

CITY OF BOERNE, TEXAS

2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT



ON THE COVER

Kinderpark

Location

111 Water St
Boerne, TX 78006

A Family Park

Located on the corner of Water Street and Highland Street, this fenced and shaded park is very popular with families with younger children. Kinderpark is perfect for small birthday parties and gatherings.

Amenities:

- o Parking
- o Covered Pavilion
- o Picnic Table
- o Benches
- o Unique & exciting playground

History

Kinderpark, formally known as “Optimist Park”, was developed in 1997 with the support of the local Optimist Club. The Optimist Club supported the purchase of playground equipment and development of the site, which was an abandoned city well site.

In 2016, the park received a complete make over and upgrades bringing it up to ADA compliance. Along with the makeover came the new name “Kinderpark”.

City of Boerne, Texas

Comprehensive Annual Financial Report
Fiscal Year Ended
September 30, 2016

Prepared by the Finance Department



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**City of Boerne, Texas
Comprehensive Annual Financial Report
September 30, 2016**

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INTRODUCTORY SECTION



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

March 14, 2017

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, 2016.

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 RSM US, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Boerne for the fiscal year ended September 30, 2016, 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, 2016 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 metroplex, 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 40,384 people. Similarly, the City serves as the County Seat for Kendall County. The City of Boerne currently occupies a land area of 11.81 square miles with a population of 14,392. 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 51% over the last ten years compared to the US growth rate of 8.0% 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 \$84,582 fared well above the State median of \$65,316. The unemployment for the Boerne and Kendall County area at September 30, 2016 was 3.4%. During this fiscal year, the region stood about 1.4% under the State unemployment rate and 1.5 % under the U.S. rate at September 30, 2016. 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 159% 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 significant, consistent growth with 2016 Ad Valorem values increasing by 8.75% and a Sales Tax increase of 12.35%. 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.

The Electric Utility is now 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 budgeted for 2017.

Construction was completed on a new Wastewater Treatment and Recycling Center in April of 2013. The new 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 (4,000 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 1/31/17, there are now 126 customers on the reclaimed water system.

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.

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 revised completion date for this project is May 2017.

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 expected to be completed in 2018. The new westbound side of the bridge was completed in February 2017, and eastbound traffic has been temporarily diverted to use the new lanes while the eastbound side of the bridge is being constructed.

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 has been delayed 6 months due to utility conflicts but is expected to be bid in June of 2017 with completion in 2019.

Highway 46 at IH10 & Highway 87 at IH10 – TxDOT will combine these two large overpass projects estimated at \$30,000,000 each 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.

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, 2015. This was the twenty-ninth 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**

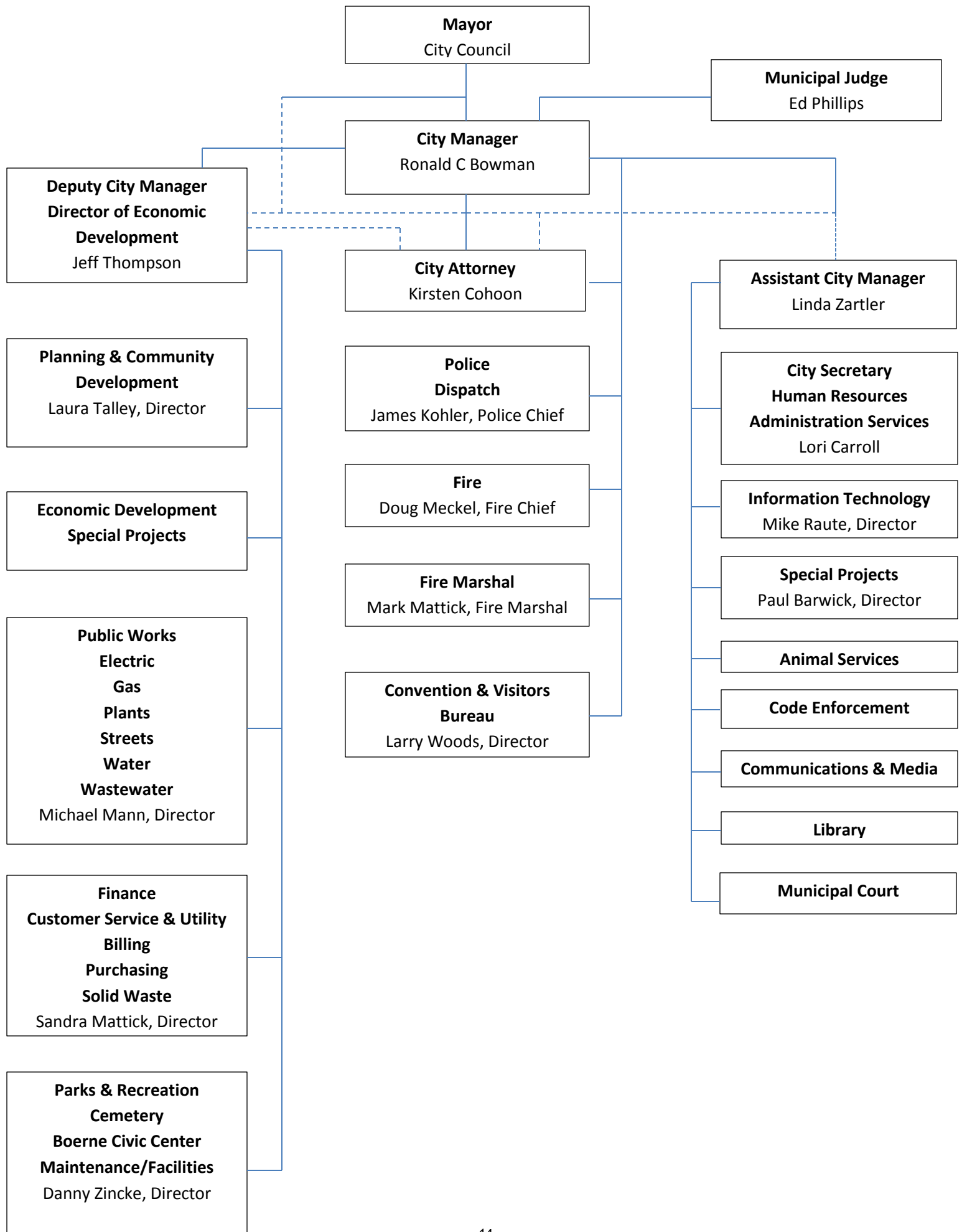
Presented to

**City of Boerne
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO



**City of Boerne, Texas
List of Principal Officials
September 30, 2016**

<u>Title</u>	<u>Name</u>
Mayor	Michael D. Schultz
Mayor Pro Tem – District 4	Ron Cisneros
City Council Members	
District 1	Joe Anzollitto
District 2	Nina Woolard
District 3	Charlie Boyd
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	Angie Rios, CPA
Fire Chief	Doug Meckel
Fire Marshal/Emergency Operations Manager	Mark Mattick
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, 2016, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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 as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity 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 Balances—Budget and Actual—General Fund; Schedule of Changes in the Net Pension Liability and TMRS related ratios; Schedule of Contributions and Notes to Schedule of Contributions and Other Post-Employment Benefits Plan Schedule of Funding Progress, 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor governmental funds financial statements; the Schedules of Revenues, Expenditures and Changes in Fund Balances—Budget to Actual for the Debt Service Fund, the Hotel-Motel/Convention/Visitors Bureau Special Revenue Fund, the Park Special Revenue Fund, the Library Special Revenue Fund, the Economic Development Special Revenue Fund, the 2009 General Obligation Capital Projects Fund, the 2012 Tax Notes Capital Projects Fund and the Cemetery Permanent Fund; and the Statement of Changes in Assets and Liabilities, as listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

RSM US LLP

San Antonio, Texas
March 3, 2017

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, 2016. 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 \$87,621,448 (*net position*). Of this amount, \$19,595,148 (*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 \$10,661,149 which can be attributed to an increase in charges for services and general revenues with only a small increase in expenses and large capital contributions from developers.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,720,618.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,509,466, or 64.4% of total general fund expenditures.
- The City's general obligation debt decreased by \$1,900,000 during the current fiscal year. The decrease is due to a refunding of debt and 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 nine 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 and the Debt Service 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 five proprietary funds. These five funds are maintained as *Enterprise 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.

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.

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 2016, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$87,621,448.

