</b>	<b>\$ 10,338,165</b>	<b>\$ 169,639</b>	<b>\$ 2,341,001</b>	<b>\$ 2,009,300</b>	<b>\$ 552,876</b>	<b>\$ 2,627,804</b>	<b>\$ 1,631,660</b>	<b>\$ 23,946,798</b>
<b>Net change in fund balances</b>	<b>\$ 567,577</b>	<b>\$ (4,209,140)</b>	<b>\$ 3,374,680</b>	<b>\$ (6,851,385)</b>	<b>\$ (605,613)</b>	<b>\$ 1,612,497</b>	<b>\$ 416,543</b>	<b>\$ (10,390)</b>	<b>\$ 1,771,579</b>	<b>\$ 23,976,224</b>
Debt service as a percentage of non-capital expenditures	16.26%	14.80%	16.53%	14.64%	14.44%	13.72%	13.53%	11.72%	10.75%	11.04%

**CITY OF BOERNE, TEXAS**

General Fund Tax Revenues by Source  
Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Ad Valorem Taxes</b>	<b>City Sales Tax</b>	<b>Franchise Tax</b>	<b>Total</b>
2008	845,019	4,194,543	1,562,623	6,602,185
2009	1,155,771	4,053,884	1,804,527	7,014,182
2010	1,197,187	4,135,773	1,827,711	7,160,671
2011	1,268,845	4,447,723	1,929,954	7,646,522
2012	1,488,223	4,765,341	1,966,300	8,219,864
2013	1,891,238	5,243,148	2,087,618	9,222,004
2014	1,911,144	5,420,528	2,297,457	9,629,129
2015	2,131,566	5,876,279	2,415,090	10,422,935
2016	2,388,394	7,143,387	2,454,521	11,986,302
2017	2,228,832	6,628,822	2,539,941	11,397,595

Note: The above figures are for the General Fund.

**CITY OF BOERNE, TEXAS**

Business-type Activities - Electric Revenues by Source  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Residential Sales</b>	<b>Commercial Sales</b>	<b>Total Electric Sales</b>	<b>Primary Extensions</b>	<b>Penalties</b>	<b>Connection fees</b>	<b>Other</b>	<b>Total Revenues</b>
2008	4,868,280	7,802,033	12,670,313	292,411	118,088	8,867	245,243	13,334,922
2009	5,398,123	8,144,584	13,542,707	176,569	129,076	1,439	255,893	14,105,684
2010	5,079,463	7,779,938	12,859,401	327,665	125,792	2,102	520,497	13,835,457
2011	5,247,193	8,036,841	13,284,034	89,869	118,134	1,303	255,529	13,748,869
2012	5,260,906	8,535,408	13,796,314	136,890	122,186	1,976	296,426	14,353,792
2013	4,977,063	8,063,997	13,041,060	119,890	120,164	3,041	370,521	13,654,676
2014	5,893,977	8,681,280	14,575,257	252,053	124,342	2,105	675,928	15,629,685
2015	6,854,313	9,727,159	16,581,472	283,395	131,981	4,473	247,148	17,248,469
2016	6,022,691	9,034,036	15,056,727	155,683	119,304	3,055	417,964	15,752,733
2017	5,937,475	9,687,459	15,624,934	97,988	119,653	3,264	432,584	16,278,423

**CITY OF BOERNE, TEXAS**

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year Ended September 30	Real Property		Personal Property Assessed Value	Less: Tax Exempt Real Property	Taxable Assessed Value	Direct Tax Rate (1)	Actual Taxable Value	Percentage of Assessed to Actual Value (2)
	Residential Assessed Value	Commerical Assessed Value						
2008	639,451,065	310,416,827	65,865,630	196,736,874	818,996,648	0.4422	818,996,648	100.00
2009	772,507,102	363,532,754	85,509,980	229,124,788	992,425,048	0.4422	992,425,048	100.00
2010	849,104,764	418,215,780	95,938,380	280,198,433	1,083,060,491	0.4422	1,083,060,491	100.00
2011	823,207,597	425,211,568	90,414,470	260,206,640	1,078,626,995	0.4422	1,078,626,995	100.00
2012	933,608,580	459,605,741	97,593,970	393,317,887	1,097,490,404	0.4520	1,097,490,404	100.00
2013	811,357,700	662,935,880	109,964,730	384,246,493	1,200,011,817	0.4720	1,200,011,817	100.00
2014	845,949,030	680,011,960	125,695,330	384,442,497	1,267,213,823	0.4720	1,267,213,823	100.00
2015	927,624,720	669,799,647	131,782,310	389,757,552	1,339,449,125	0.4720	1,339,449,125	100.00
2016	1,008,473,244	680,098,025	142,610,030	402,133,600	1,429,047,699	0.4720	1,429,047,699	100.00
2017	1,114,421,409	708,258,890	145,637,910	415,623,163	1,552,695,046	0.4720	1,552,695,046	100.00

The above information was obtained from the Kendall Appraisal District.