A very large portion of the City's net position (65.7%) reflects its net investment in capital assets, \$57,579,205 (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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$14,552,856	\$13,939,578	\$34,648,413	\$ 32,221,653	\$ 49,201,269	\$ 46,161,231
Capital assets	46,433,480	46,557,984	73,769,300	68,695,258	120,202,780	115,253,242
Total assets	60,986,336	60,497,562	108,417,713	100,916,911	169,404,049	161,414,473
Deferred outflows of resources	3,758,932	2,261,326	1,706,029	965,292	5,464,961	3,226,618
Long-term liabilities	35,190,607	34,723,241	45,119,035	45,741,074	80,309,642	80,464,315
Other liabilities	2,686,021	3,316,193	4,251,899	3,900,284	6,937,920	7,216,477
Total liabilities	37,876,628	38,039,434	49,370,934	49,641,358	87,247,562	87,680,792
Net Position:						
Net investment in capital assets	22,983,923	21,692,143	34,595,282	28,462,491	57,579,205	50,154,634
Restricted-debt service	698,449	838,134	4,016,822	3,570,002	4,715,271	4,408,136
Restricted – tourism	357,975	318,925	-	-	357,975	318,925
Restricted – public safety	232,981	215,226	-	-	232,981	215,226
Restricted – capital improvements	-	-	4,475,199	3,948,899	4,475,199	3,948,899
Nonexpendable-cemetery fund	665,669	767,678	-	-	665,669	767,678
Unrestricted	1,929,643	887,348	17,665,505	16,259,453	19,595,148	17,146,801
Total net position	\$26,868,640	\$24,719,454	\$ 60,752,808	\$ 52,240,845	\$ 87,621,448	\$ 76,960,299

An additional portion of the City of Boerne's net position, \$10,447,095; represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$19,595,148; 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.

There was an 8.16% increase, \$788,231, in total restricted net position reported: a decrease of \$184,889 in governmental activities and an increase of \$973,120 in the City's business-type activities. The major components of these above noted changes are explained in more detail on pages 25 - 28.

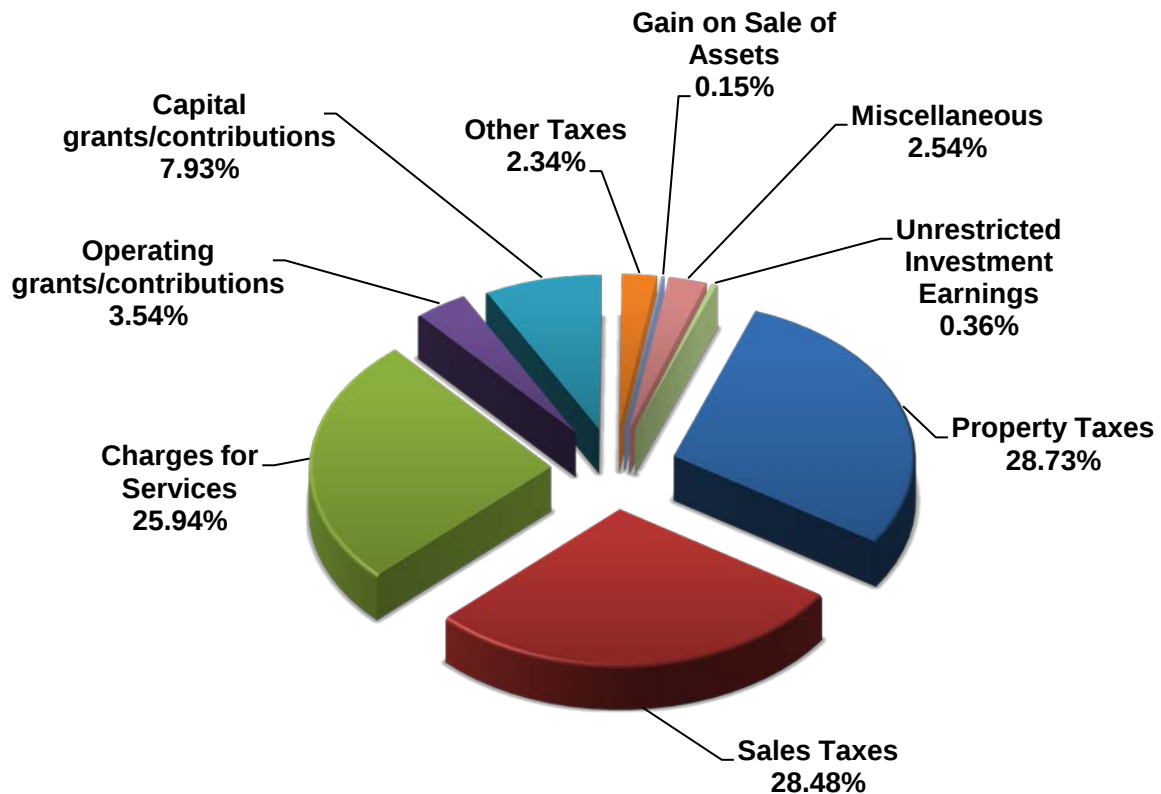
City of Boerne's Revenues, Expense, Changes in Net Position information:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 6,062,952	\$ 5,573,111	\$27,700,192	\$28,621,202	\$33,763,144	\$34,194,313
Operating Grants and Contributions	828,004	677,415	25,952	57,365	853,956	734,780
Capital Grants and Contributions	1,854,325	2,096,374	10,390,016	4,653,095	12,244,341	6,749,469
General revenues:						
Property taxes	6,716,220	6,279,784	-	-	6,716,220	6,279,784
Sales taxes	6,657,261	5,841,658	-	-	6,657,261	5,841,658
Other taxes	546,239	553,729	-	-	546,239	553,729
Investment Earnings and Other	712,313	467,945	139,420	116,525	851,733	584,470
Total revenues	23,377,314	21,490,016	38,255,580	33,448,187	61,632,894	54,938,203
Expenses:						
General government	4,139,228	4,621,744	-	-	4,139,228	4,621,744
Public safety	10,252,055	9,300,269	-	-	10,252,055	9,300,269
Highways/streets	2,794,067	2,452,071	-	-	2,794,067	2,452,071
Economic development	1,025,169	915,793	-	-	1,025,169	915,793
Culture and recreation	3,939,720	3,470,167	-	-	3,939,720	3,470,167
Interest on long-term debt	699,457	805,586	-	-	699,457	805,586
Electric	-	-	13,762,430	14,422,455	13,762,430	14,422,455
Water	-	-	4,962,987	4,680,585	4,962,987	4,680,585
Wastewater	-	-	6,763,885	6,496,625	6,763,885	6,496,625
Gas	-	-	1,934,105	1,925,674	1,934,105	1,925,674
Garbage	-	-	698,642	700,442	698,642	700,442
Total expenses	22,849,696	21,565,630	28,122,049	28,225,781	50,971,745	49,791,411
Increase (Decrease) in net position before transfers	527,618	(75,614)	10,133,531	5,222,406	10,661,149	5,146,792
Transfers	1,621,568	2,610,209	(1,621,568)	(2,610,209)	-	-
Increase (Decrease) in net position	2,149,186	2,534,595	8,511,963	2,612,197	10,661,149	5,146,792
Beginning net position (restated)	24,719,454	22,184,859	52,240,845	49,628,648	76,960,299	71,813,507
Ending net position	\$26,868,640	\$24,719,454	\$60,752,808	\$52,240,845	\$87,621,448	\$76,960,299

Governmental activities. Governmental activities increased the City of Boerne's net position by \$2,149,186. Key elements of this increase are as follows:

- General revenues increased by 11.3% or \$1,488,917 from the previous year. Revenue in this category saw an increase over prior year due to continued growth in the City.
- Charges for services revenues increased by 8.79% or \$489,841 from the previous year. This increase can be attributed to a \$241,294 increase in permit revenue, a \$129,206 increase in court fines, and a \$105,795 increase in park program revenues. All of these increases are due to new development and growth in the City.
- Transfers decreased by 37.9% or \$988,641 from the previous year. Transfers from the proprietary funds decreased as the transfers made in 2015 were for one-time large special projects.

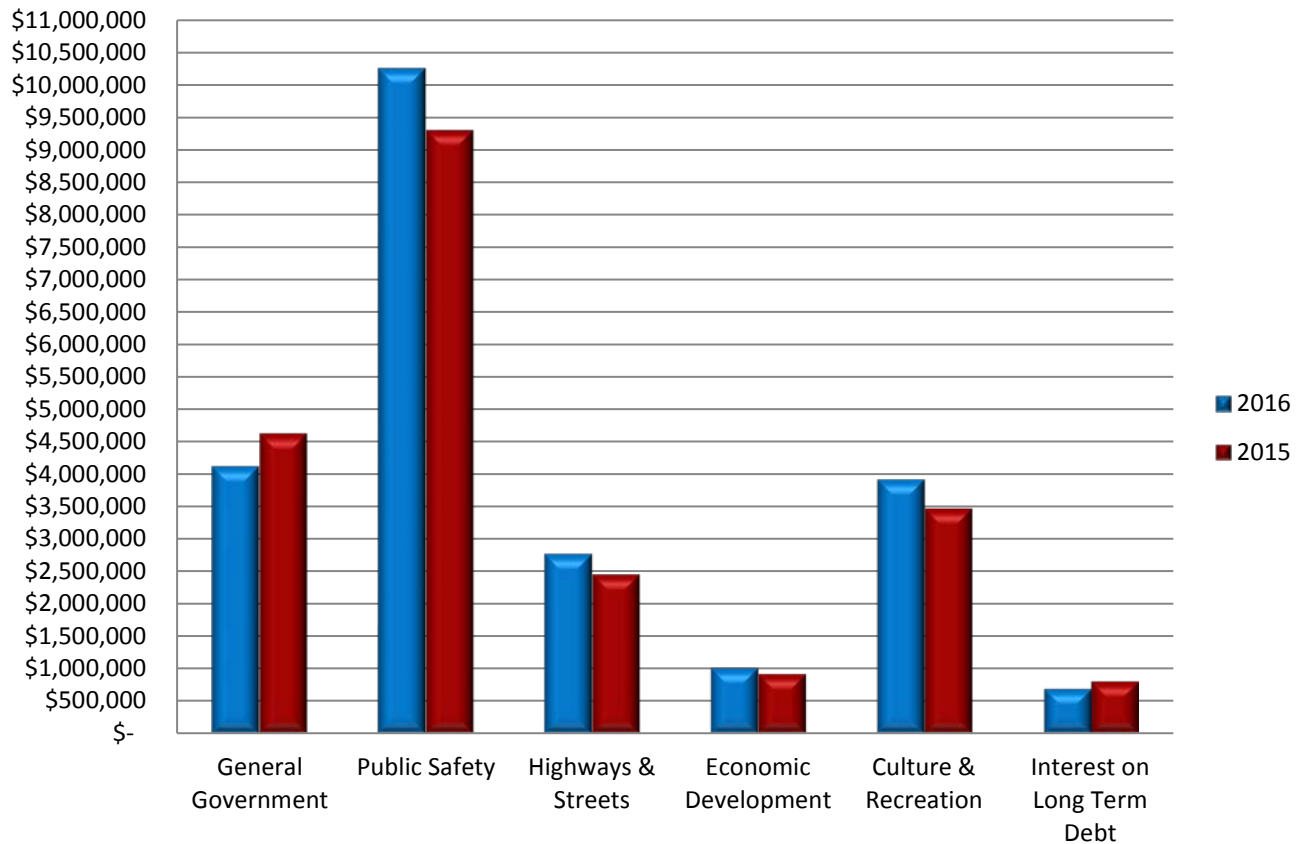
Revenues by Source - Governmental Activities



Total expenses saw a slight increase of 5.95%, \$1,284,066, for the year. Some of the reasons for the increase in expenses are:

- Public safety expenses increased by \$951,786 or 10.23% from the previous year due to the addition of personnel in the police, fire, communications, and animal control departments along with increases in operating costs.
- Highways and streets expenses increased by \$341,996 or 13.95%. This is due to an increase personnel costs, an increase in professional services for street and drainage design, and an increase in street repairs.
- Culture and recreation expenses increased by \$469,553 or 13.53%. This increase can be attributed to an increase in personnel costs, an increase in program costs, and an increase in maintenance costs.

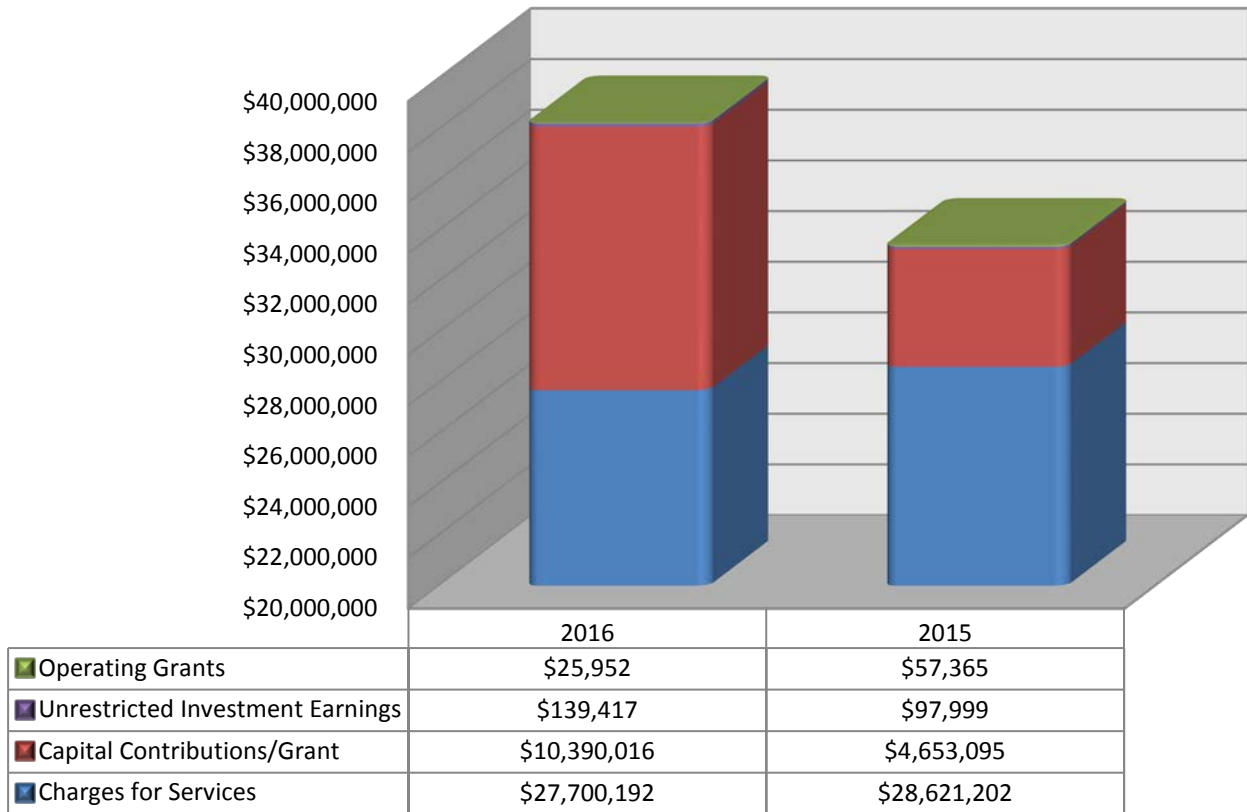
Expenses - Governmental Activities



Business-type activities. Business-type activities increased the City of Boerne's net position by \$8,511,963. Key elements of this increase are as follows:

- Capital contributions increased by 123.29% or \$5,736,921 from the previous year. The increase is attributable to a large increase in developer contributions of completed infrastructure to the City.
- Investment earnings increased by 42.26% or \$41,418. This increase is due to an increase in interest rates and investing in higher yield investments.
- Charges for services decreased by 3.22% or \$921,010. This is due to a decrease in electric and gas power cost recovery revenues.

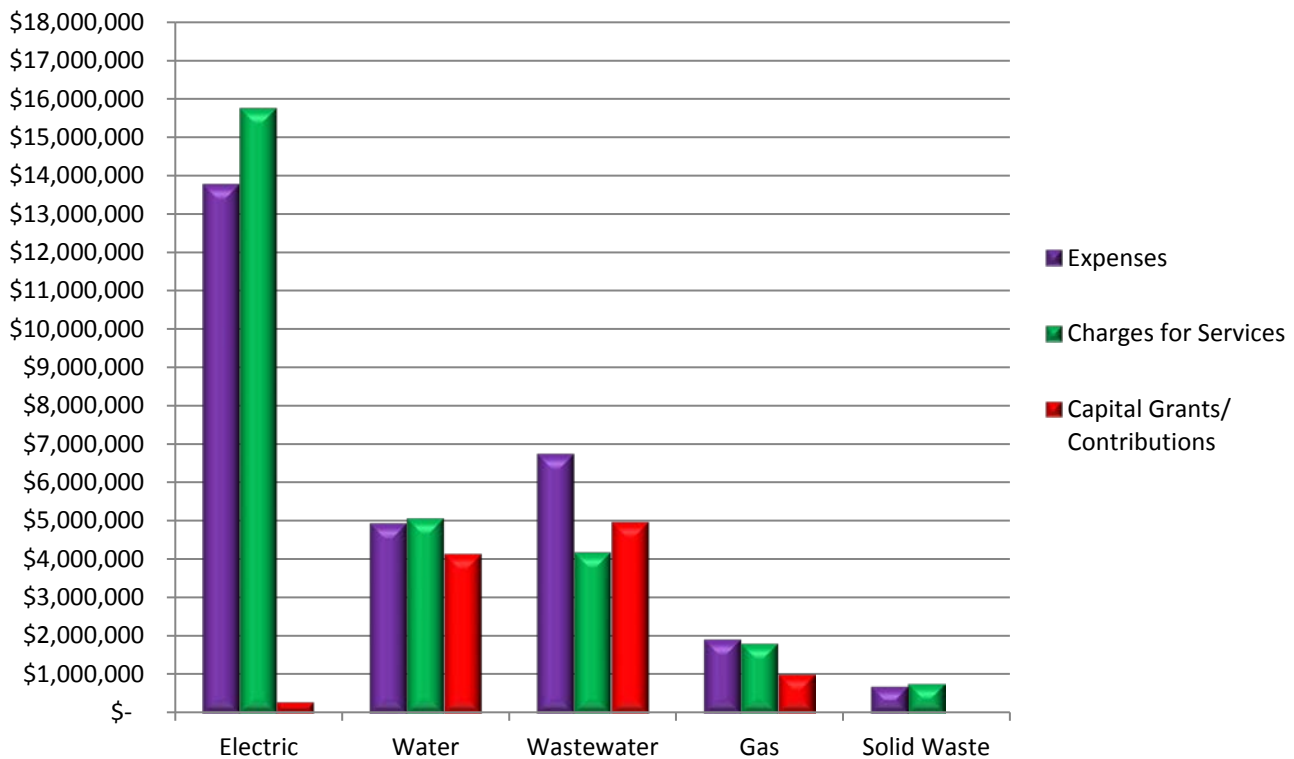
Revenues by Source - Business-type Activities