Notes: (1) Tax rates are per \$100 of assessed value.

(2) Excludes tax-exempt property.

**CITY OF BOERNE, TEXAS**

Property Tax Rates  
 Direct and Overlapping Governments  
 (Per \$100 of Assessed Value)  
 Last Ten Fiscal Years

Fiscal Year	Overlapping Rates									Total Direct & Overlapping Rates
	City of Boerne			School District			County			
	Operating Rate	Debt Service Rate	Total City Rate	Operating Rate	Debt Service Rate	Total School Rate	Operating Rate	Debt Service Rate	Total County Rate	
2008	0.2541	0.1881	0.4422	1.0400	0.2900	1.3300	0.3393	0.0307	0.3700	2.1422
2009	0.2587	0.1835	0.4422	1.0400	0.2900	1.3300	0.3420	0.0280	0.3700	2.1422
2010	0.2518	0.1904	0.4422	1.0400	0.2900	1.3300	0.3432	0.0268	0.3700	2.1422
2011	0.2451	0.1971	0.4422	1.0400	0.2740	1.3140	0.3434	0.0266	0.3700	2.1262
2012	0.2647	0.1873	0.4520	1.0400	0.2740	1.3140	0.3434	0.0266	0.3700	2.1360
2013	0.2925	0.1795	0.4720	1.0400	0.2540	1.2940	0.3687	0.0263	0.3950	2.1610
2014	0.3092	0.1628	0.4720	1.0400	0.2540	1.2940	0.3486	0.0454	0.3940	2.1600
2015	0.2947	0.1773	0.4720	1.0400	0.2540	1.2940	0.3508	0.0432	0.3940	2.1600
2016	0.3092	0.1628	0.4720	1.0400	0.2540	1.2940	0.3460	0.0407	0.3867	2.1527
2017	0.3261	0.1459	0.4700	1.0400	0.2760	1.3160	0.3465	0.0662	0.4127	2.1987

Sources: The above information was obtained from the respective entity.

**CITY OF BOERNE, TEXAS**

Principal Property Taxpayers  
Current Year and Nine Years Ago

	2017				2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxpayer	Taxable Assessed Value	Rank
H.E.B. Grocery Co.	\$ 18,968,130	1	1.2%	Wal-Mart Real Estate Business, TR	\$ 15,397,200	1	1.88%
Mercedes Benz of Boerne	16,776,390	2	1.1%	Mercedes Benz of Boerne	10,322,580	2	1.26%
Wal-Mart Real Estate Business, TR	15,611,230	3	1.0%	Home Depot	9,189,510	3	1.12%
VBM Acquisition LLC	14,315,220	4	0.9%	Albany Engineered Composites	8,158,760	4	1.00%
Jet Specialty Inc	10,810,570	5	0.7%	H.E.B. Grocery Co.	6,620,100	5	0.81%
Nissan of Boerne	10,232,240	6	0.7%	Cibolo Sisters Enterprises LTD	5,759,520	6	0.70%
Home Depot	9,988,510	7	0.6%	Cambridge-Boerne Partners, LP	5,755,790	7	0.70%
Carrington Place I & 11, LP	9,404,790	8	0.6%	HSMEP Hill Country, LTD	5,078,020	8	0.62%
Albany Engineered Composites	8,249,530	9	0.5%	Carrington Place I & 11, LP	5,073,580	9	0.62%
Starplex	7,906,040	10	0.5%	The Vistas of Boerne, LTD	4,296,350	10	0.53%
	<u>\$ 122,262,650</u>		<u>7.9%</u>		<u>\$ 60,254,210</u>		<u>7.36%</u>