A decrease in total expenses of 0.37% and transfers of 37.88% contributed to the increase in net position. Some of the reasons for the decrease in expenses are:

- Electric expenses decreased by \$660,025 from the previous year due to a decrease in the cost of power purchased.
- Water expenses increased by \$282,402 from the previous year. This is due to an increase in personnel costs, and an increase in depreciation expense due to large capital contributions.
- Wastewater expenses increased by \$267,260 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 \$988,641 from the previous year. This decrease is because some of the transfers made in 2015 to the General Fund were for one-time projects.

Expenses and Program Revenues - Business-type Activities



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 \$13,720,618, an increase of \$1,771,579 in comparison with the prior year as a result of an increase in ad valorem taxes and sales taxes and a decrease in capital outlay due to several large projects in the prior year. Approximately 69% of this total amount, \$9,509,466, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. Of the remaining fund balance, \$1,607,338 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 \$665,999 is nonspendable in that the funds are required to be maintained intact as in the case of the permanent Cemetery fund. The other \$1,937,815 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 \$9,509,466. 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 64.37 % of total general fund expenditures. The fund balance in the City's general fund increased by \$1,870,821 (23.77%) during the current fiscal year. This increase in fund balance can be mainly attributed to:

- An increase of \$2,144,800 in total revenues over the prior year.
- A decrease in total expenditures of \$414,079 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 \$9,365,713, Water \$4,767,922, Wastewater \$3,040,718, Gas \$141,860, and Solid Waste \$349,292. The total increase in net position for these funds of \$8,511,963; was an increase of \$857,760, \$3,974,919, \$2,540,308, \$1,088,945, and \$50,031 to Electric, Water, Wastewater, Gas, and Solid Waste respectively.

All utilities except Wastewater and Gas had positive net income before capital contributions and transfers. Wastewater was at (\$1,851,127) due in part to an 8.87% increase in operating expenses resulting from the addition of new personnel, an increase in maintenance costs, and an increase in depreciation. Gas was at (\$43,491) due to a lower cost of fuel resulting in a decrease in revenues offset by an increase in personnel and depreciation expense. Electric, Water and Solid Waste utilities were at \$2,056,657; \$209,137; and \$82,031 respectively. The positive net income in Electric can be attributed to a 10.25% decrease in the cost of power. 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 (11.33%) 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 2.32 times coverage which is a decrease from the previous year's 2.62 times coverage. This decrease in coverage ratio can be attributed to a decrease in revenue available over the prior year. 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 \$1,155,439 (increase in appropriations). Significant budget amendments can be summarized as follows:

- 1) The administration budget was increased by \$326,800 for additional personnel costs related to the addition of a new employee, a land purchase, and a needs assessment study.
- 2) Additional funds of \$550,000 were needed in the administration budget to record the payments to TxDOT for the Highway 46 road project.
- 3) The street department budget was increased by \$100,155 to complete an expansion of the maintenance shop.
- 4) The law enforcement department budget was increased by \$46,484 to recognize grant revenue and expense for body cameras and LEOSE training grant.
- 5) The Emergency Operations department budget was increased by \$99,500 for expenditures related to a Texas Homeland Security grant and a Soil Conservation Dam maintenance grant.

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:

- Sales tax revenue was more than the final budget by \$248,200 due to continued growth in the City during the fiscal year;
- Licenses and permits exceeded the final budget by \$275,051 due to an increase in permits issued for new development in the City;
- Miscellaneous revenue exceeded the final budget by \$443,552 due to a large payment from a developer for road improvements;
- Street department expenditures were \$144,915 under budget due to personnel vacancies and a reduction in street repairs;
- Facilities and emergency operations expenditures were \$152,056 under budget due to personnel vacancies and reduced maintenance costs;
- Capital outlay expenditures were under budget by \$267,732 due to some projects coming in under budget or being delayed.

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, 2016, amounts to \$120,202,780 (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 \$7,424,571 (a 5.96% increase for governmental activities and a 21.55% increase for business-type activities).

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

- Maintenance shop expansion - \$480,954;
- Infrastructure contributed by developers to streets - \$1,541,317;

- Purchase of a traffic signal control system - \$163,941;
- Kinder Park renovations - \$409,398;
- Construction of an amphitheater - \$838,626;
- Improvements to the Electric Utility distribution system - \$184,241;
- Improvements to the Reclaimed Water distribution system - \$350,628;
- Infrastructure contributed by developers for reclaimed water system - \$1,321,497
- Infrastructure contributed by developers for water system – \$2,108,005;
- Infrastructure contributed by developers for wastewater system – \$3,185,297;
- Infrastructure contributed by developers for the gas system - \$954,575

City of Boerne's Capital Assets (Net of Depreciation)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
Land	\$ 9,833,819	\$ 9,672,383	\$ 2,686,158	\$ 2,686,158	\$ 12,519,977	\$ 12,358,541
Buildings and Plant	14,698,668	14,483,833	29,419,045	31,178,169	44,117,713	45,662,002
Improvements Other Than Buildings	19,853,542	19,292,702	39,736,387	33,458,302	59,589,929	52,751,004
Machinery & Equipment	1,970,323	2,083,254	1,259,090	1,091,597	3,229,413	3,174,851
Construction In Progress	77,128	1,025,812	668,620	281,032	745,748	1,306,844
Total	\$ 46,433,480	\$ 46,557,984	\$ 73,769,300	\$ 68,695,258	\$ 120,202,780	\$ 115,253,242

For a more detailed presentation on capital assets, please refer to the Notes to Financial Statements on pages 68-70.

Long-term Debt.

At the end of the current fiscal year, the City of Boerne had total debt outstanding of \$63,930,000. Of this amount, \$34,720,000 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	
	2016	2015	2016	2015	2016	2015
General Obligation Revenue Bonds	\$ 23,285,000	\$25,185,000	\$ 11,435,000	\$ -	\$34,720,000	\$25,185,000
	\$ -	\$ -	\$ 29,210,000	\$42,695,000	\$29,210,000	\$42,695,000
Total	\$ 23,285,000	\$25,185,000	\$40,645,000	\$42,695,000	\$63,930,000	\$67,880,000

The City's total debt decreased by \$3,950,000 during the current fiscal year. The net decrease was the result of principal payments on the debt and refunding of outstanding General Obligation and Revenue bonds.

During the year, Moody's upgraded the rating on the City's General Obligation bonded debt to Aa2. The City currently has a rating from Moody's of Aa3 on its Utility System Revenue debt. Fitch upgraded the City's rating on General Obligation debt to AA with the rating outlook as stable. Fitch affirmed the 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 \$142,904,770, which is significantly in excess of the City of Boerne's outstanding \$34,720,000 General Obligation debt. Additional detailed information on debt for the City may be found in the Notes to Financial Statements on pages 72-74.

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 6%.
- 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 an 8.75% 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 (275 permits) from the past fiscal year (229 permits). Over 1,300 new home sites have become ready to build on in the last two fiscal years and another 3,700 are in some stage of development.
- A slight increase is expected for investment interest rates during this fiscal year.
- The City included significant funding in the fiscal year 2015-16 budget specifically for projects aimed at spurring economic development. Several Chapter 380 Economic Development Agreements were completed in FY 2015 and 2016. 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 2017 and beyond.
- 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 the fourth consecutive year, approximately \$500,000 was set aside and utilized in this manner, including the amount established for the 2017 fiscal year.

These factors were considered in preparing the City of Boerne's budget for the 2017 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 a slight increase over the past fiscal year budget.
- Several one-time projects will be completed during the year and will be financed by General Government revenues and excess fund balance:
 - a. Truck Mounted Oil Distributor - \$170,000;
 - b. City Lake access improvements - \$75,000;
 - c. New sidewalks - \$100,000;
- A rate increase of 1.5% was included in the 2017 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 are experiencing sufficient customer growth to offset increasing operational costs.

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, 2016

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,229,028	\$ 14,028,929	\$ 19,257,957
Investments	6,534,925	3,945,746	10,480,671
Receivables (net of allowance)	1,804,971	3,766,691	5,571,662
Inventories	-	1,143,890	1,143,890
Prepays	330	1,321	1,651
Restricted assets:			
Cash and cash equivalents	983,602	10,523,392	11,506,994
Investments		1,238,444	1,238,444
Capital assets not being depreciated:			
Land	9,833,819	2,686,158	12,519,977
Construction in progress	77,128	668,620	745,748
Capital assets net of accumulated depreciation:			
Buildings and plant	14,698,668	29,419,045	44,117,713
Improvements other than buildings	19,853,542	39,736,387	59,589,929
Machinery and equipment	1,970,323	1,259,090	3,229,413
Total Capital assets	46,433,480	73,769,300	120,202,780
Total Assets	60,986,336	108,417,713	169,404,049
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	819,262	507,551	1,326,813
Deferred outflows related to pension	2,939,670	1,198,478	4,138,148
Total deferred outflows of resources	3,758,932	1,706,029	5,464,961
LIABILITIES			
Accounts payable and accrued expenses	764,413	2,818,440	3,582,853
Non-current liabilities:			
Due within one year	1,921,608	1,433,459	3,355,067
Due beyond one year	35,190,607	45,119,035	80,309,642
Total Liabilities	37,876,628	49,370,934	87,247,562
NET POSITION			
Net investment in capital assets	22,983,923	34,595,282	57,579,205
Restricted for:			
Debt service	698,449	4,016,822	4,715,271
Tourism	357,975	-	357,975
Law enforcement	232,981	-	232,981
Capital improvements	-	4,475,199	4,475,199
Nonexpendable:			
Cemetery Fund - perpetual care	665,669	-	665,669
Unrestricted	1,929,643	17,665,505	19,595,148
Total net position	\$ 26,868,640	\$ 60,752,808	\$ 87,621,448

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

City of Boerne, Texas
Statement of Activities
Year Ended September 30, 2016

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and contributions	Capital Grants and contributions
Primary government:				
Governmental activities:				
General government	\$ 4,139,228	\$ 638,974	\$ 529,546	\$ -
Public safety	10,252,055	2,906,752	-	177,654
Highways and streets	2,794,067	1,837,502	-	1,631,767
Economic development & assistance	1,025,169	-	-	-
Culture and recreation	3,939,720	679,724	298,458	44,904
Interest on long-term debt	699,457	-	-	-
Total governmental activities	<u>22,849,696</u>	<u>6,062,952</u>	<u>828,004</u>	<u>1,854,325</u>
Business-type activities				
Electric	13,762,430	15,752,733	-	292,094
Water	4,962,987	5,109,931	25,952	4,131,690
Wastewater	6,763,885	4,223,193	-	4,956,670
Gas	1,934,105	1,834,219	-	1,009,562
Solid Waste	698,642	780,116	-	-
Total business-type activities	<u>28,122,049</u>	<u>27,700,192</u>	<u>25,952</u>	<u>10,390,016</u>
Total Primary Government	<u>\$ 50,971,745</u>	<u>\$ 33,763,144</u>	<u>\$ 853,956</u>	<u>\$ 12,244,341</u>
General revenues:				
Taxes:				
Property taxes				
Sales taxes				
Other taxes				
Investment earnings				
Miscellaneous				
Gain on Sale of Assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

(Continued)

City of Boerne, Texas
Statement of Activities
Year Ended September 30, 2016

Net (Expenses) Revenues and Changes in Net Position		
Governmental	Business	Total
\$ (2,970,708)	\$ -	\$ (2,970,708)
(7,167,649)	-	(7,167,649)
675,202	-	675,202
(1,025,169)	-	(1,025,169)
(2,916,634)	-	(2,916,634)
(699,457)	-	(699,457)
(14,104,415)	-	(14,104,415)
-	2,282,397	2,282,397
-	4,304,586	4,304,586
-	2,415,978	2,415,978
-	909,676	909,676
-	81,474	81,474
-	9,994,111	9,994,111
\$ (14,104,415)	\$ 9,994,111	\$ (4,110,304)
\$ 6,716,220	\$ -	\$ 6,716,220
6,657,261	-	6,657,261
546,239	-	546,239
83,538	139,417	222,955
593,071	-	593,071
35,704	3	35,707
1,621,568	(1,621,568)	-
16,253,601	(1,482,148)	14,771,453
2,149,186	8,511,963	10,661,149
24,719,454	52,240,845	76,960,299
\$ 26,868,640	\$ 60,752,808	\$ 87,621,448

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, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,142,338	\$ 695,749	\$ 2,390,941	\$ 5,229,028
Investments	\$ 6,534,925	-	-	6,534,925
Receivables	1,659,147	24,327	121,497	1,804,971
Prepays	-	-	330	330
Restricted cash and cash equivalents	-	-	983,602	983,602
Total assets	<u>\$ 10,336,410</u>	<u>\$ 720,076</u>	<u>\$ 3,496,370</u>	<u>\$ 14,552,856</u>
LIABILITIES				
Accounts payable	\$ 328,404	\$ -	\$ 112,757	\$ 441,161
Other payables	203,490	-	51,109	254,599
Unearned revenue	6,429	-	-	6,429
Total liabilities	<u>538,323</u>	<u>-</u>	<u>163,866</u>	<u>702,189</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 55,640	\$ 21,627	\$ 52,782	\$ 130,049
Total deferred inflows of resources	<u>55,640</u>	<u>21,627</u>	<u>52,782</u>	<u>130,049</u>
FUND BALANCES:				
Nonspendable:				
Cemetery fund	-	-	665,999	665,999
Restricted:				
Law enforcement seized funds	106,073	-	-	106,073
Court technology	44,098	-	-	44,098
Court security	82,810	-	-	82,810
Debt service	-	698,449	-	698,449
Hotel/Motel-tourism promotion	-	-	357,975	357,975
Capital projects funds:				
Public Safety Center	-	-	93,348	93,348
Sidewalks	-	-	181,584	181,584
Library	-	-	43,001	43,001
Public Safety	-	-	-	-
Assigned:				
Parks & recreation	-	-	1,052,324	1,052,324
Library	-	-	352,262	352,262
Cemetery	-	-	156,419	156,419
Economic Development	-	-	376,810	376,810
Unassigned	9,509,466	-	-	9,509,466
Total fund balances	<u>9,742,447</u>	<u>698,449</u>	<u>3,279,722</u>	<u>13,720,618</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,336,410</u>	<u>\$ 720,076</u>	<u>\$ 3,496,370</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.	46,433,480
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.	(37,112,215)
Deferred outflows (inflows) relating to deferred amounts on refunding and pensions are not financial resources and therefore are not reported in the funds	3,758,932
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	130,049
Accrued interest on debt is not reported in the funds.	(62,224)
Net position of governmental activities	<u>\$ 26,868,640</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, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 2,388,394	2,056,306	2,209,615	\$ 6,654,315
Sales tax	7,143,387	-	-	7,143,387
Hotel-Motel Tax	-	-	546,239	546,239
Library, parks & swimming revenues	-	-	824,119	824,119
Franchise fees	2,454,521	-	-	2,454,521
Licenses and permits	940,051	-	-	940,051
Fines	367,768	-	-	367,768
Rents	15,331	-	-	15,331
Grants	156,191	-	1,892	158,083
Contributions & donations	1,972,540	-	341,470	2,314,010
Miscellaneous	514,552	-	99,982	614,534
Investment earnings	83,538	3,650	14,518	101,706
Total revenues	16,036,273	2,059,956	4,037,835	22,134,064
Expenditures:				
Current:				
Administration	2,118,685	-	-	2,118,685
Streets	1,471,268	-	-	1,471,268
Law enforcement	4,154,269	-	-	4,154,269
Municipal court	286,290	-	-	286,290
Animal control	198,713	-	-	198,713
Facilities and emergency operations	705,942	-	-	705,942
Planning/Code enforcement	851,578	-	-	851,578
Convention/community center	90,342	-	-	90,342
Communications	974,938	-	-	974,938
Information technology	726,405	-	-	726,405
Fire department	1,585,082	-	-	1,585,082
Park Fund	-	-	1,964,904	1,964,904
Library Fund	-	-	1,104,489	1,104,489
Hotel/Motel Fund	-	-	485,757	485,757
Cemetery Fund	-	-	67,192	67,192
Economic Development Fund	-	-	518,165	518,165
Capital outlay	1,608,899	-	863,535	2,472,434
Debt service:				
Principal	-	1,385,000	-	1,385,000
Interest	-	710,846	-	710,846
Bond issuance costs	-	119,965	-	119,965
Fiscal agent fees	-	1,881	-	1,881
Total expenditures	14,772,411	2,217,692	5,004,042	21,994,145
Excess/(Deficiency) of revenues over (under) expenditures	1,263,862	(157,736)	(966,207)	139,919