Source: Kendall Appraisal District

**CITY OF BOERNE, TEXAS**

Property Tax Levies and Collections  
Last Ten Fiscal Years

<b>Fiscal Year Ended September 30</b>	<b>Tax Roll Year</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collections within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections To Date</b>	
			<b>Current Taxes Collected</b>	<b>Percent of Levy</b>		<b>Total Tax Collections</b>	<b>Percentage of Levy</b>
2008	2007	3,708,084	3,668,742	98.9%	37,800	3,706,542	100.0%
2009	2008	4,431,905	4,346,628	98.1%	84,323	4,430,951	100.0%
2010	2009	4,753,703	4,662,552	98.1%	87,269	4,749,821	99.9%
2011	2010	4,756,326	4,705,125	98.9%	45,668	4,750,793	99.9%
2012	2011	4,975,957	4,915,337	98.8%	66,658	4,981,995	100.1%
2013	2012	5,510,736	5,429,178	98.5%	89,014	5,518,192	100.1%
2014	2013	5,839,322	5,759,708	98.6%	87,149	5,846,857	100.1%
2015	2014	6,181,080	6,131,966	99.2%	47,868	6,179,834	100.0%
2016	2015	6,622,585	6,549,283	98.9%	50,494	6,599,777	99.7%
2017	2016	7,224,676	7,132,942	98.7%	-	7,132,942	98.7%

Source: Kendall Appraisal District

**CITY OF BOERNE, TEXAS**

Principal Electric Utility Customers by Sales  
Current Year and Nine Years Ago

<u>Utility Customer</u>	<u>2017</u>			<u>Utility Customer</u>	<u>2008</u>		
	<u>Electric Sales</u>		<u>Percentage of Total Electric Sales Revenues</u>		<u>Electric Sales</u>		<u>Percentage of Total Electric Sales Revenues</u>
	<u>Revenue</u>	<u>Rank</u>			<u>Revenue</u>	<u>Rank</u>	
Boerne Independent School District	\$ 1,109,626	1	7.18%	Boerne Independent School District	\$ 567,236	1	4.55%
City of Boerne	792,601	2	5.13%	Wal-Mart	515,807	2	4.14%
Morningside Ministries	653,547	3	4.23%	H.E. Butt Supermarket	410,971	3	3.30%
Wal-Mart	622,734	4	4.03%	Morningside Ministries	299,634	4	2.41%
H.E. Butt Supermarket	519,672	5	3.36%	The Home Depot	268,864	5	2.16%
The Home Depot	251,496	6	1.63%	First Baptist Church	119,188	6	0.96%
Healthcare Reit Inc	204,237	7	1.32%	Alamo Fiesta RV Resort	116,174	7	0.93%
Woodland Notes, LLC	186,987	8	1.21%	Kendall Inn Hotel Partners	99,630	8	0.80%
Kendall County Auditor	160,693	9	1.04%	Town & Country Manor	74,756	9	0.60%
First Baptist Church	106,426	10	0.69%	Methodist Boerne Medical Ctr	68,806	10	0.55%
	<u>\$ 4,608,021</u>		<u>29.84%</u>		<u>\$ 2,541,066</u>		<u>20.40%</u>

Source: City of Boerne Utilities

**CITY OF BOERNE, TEXAS**

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Household Income (1)	Per Capita (1)
	General Obligation Bonds (2)	Tax Notes (2)	Certificates of Obligation (2)	Revenue Bonds	General Obligation Bonds (2)			
2008	14,210,000	5,480,000	400,000	12,870,000	-	32,960,000	6.4%	3,337.38
2009	14,110,000	5,095,000	-	18,730,000	-	37,935,000	7.1%	3,709.30
2010	24,175,289	4,665,000	-	18,243,601	-	47,083,890	8.0%	4,496.60
2011	23,726,477	4,385,000	-	47,363,033	-	75,474,510	12.1%	7,064.26
2012	27,430,427	-	-	46,375,882	-	73,806,309	11.1%	6,644.43
2013	26,384,846	1,540,000	-	45,266,900	-	73,191,746	9.0%	5,825.51
2014	25,353,640	1,300,000	-	44,106,333	-	70,759,973	7.5%	5,344.81
2015	24,900,772	1,055,000	-	42,895,767	-	68,851,539	6.3%	5,055.55
2016	23,781,752	805,000	-	29,210,000	12,528,576	66,325,328	5.4%	4,608.49
2017	22,984,317	22,380,000	-	28,255,000	12,062,822	85,682,139	7.1%	5,724.35

Notes: Specific details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) Income statistics are only available for census years, between census years estimates are used. See Schedule of Demographic and Economic Statistics on page 133 for population data.
- (2) The City's General Obligation, Certificates of Obligation, and Tax Notes are pledged by ad valorem taxes levied upon all taxable property located within the City, within the limitations prescribed by law.