(Continued)

City of Boerne, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Transfers in	848,876	52,876	1,204,300	2,106,052
Transfers out	(286,048)	-	(198,436)	(484,484)
Sale of Capital Assets	44,131	-	786	44,917
General Obligation bonds refunded	-	8,510,000	-	8,510,000
Debt refunding	-	(9,403,885)	-	(9,403,885)
Premium on Refunded debt	-	859,060	-	859,060
Total other financing sources	606,959	18,051	1,006,650	1,631,660
Net change in fund balances	1,870,821	(139,685)	40,443	1,771,579
Fund balances - beginning	7,871,626	838,134	3,239,279	11,949,039
Fund balances - ending	<u>\$ 9,742,447</u>	<u>\$ 698,449</u>	<u>\$ 3,279,722</u>	<u>\$ 13,720,618</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, 2016

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

Net change in fund balances-total governmental funds	\$ 1,771,579
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 \$828,119 in capital outlay expense which did not meet capitalization threshold.	(1,747,058)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, donations) is to increase net position.	1,622,554
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.	1,433,076
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(424,221)
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.	(506,744)
Change in net position of governmental activities	<u>\$ 2,149,186</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, 2016

	Business-type Activities-Enterprise Funds					
	Electric	Water	Wastewater	Gas	Solid Waste	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 4,946,565	\$ 5,044,364	\$ 3,318,453	\$ 351,547	\$ 368,000	\$ 14,028,929
Investments	3,945,746	-	-	-	-	3,945,746
Accounts receivable	2,054,765	619,291	836,739	207,698	48,198	3,766,691
Inventories	896,641	142,200	13,066	91,983	-	1,143,890
Prepays	1,321	-	-	-	-	1,321
Restricted cash and cash equivalents:						
Customer deposits	532,346	545,031	-	135,431	-	1,212,808
Revenue bond interest and sinking accounts	17,166	188,156	508,386	27,724	-	741,432
Total current assets	12,394,550	6,539,042	4,676,644	814,383	416,198	24,840,817
Non-current assets:						
Restricted cash and cash equivalents:						
Revenue bond reserve accounts	150,027	242,298	1,735,408	150,027	-	2,277,760
Bond construction	-	-	2,057,007	-	-	2,057,007
Capital improvements	-	3,091,433	1,142,952	-	-	4,234,385
Restricted investments:						
Revenue bond covenant accounts	-	-	997,630	-	-	997,630
Capital improvements	-	240,814	-	-	-	240,814
Capital assets:						
Land	84,601	772,633	1,784,655	44,269	-	2,686,158
Buildings/Plant	773,342	1,790,302	37,923,198	141,725	-	40,628,567
System improvements	12,141,974	26,548,237	21,722,139	7,325,038	-	67,737,388
Machinery and equipment	2,035,422	1,309,438	969,467	564,926	-	4,879,253
Construction in progress	-	209,455	404,178	54,987	-	668,620
Less accumulated depreciation	(8,295,731)	(14,866,575)	(16,620,074)	(3,048,306)	-	(42,830,686)
Total capital assets (net)	6,739,608	15,763,490	46,183,563	5,082,639	-	73,769,300
Total non-current assets	6,889,635	19,338,035	52,116,560	5,232,666	-	83,576,896
Total assets	19,284,185	25,877,077	56,793,204	6,047,049	416,198	108,417,713
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	31,943	41,187	348,119	86,302	-	507,551
Deferred outflows related to pension	498,433	282,818	264,784	152,443	-	1,198,478
Total deferred outflows of resources	530,376	324,005	612,903	238,745	-	1,706,029
LIABILITIES						
Current liabilities payable from non-restricted assets:						
Accounts payable	868,684	147,822	163,500	50,974	58,248	1,289,228
Other payables	110,003	17,230	18,462	14,593	8,658	168,946
Compensated absences	7,058	1,398	3,002	1,247	-	12,704
Total current liabilities payable from non-restricted assets	985,745	166,450	184,964	66,814	66,906	1,470,878
Current liabilities payable from restricted assets:						
Customer deposits	532,346	545,031	-	135,431	-	1,212,808
Revenue bonds payable	52,144	341,554	891,163	135,894	-	1,420,755
Accrued interest payable	2,433	9,551	129,149	6,325	-	147,458
Total current liabilities payable from restricted assets	586,923	896,136	1,020,312	277,650	-	2,781,021
Total current liabilities	1,572,668	1,062,586	1,205,276	344,464	66,906	4,251,899
Non-current liabilities:						
Compensated absences	134,093	26,558	57,030	23,700	-	241,381
Revenue bonds payable	583,623	729,769	37,422,204	1,582,225	-	40,317,821
Net pension liability	1,855,488	1,118,192	1,021,181	564,972	-	4,559,833
Total non-current liabilities	2,573,204	1,874,519	38,500,415	2,170,897	-	45,119,035
Total liabilities	4,145,871	2,937,105	39,705,691	2,515,361	66,906	49,370,934
NET POSITION						
Net investment in capital assets	6,135,784	14,733,354	10,275,322	3,450,822	-	34,595,282
Restricted net position						
Restricted for debt service	167,193	430,454	3,241,424	177,751	-	4,016,822
Restricted for capital improvements - impact fees	-	3,332,247	1,142,952	-	-	4,475,199
Unrestricted	9,365,713	4,767,922	3,040,718	141,860	349,292	17,665,505
Total Net Position	\$ 15,668,690	\$ 23,263,977	\$ 17,700,416	\$ 3,770,433	\$ 349,292	\$ 60,752,808

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, 2016

	Business-type Activities-Enterprise Funds					
	Electric	Water	Wastewater	Gas	Solid Waste	Total
Operating revenues:						
Charges for sales and services	\$ 15,056,727	\$ 4,753,046	\$ 4,141,334	\$ 1,626,527	\$ 772,544	\$ 26,350,178
Connection fees	3,055	151	11,621	156,413	-	171,240
Primary extensions	155,683	70,385	-	1,912	-	227,980
Penalties	119,304	45,471	45,412	14,280	7,572	232,039
Other	417,964	240,878	24,826	35,087	-	718,755
Total operating revenues	15,752,733	5,109,931	4,223,193	1,834,219	780,116	27,700,192
Operating expenses:						
Cost of fuel and water reservation	8,473,302	1,283,301	-	442,175	-	10,198,778
Personnel	2,247,605	1,285,926	1,218,178	706,997	-	5,458,706
Franchise fees	1,324,868	230,769	207,077	74,337	663,111	2,500,162
Administration	1,070,977	705,009	860,288	255,862	34,222	2,926,358
Depreciation	550,841	1,364,120	2,797,028	354,762	-	5,066,751
Other	62,145	15,005	15,569	11,172	1,025	104,916
Total operating expenses	13,729,738	4,884,130	5,098,140	1,845,305	698,358	26,255,671
Operating income (loss)	2,022,995	225,801	(874,947)	(11,086)	81,758	1,444,521
Non-operating revenues (expenses):						
Investment earnings	66,351	36,241	34,860	1,408	557	139,417
Grant income	-	25,952	654,705	54,987	-	735,644
Interest expense	(23,780)	(56,978)	(1,533,797)	(64,717)	-	(1,679,272)
Grant expense	-	(11,207)	-	-	(284)	(11,491)
Bond costs	(8,912)	(10,672)	(131,948)	(24,083)	-	(175,615)
Gain on sale of capital assets	3	-	-	-	-	3
Total non-operating revenues (expenses)	33,662	(16,664)	(976,180)	(32,405)	273	(991,314)
Income (loss) before capital contributions and transfers	2,056,657	209,137	(1,851,127)	(43,491)	82,031	453,207
Capital contributions	292,094	4,131,690	4,301,965	954,575	-	9,680,324
Transfers in	-	199,955	300,000	188,436	-	688,391
Transfers out	(1,490,991)	(565,863)	(210,530)	(10,575)	(32,000)	(2,309,959)
Change in net position	857,760	3,974,919	2,540,308	1,088,945	50,031	8,511,963
Net position - beginning	14,810,930	19,289,058	15,160,108	2,681,488	299,261	52,240,845
Net position - ending	\$ 15,668,690	\$ 23,263,977	\$ 17,700,416	\$ 3,770,433	\$ 349,292	\$ 60,752,808