**CITY OF BOERNE, TEXAS**

Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years

<b>Fiscal Year Ended September 30,</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (1)</b>	<b>Per Capita(2)</b>
2008	20,090,000	253,889	19,836,111	2.42%	2,008.52
2009	19,205,000	394,333	18,810,667	1.90%	1,839.31
2010	28,840,289	703,138	28,137,151	2.60%	2,687.15
2011	28,111,477	727,129	27,384,348	2.54%	2,563.12
2012	27,430,427	770,881	26,659,546	2.43%	2,400.03
2013	27,924,846	772,228	27,152,618	2.19%	2,161.14
2014	26,653,640	821,729	25,831,911	2.04%	1,951.20
2015	25,955,772	838,134	25,117,638	1.88%	1,844.31
2016	24,586,752	698,449	23,888,303	1.67%	1,659.83
2017	45,364,317	791,089	44,573,228	2.87%	2,977.90

Note: Specific details regarding the City's outstanding debt can be found in the notes to the financial statements

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 123 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 133.

**CITY OF BOERNE, TEXAS**

Direct and Overlapping Governmental Activities Debt  
September 30, 2017

		<u>Net Debt</u>	<u>Percentage Applicable to City (1)</u>	<u>City's Share of Debt</u>
Kendall County	(1) \$	32,080,000	32.78%	\$ 105,164
Boerne Ind. School District	(1)	258,276,765	26.80%	692,083
Total overlapping debt				<u>797,247</u>
City of Boerne	(1)	45,364,317	100.00%	<u>45,364,317</u>
Total direct and overlapping debt				<u><u>\$ 46,161,564</u></u>

(1) As of September 30, 2016

Sources: The above information was obtained from the respective entity.

(1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's and School District's taxable assessed value that is within the City's boundaries and dividing it by the County's and School District's respective total taxable assessed values.

**CITY OF BOERNE, TEXAS**

Legal Debt Margin Information  
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$81,899,665	\$99,242,505	\$108,306,049	\$107,862,700	\$ 109,749,040	\$ 123,893,228	\$ 126,721,382	\$ 133,944,913	\$ 142,904,770	\$ 155,269,505
Total net debt applicable to limit	19,836,111	18,810,667	27,791,862	27,052,871	26,069,119	26,642,772	25,358,270	25,117,638	23,888,303	44,573,228
Legal debt margin	<u>\$62,063,554</u>	<u>\$80,431,838</u>	<u>\$80,514,187</u>	<u>\$80,809,829</u>	<u>\$83,679,921</u>	<u>\$97,250,456</u>	<u>\$101,363,112</u>	<u>\$108,827,275</u>	<u>\$119,016,467</u>	<u>\$110,696,277</u>
Total net debt applicable to the limit as a percentage of debt limit	24.22%	18.95%	25.66%	25.08%	23.75%	21.50%	20.01%	18.75%	16.72%	28.71%

**Legal Debt Margin Calculation for Fiscal Year 2017**

Total assessed value	\$ 1,552,695,046
Debt limit (10% of total assessed value)	155,269,505
Debt applicable to limit:	
General bonded debt	45,364,317
Less: Amount set aside for repayment of general bonded debt	<u>791,089</u>
Total net debt applicable to limit	<u>44,573,228</u>
Legal debt margin	<u>\$ 110,696,277</u>