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, 2016

	Business-type Activities-Enterprise Funds					
	Electric	Water	Wastewater	Gas	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 15,947,700	\$ 5,209,082	\$ 3,858,645	\$ 1,828,780	\$ 783,307	\$ 27,627,514
Payments to suppliers	(11,689,833)	(2,241,718)	(1,044,355)	(757,172)	(693,679)	(16,426,757)
Payments to employees	(2,211,670)	(1,263,961)	(1,186,670)	(690,123)	-	(5,352,424)
Net cash provided by operating activities	2,046,197	1,703,403	1,627,620	381,485	89,628	5,848,333
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	199,955	300,000	188,436	-	688,391
Transfers out	(1,490,991)	(565,863)	(210,530)	(10,575)	(32,000)	(2,309,959)
Grant reimbursement		25,952	-	-	-	25,952
Grant expense	-	(11,207)	-	-	(284)	(11,491)
Net cash provided by (used in) noncapital financing activities	(1,490,991)	(351,163)	89,470	177,861	(32,284)	(1,607,107)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Bond issue costs paid	(8,912)	(10,672)	(131,948)	(24,083)	-	(175,615)
Capital grant reimbursement	-	-	654,705	54,987	-	709,692
Acquisition of capital assets	(254,403)	(807,259)	(885,399)	(332,264)	-	(2,279,325)
Capital Contributions	-	-	236,370	-	-	236,370
Capital Recovery Contributions	-	702,188	880,298	-	-	1,582,486
Proceeds from sale of assets	3	-	-	-	-	3
Revenue bonds and certificates-principal	(45,000)	(300,000)	(780,000)	(125,000)	-	(1,250,000)
Revenue bonds and certificates-interest	(24,880)	(53,821)	(1,607,303)	(67,957)	-	(1,753,961)
Net cash used in capital and related financing activities	(333,192)	(469,564)	(1,633,277)	(494,317)	-	(2,930,350)
CASH FLOWS FROM INVESTING ACTIVITIES						
Net sale (purchase) of investments	(985,402)	244,261	1,007,045	-	-	265,904
Interest earned	66,351	36,241	34,860	1,408	557	139,417
Net cash provided by (used in) investing activities	(919,051)	280,502	1,041,905	1,408	557	405,321
Net increase in cash and cash equivalents	(697,037)	1,163,178	1,125,718	66,437	57,901	1,716,197
Balances - beginning of year	6,343,141	7,948,104	7,636,488	598,292	310,099	22,836,124
Balances - end of year	\$ 5,646,104	\$ 9,111,282	\$ 8,762,206	\$ 664,729	\$ 368,000	\$ 24,552,321
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 2,022,995	\$ 225,801	\$ (874,947)	\$ (11,086)	\$ 81,758	\$ 1,444,521
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation expense	550,841	1,364,120	2,797,028	354,762	-	5,066,751
Changes in assets, liabilities and deferred outflows:						
Accounts payable	(541,683)	77,134	40,494	61,623	4,679	(357,753)
Receivables	163,222	26,474	(364,548)	(60,775)	3,191	(232,436)
Inventory	(184,602)	(12,092)	(1,915)	20,088	-	(178,521)
Prepays	(511)	-	-	-	-	(511)
Deferred outflows	(251,539)	(132,185)	(127,903)	(77,338)	-	(588,965)
Net pension liability	290,827	163,575	153,713	89,004	-	697,119
Compensated absences	(3,353)	(9,424)	5,698	5,207	-	(1,872)
Net cash provided by operating activities	\$ 2,046,197	\$ 1,703,403	\$ 1,627,620	\$ 381,485	\$ 89,628	\$ 5,848,333
Noncash, investing, capital, and financing activities:						
Contribution of capital assets by Developers	\$ 292,094	\$ 3,429,502	\$ 3,185,297	\$ 954,575	\$ -	\$ 7,861,468
GO Refunding Bonds, Series 2016	\$ 638,850	\$ 765,015	\$ 9,459,015	\$ 1,726,450		12,589,330
Revenue bonds and certificates - refunded	\$ (605,000)	\$ (729,620)	\$ (9,466,147)	\$ (1,643,331)		(12,444,098)

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, 2016

	Agency Fund
ASSETS	
Cash and cash equivalents	<u>\$ 1,070</u>
Total assets	<u><u>\$ 1,070</u></u>
 LIABILITIES	
Accounts payable	<u>\$ 1,070</u>
Total liabilities	<u><u>\$ 1,070</u></u>

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

City of Boerne, Texas
Notes to Financial Statements
September 30, 2016

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 of 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 Financial Statements
September 30, 2016

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 \$1,798,000,000 as of October 1, 2015, as certified by the Kendall County Appraisal District.

The City's assessed tax rate approved by the City Council for 2016 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. So 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 Financial Statements
September 30, 2016

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 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.

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.

Additionally, 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.

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.

City of Boerne, Texas
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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 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.

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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 two capital project funds that are used to report the unspent proceeds of a General Obligation bond and Tax Note 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 estimated fair market 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., 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.

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

Assets	Years
Buildings and plant	20
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 2016 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*

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

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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, the non-major Capital projects fund, and the non-major special revenues Hotel/Motel fund.

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

City of Boerne, Texas
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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 2016, the City implemented the following GASB Statements:

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are consistent with the market approach, the cost approach or the income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. Implementation of this statement resulted in additional disclosures related to the City's investments measured at fair value for the year ended September 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The provisions in this statement are effective for the City's fiscal year ending September 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the City's fiscal year ending September 30, 2017. Partial implementation of

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this statement did not have a significant impact on the City for the year ended September 30, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 76 establishes the hierarchy of GAAP for state and local governments. The new standard is effective for periods beginning after June 15, 2015. Implementation of this statement did not have a significant impact on the City for the year ended September 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure all their investments at amortized cost. The new standard is effective for periods beginning after June 15, 2015, except for certain provisions that will be effective for reporting periods beginning after December 15, 2015. Partial implementation of this statement did not have a significant impact on the City for the year ended September 30, 2016.

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 2017.

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

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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.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. Various disclosures are required, and they should be organized by major tax abatement program, and may disclose information for individual tax abatement agreements within those programs. Requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Application of this statement is effective for fiscal year ending September 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain MultipleEmployer Defined Benefit Pension Plans*. GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided by state or local governments through a cost sharing plan that meets the criteria of Statement No. 68 and is not a state or local governmental pension plan. The new standard is effective for periods beginning after December 15, 2015. Application of this statement is effective for the City's fiscal year ending September 30, 2017.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB Statement No. 81 establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary. The new standard is effective for periods beginning after December 15, 2016. Application of this statement is effective for the City's fiscal year ending September 30, 2018.

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

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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, \$13,720,618, differs from net position of governmental activities, \$26,868,640, 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	\$ 84,027,910
Accumulated depreciation	<u>(37,594,430)</u>
	<u>\$ 46,433,480</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	\$(23,285,000)
Bond premium	(1,301,752)
Accrued vacation and sick leave pay	(793,012)
Other postemployment benefits obligation	(479,219)
Net pension liability	<u>(11,253,232)</u>
	<u>\$(37,112,215)</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	\$ 819,262
Deferred outflows of resources related to pensions	<u>2,939,670</u>
	<u>\$ 3,758,932</u>

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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..... \$ 130,049

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. \$ (62,224)

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, \$1,771,579, differs from the change in net position for governmental activities, \$2,149,186, 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	\$ 2,472,434
Expense under capitalization threshold.....	(828,119)
Depreciation expense	<u>(3,391,373)</u>
	<u><u>\$(1,747,058)</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 (9,213)

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 1,631,767

Net effect of miscellaneous transactions involving capital assets \$1,622,554

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Repayment of bond principal and the payment to escrow for refunding of debt are reported as expenditures and other financing uses in governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole however, the principal payments and payment to escrow for refunded debt reduce the liabilities in the statement of net position and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders and payments were made to escrow for refunded debt.

Issuance of General Obligation Refunding debt.....	\$ (8,510,000)
Principal repayment of long-term debt	10,410,000
Amortization of loss on refunding	64,055
Amortization of bond premium	<u>(530,979)</u>
	<u>\$ 1,433,076</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 – sales tax	\$ (486,126)
Change in deferred inflows – property tax.....	<u>61,905</u>
	<u>\$ (424,221)</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	\$ (73,965)
Change in interest expense.....	11,389
Change in net OPEB obligation.....	(169,320)
Change in pension expense.....	<u>(274,848)</u>
	<u>\$ (506,744)</u>

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 budget requires the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed

City of Boerne, Texas
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appropriations) is the department level. The council made several budgetary appropriations throughout the year as follows:

	Original Budget	Budget Increase	Amended Budget
General Fund	\$15,006,917	\$ 1,155,439	\$16,162,356
Park	2,500,566	187,128	2,687,694
Library	1,070,060	274,532	1,344,592
Economic Development	591,005	135,000	726,005
Utility Funds:			
Electric	15,576,247	879,000	16,455,247
Water	5,186,066	25,000	5,211,066
Wastewater	5,448,074	406,000	5,854,074
Solid Waste	746,697	31,500	778,197
Total	\$46,125,632	\$ 3,093,599	\$49,219,231

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, 2016.