**CITY OF BOERNE, TEXAS**

Pledged Revenue Coverage  
Last Ten Fiscal Years

<b>Utility</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Electric:</b>										
Revenues	\$ 13,443,285	\$ 14,134,635	\$ 13,558,392	\$ 13,741,179	\$ 14,346,832	\$ 13,592,854	\$ 15,252,637	\$ 17,287,785	15,819,084	16,359,468
Less: Operating Expenses	<u>(12,321,471)</u>	<u>(12,136,454)</u>	<u>(11,964,106)</u>	<u>(12,450,289)</u>	<u>(12,132,292)</u>	<u>(11,698,252)</u>	<u>(13,546,962)</u>	<u>(13,794,036)</u>	<u>(13,178,897)</u>	<u>(14,148,327)</u>
Net Available Revenue	\$ 1,121,814	\$ 1,998,181	\$ 1,594,286	\$ 1,290,890	\$ 2,214,540	\$ 1,894,602	\$ 1,705,675	\$ 3,493,749	\$ 2,640,187	\$ 2,211,141
<b>Water:</b>										
Revenues	\$ 3,135,571	\$ 3,394,259	\$ 3,367,539	\$ 4,207,917	\$ 4,075,525	\$ 4,283,577	\$ 4,456,288	\$ 4,679,108	5,146,172	5,531,374
Less: Operating Expenses	<u>(2,445,934)</u>	<u>(2,862,068)</u>	<u>(2,760,467)</u>	<u>(2,947,661)</u>	<u>(2,846,182)</u>	<u>(2,925,133)</u>	<u>(3,167,299)</u>	<u>(3,347,857)</u>	<u>(3,520,010)</u>	<u>(3,660,798)</u>
Net Available Revenue	\$ 689,637	\$ 532,191	\$ 607,072	\$ 1,260,256	\$ 1,229,343	\$ 1,358,444	\$ 1,288,989	\$ 1,331,251	\$ 1,626,162	\$ 1,870,576
<b>Wastewater:</b>										
Revenues	\$ 2,303,613	\$ 2,734,151	\$ 3,264,502	\$ 3,482,521	\$ 3,795,316	\$ 3,759,661	\$ 3,911,613	\$ 4,055,297	4,258,053	4,499,452
Less: Operating Expenses	<u>(1,222,499)</u>	<u>(1,403,009)</u>	<u>(1,432,880)</u>	<u>(1,498,255)</u>	<u>(1,525,010)</u>	<u>(1,572,710)</u>	<u>(1,753,726)</u>	<u>(1,999,875)</u>	<u>(2,301,112)</u>	<u>(2,565,220)</u>
Net Available Revenue	\$ 1,081,114	\$ 1,331,142	\$ 1,831,622	\$ 1,984,266	\$ 2,270,306	\$ 2,186,951	\$ 2,157,887	\$ 2,055,422	\$ 1,956,941	\$ 1,934,232
<b>Natural Gas:</b>										
Revenues	\$ 1,761,178	\$ 1,541,175	\$ 1,868,336	\$ 1,715,100	\$ 1,524,222	\$ 1,514,274	\$ 2,075,574	\$ 1,996,107	1,835,627	1,977,390
Less: Operating Expenses	<u>(1,541,040)</u>	<u>(1,490,342)</u>	<u>(1,816,636)</u>	<u>(1,467,841)</u>	<u>(1,321,356)</u>	<u>(1,330,473)</u>	<u>(1,647,996)</u>	<u>(1,550,053)</u>	<u>(1,809,543)</u>	<u>(1,658,937)</u>
Net Available Revenue	\$ 220,138	\$ 50,833	\$ 51,700	\$ 247,259	\$ 202,866	\$ 183,801	\$ 427,578	\$ 446,054	\$ 26,084	\$ 318,453
Total Utility Systems Revenues	\$ 20,643,647	\$ 21,804,220	\$ 22,058,769	\$ 23,146,717	\$ 23,741,895	\$ 23,150,366	\$ 25,696,112	\$ 28,018,297	\$ 27,058,936	\$ 28,367,684
Less: Total Utility Systems Operating Expenses	<u>(17,530,944)</u>	<u>(17,891,873)</u>	<u>(17,974,089)</u>	<u>(18,364,046)</u>	<u>(17,824,840)</u>	<u>(17,526,568)</u>	<u>(20,115,983)</u>	<u>(20,691,820)</u>	<u>(20,809,562)</u>	<u>(22,033,282)</u>
Total Utility Systems Net Revenue Available	\$ 3,112,703	\$ 3,912,347	\$ 4,084,680	\$ 4,782,671	\$ 5,917,055	\$ 5,623,798	\$ 5,580,129	\$ 7,326,477	\$ 6,249,374	\$ 6,334,402
Annual Debt Service	\$ 1,015,979	\$ 1,132,435	\$ 1,112,931	\$ 2,850,118	\$ 2,841,379	\$ 2,828,657	\$ 2,814,852	\$ 2,799,925	\$2,695,789	\$2,679,527
Coverage	3.06	3.45	3.67	1.68	2.08	1.99	1.98	2.62	2.32	2.36

\*Note: Excludes depreciation and amortization

**CITY OF BOERNE, TEXAS**

Demographic and Economic Statistics  
 Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population(1)</b>	<b>Median Household Income(2)</b>	<b>Persons Per Household(1)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate(4)</b>
2008	9,876	51,879	2.62	6,250	3.4
2009	10,227	51,879	2.62	6,300	6.0
2010*	10,471	56,350	2.47	6,637	5.7
2011	10,684	58,175	2.23	6,754	6.6
2012	11,108	60,060	2.23	7,095	5.3
2013	12,564	66,655	2.47	7,206	6.0
2014	13,239	71,052	2.47	7,450	5.2
2015	13,619	80,500	2.47	7,898	3.2
2016	14,392	84,582	2.47	8,303	3.4
2017	14,968	81,110	2.47	8,688	3.0

**Note:**

- (1) City Administration on non-census years
- (2) Only available for census years - other years are estimates
- (3) Boerne Independent School District
- (4) Texas Workforce Commission
- \* Revised to 2010 Census data

**CITY OF BOERNE, TEXAS**

Principal Employers  
Current Year and Nine Years Ago

<b>Employer</b>	<b>2017</b>			<b>Employer</b>	<b>2008</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Principal Employment</b>		<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Principal Employment</b>
Boerne Independent School District	1,040	1	34.45%	Boerne Independent School District	968	1	35.15%
H E Butt Grocery Store	368	2	12.19%	WalMart Stores	330	2	11.98%
Kendall County	250	3	8.28%	Mission Pharmacal	310	3	11.26%
Albany Engineered Composites	240	4	7.95%	H E Butt Grocery Store	240	4	8.71%
Mission Pharmacal	236	5	7.82%	Kendall County	202	5	7.33%
City of Boerne	234	6	7.75%	City of Boerne	200	6	7.26%
WalMart Stores	219	7	7.25%	Albany Engineered Composites	197	7	7.15%
Toyota of Boerne	180	8	5.96%	The Home Depot	120	8	4.36%
The Home Depot	131	9	4.34%	Town & Country Manor Nursing Home	100	9	3.63%
Mercedes Benz of Boerne	121	10	4.01%	Mercedes Benz of Boerne	87	10	3.16%

Source: City of Boerne Study

**CITY OF BOERNE, TEXAS**

Full-time Equivalent City Government Employees by Function  
Last Ten Fiscal Years

<b>Function:</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
General Government	27	27	18	20	20	21	22	20	21	29
Public Safety:										
Police	33	35	35	34	35	34	36	35	41	41
Animal Control	3	3	3	3	3	3	3	3	3	4
Municipal Court	3	3	3	3	3	3	3	3	3	3
Emergency & Risk	5	5	5	6	7	8	8	8	7	2
Code Enforcement	4	4	8	7	7	7	9	10	11	4
Communications	12	12	12	12	12	13	13	13	12	14
Fire	7	7	13	11	12	12	13	14	16	16
Highways & Streets	18	18	18	18	18	18	18	15	18	19
Culture & Recreation	36	38	39	39	40	37	37	38	38	39
Cemetery	1	1	1	1	1	1	1	1	1	1
Electric	21	21	21	20	20	20	21	20	23	25
Water	16	18	14	13	13	15	15	15	16	16
Sewer	11	13	14	13	13	13	13	16	15	14
Gas	3	3	8	6	6	6	6	6	7	7
<b>Total</b>	<b>200</b>	<b>208</b>	<b>212</b>	<b>206</b>	<b>210</b>	<b>211</b>	<b>218</b>	<b>217</b>	<b>232</b>	<b>234</b>

Source: City of Boerne

**CITY OF BOERNE, TEXAS**

Operating Indicators by Function  
Last Ten Fiscal Years

<b>Function</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Police</b>										
Physical Arrests	531	459	309	333	362	373	490	479	578	664
Parking Violations	84	32	38	27	32	11	70	20	104	48
Traffic Violations	4,014	3,110	2427	2,498	1,943	2,583	1,986	1,326	2,481	1,650
<b>Fire</b>										
Number of calls (In City)	249	228	295	372	348	271	317	444	472	549
Inspections	1234	1191	1804	1586	1457	2102	1277	1870	2302	2501
<b>Code Enforcement</b>										
Permits issued	1900	1019	1247	1664	1699	1909	2002	2135	2305	2731
<b>Highways &amp; streets</b>										
Streets resurfaced(miles)	2.00	2.00	5.90	2.90	3.00	4.00	2.72	1	2.9	3.4
Other street repairs (hours)	17,835	17,095	10,072	16,006	16,558	16,839	17,412	285	1,466	5,108
<b>Culture &amp; recreation</b>										
Athletic field revenues	\$ 49,581	\$ 31,141	\$ 33,811	\$ 28,333	\$ 25,910	\$ 22,647	\$27,881	\$ 44,923	\$ 42,669	\$ 44,794
Community Center events	743	624	574	442	432	371	297	303	142	-
<b>Electric</b>										
New connections	272	49	71	80	102	75	88	128	75	93
Average daily consumptions (kilowatt hours)	323,077	326,890	342,077	354,182	347,317	339,886	362,390	366,009	360,960	364,209
<b>Water</b>										
New connections	267	103	127	112	168	167	172	254	248	305
Average daily consumptions (thousands of gallons)	137,850	140,354	125,796	168,722	161,389	163,363	156,933	158,559	177,771	189,877
<b>Wastewater</b>										
New connections	284	100	113	90	145	148	138	131	246	163
Average daily treatment (thousands of gallons)	90,382	100,205	99,069	107,293	107,217	101,182	113,884	115,372	119,015	123,687
<b>Reclaimed water</b>										
New connections									88	89
Average daily treatment (thousands of gallons)									17,970	92,847
<b>Natural Gas</b>										
New connections	123	59	58	58	54	68	78	138	128	221
Average daily consumptions (thousands of cubic feet)	320	319	455	402	397	386	483	475	424	412

Sources: Various City of Boerne departments

Notes: Indicators are not available for the general government function.

(1) Reporting parameters changed for 2008 to include re-inspections; plan reviews; and public education.

**CITY OF BOERNE, TEXAS**

Capital Asset Statistics by Function  
Last Ten Fiscal Years

<b>Function</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Public Safety</b>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	14	14	15	15	15	15	16	18	18
Fire:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire Trucks	8	8	8	8	8	8	9	9	9	9
<b>Highways &amp; streets</b>										
Streets (miles)	49.25	49.25	52.7	52.7	52.7	55.4	59	60	63	68
Streetlights	550	550	559	613	613	613	658	666	686	580
<b>Culture &amp; recreation</b>										
Parks	11	12	12	12	12	12	12	12	12	12
Parks acreage	361.6	401.6	401.6	401.6	401.6	401.6	401.6	401.6	401.6	401.6
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	8	8	8	8	8
Convention/Community centers	1	1	1	1	1	1	1	1	1	0
<b>Electric</b>										
Number of distribution stations	2	2	2	2	2	2	2	2	2	2
Capacity sold (mega-watt hours)	117.9	119.3	124.9	129.3	126.8	124.1	132.3	133.6	131.8	132.9
<b>Water</b>										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Capacity produced (thousands of gallons)	631,614	600,138	553,636	752,281	676,762	691,667	676,100	678,456	743,454	842,680
<b>Wastewater</b>										
Treatment plants	1	1	1	1	1	2	2	2	2	2
Capacity treated (thousands of gallons)	329,892	314,498	479,507	340,377	361,646	364,256	374,001	529,526	558,906	451,458
<b>Natural Gas</b>										
Gas mains (miles)	50.43	54.65	55.23	55.23	54.35	56.65	57	58	61.21	71.72
Capacity sold (thousands of cubic feet)	116,779	116,383	165,970	146,786	145,038	140,711	176,464	173,413	154,594	150,474

Sources: Various City of Boerne departments.

Notes: No capital asset indicators are available for the general government function.



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## COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the City Council  
City of Boerne, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Boerne, Texas (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 27, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

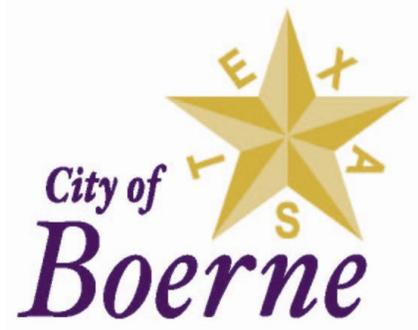
## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants  
San Antonio, Texas

March 27, 2018



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