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.

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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-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 \$4,563,403 and the bank balance was \$5,235,677. 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, 2016, the City had the following cash, cash equivalents and investments:

	Carrying Amount	Investments Weighted Average Maturity (WAM) days
Cash on hand	\$ 2,571	N/A
Cash in bank	4,563,177	N/A
TexPool	18,947,751	33
Texas Term	82,015	0
Texas Class	5,177,537	11
TexStar	1,992,970	3
Total cash & cash equivalents	30,766,021	
U.S. Agencies	2,749,690	763
Certificates of Deposit	7,725,487	513
Municipal Bonds	250,898	8
Commercial Paper	993,040	200
Total Investments	11,719,115	
Total	\$ 42,485,136	

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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 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, 2016, 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, 2016 were:

<u>U.S. Agency</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Percentage</u>
FFCB	AA+	Standard & Poor's	9%
FHLB	AA+	Standard & Poor's	6%
FNMA	AA+	Standard & Poor's	9%

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.

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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, 2016 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
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The carrying amount of investments and fair value hierarchy at September 30, 2016 is shown below:

	<u>September 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Certificates of Deposit	\$ 5,533,487	\$ -	\$ 5,533,487	\$ -
Commercial Paper	993,040	-	993,040	-
Debt Securities				
Federal Home Loan Bank	751,750	-	751,750	-
Federal National Mortgage Association	1,000,310	-	1,000,310	-
Federal Farm Credit Banks Funding Corporation	997,630	-	997,630	-
Total Debt Securities	<u>2,749,690</u>	<u>-</u>	<u>2,749,690</u>	<u>-</u>
Municipal Bonds				
Port of Corpus Christi TX Auth Taxable	250,898	-	250,898	-
Total Municipal Bonds	<u>250,898</u>	<u>-</u>	<u>250,898</u>	<u>-</u>
Total investments by fair value level:	<u>9,527,115</u>	<u>\$ -</u>	<u>\$ 9,527,115</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Certificates of Deposit	2,192,000			
External Investment Pools				
TexPool	18,947,751			
TexasDAILY	82,015			
Total External Investment Pools	<u>19,029,766</u>			
Total investments measured at amortized cost	<u>21,221,766</u>			
Investments measured at net asset value ("NAV"):				
External Investment Pools				
Tex STAR	1,992,970			
Texas Class	5,177,537			
Total External Investment Pools	<u>7,170,507</u>			
Total investments measured at NAV	<u>7,170,507</u>			
Total	<u>37,919,388</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
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The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Investments measured at NAV:				
Tex STAR	\$ 1,992,970	N/A	Daily	N/A
Texas Class	5,177,537	N/A	Daily	N/A
Total External Investment Pools	<u>7,170,507</u>			
Total investments measured at NAV	<u>7,170,507</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
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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	Nonmajor Funds	Total
Property taxes	\$ 71,592	\$ 27,828	\$ 67,915	\$ 167,335
Sales taxes	1,052,356	-	-	1,052,356
Access line fees	39,884	-	-	39,884
Franchise fees	54,289	-	-	54,289
Miscellaneous	451,765	673	63,769	516,207
Gross receivables	1,669,886	28,501	131,684	1,830,071
Less uncollectibles	(10,739)	(4,174)	(10,187)	(25,100)
Net Total Receivables	<u>\$1,659,147</u>	<u>\$ 24,327</u>	<u>\$121,497</u>	<u>\$1,804,971</u>

Receivables as of year-end for the City's Enterprise funds are as follows:

Receivables:	Electric	Water	Wastewater	Gas	Solid Waste	Total
Interest	\$ 17,471	\$ 567	\$ 546	\$ -	\$ -	\$ 18,584
Accounts	2,037,294	618,724	836,193	207,698	48,198	3,748,107
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>

C. Capital Assets

Capital asset activity for Governmental Activities for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Transfers/ Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,672,383	\$ 161,436	\$ -	\$ 9,833,819
Construction in progress	1,025,812	77,128	(1,025,812)	77,128
Total Capital assets, not being depreciated	<u>10,698,195</u>	<u>238,564</u>	<u>(1,025,812)</u>	<u>9,910,947</u>
Capital assets, being depreciated:				
Buildings and plant	23,004,590	1,316,580	(18,927)	24,302,243
Improvements other than buildings	38,874,682	2,142,071	(348,541)	40,668,212
Machinery and equipment	8,733,942	604,679	(192,113)	9,146,508
Total Capital assets, being depreciated	<u>70,613,214</u>	<u>4,063,330</u>	<u>(559,581)</u>	<u>74,116,963</u>
Less accumulated depreciation for:				
Buildings and plant	(8,520,757)	(1,101,745)	18,927	(9,603,575)
Improvements other than buildings	(19,581,980)	(1,577,166)	344,476	(20,814,670)
Machinery and equipment	(6,650,688)	(712,462)	186,965	(7,176,185)
Total accumulated depreciation	<u>(34,753,425)</u>	<u>(3,391,373)</u>	<u>550,368</u>	<u>(37,594,430)</u>
Total Capital assets, being depreciated, net	<u>35,859,789</u>	<u>671,957</u>	<u>(9,213)</u>	<u>36,522,533</u>
Governmental activities Capital assets, net	<u>\$46,557,984</u>	<u>\$ 910,521</u>	<u>\$ (1,035,025)</u>	<u>\$46,433,480</u>

City of Boerne, Texas
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Capital asset activity for Business-type Activities for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Transfers/ Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,686,158	-	-	\$ 2,686,158
Construction in progress	281,032	983,444	(595,856)	668,620
Total Capital assets not being depreciated	2,967,190	983,444	(595,856)	3,354,778
Capital assets being depreciated:				
Buildings and plant	40,428,414	200,153	-	40,628,567
Improvements other than buildings	58,560,585	9,176,803	-	67,737,388
Machinery and equipment	4,534,090	376,249	(31,086)	4,879,253
Total Capital assets being depreciated	103,523,089	9,753,205	(31,086)	113,245,208
Less accumulated depreciation for:				
Buildings and plant	(9,250,245)	(1,959,277)	-	(11,209,522)
Improvements other than buildings	(25,102,283)	(2,898,718)	-	(28,001,001)
Machinery and equipment	(3,442,493)	(208,756)	31,086	(3,620,163)
Total accumulated depreciation	(37,795,021)	(5,066,751)	31,086	(42,830,686)
Total Capital assets being depreciated, net	65,728,068	4,686,454	-	70,414,522
Business-type activities Capital assets, net	<u>\$68,695,258</u>	<u>\$5,669,898</u>	<u>\$(595,856)</u>	<u>\$73,769,300</u>

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

Governmental activities:

General government	\$ 273,545
Public safety	1,044,650
Highways and streets	1,281,633
Economic development and assistance	7,044
Culture and recreation	<u>784,501</u>
Total depreciation expense – governmental activities	<u>\$ 3,391,373</u>

Business-type activities:

Electric utility	\$ 550,841
Water utility	1,364,120
Wastewater utility	2,797,028
Natural Gas utility	<u>354,762</u>
Total depreciation expense – business-type activities	<u>\$ 5,066,751</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,

City of Boerne, Texas
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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, 2016. The projects include:

2009 G.O. Construction projects
 2012 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. At year-end, the City's commitments to these projects are as follows:

<u>Projects</u>	<u>09 G.O. Bond Projects</u>	
	<u>Spent-to-date</u>	<u>Remaining</u>
Public Safety Center	\$ 289,831	\$ 93,348
Fire Station	2,312,860	-
Park Land/Improve	560,474	-
Park Trails	2,623,953	-
New Library	6,583,718	43,001
Sidewalks	587,204	31,707
	<u>\$ 12,958,040</u>	<u>\$ 168,056</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	-	149,877
	<u>\$ 1,358,287</u>	<u>\$ 149,877</u>

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

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F. Interfund transfers

The composition of interfund transfers as of September 30, 2016, is as follows:

Transfers out:	General Fund	Debt-Service Fund	Non-major Governmental Funds	Water Fund	Wastewater Fund	Gas Fund	Totals
General Fund	\$ -	\$ 52,876	\$ 233,172	-	\$ -	\$ -	\$ 286,048
Non-major Governmental Funds	25,000	-	65,000	-		108,436	198,436
Electric Enterprise Fund	754,863	-	656,128	-		80,000	1,490,991
Water Enterprise Fund	15,863	-	250,000	-	300,000	-	565,863
Wastewater Enterprise Fund	10,575	-	-	199,955		-	210,530
Gas Enterprise Fund	10,575	-	-	-		-	10,575
Solid Waste Fund	32,000	-	-	-	-	-	32,000
Totals	\$ 848,876	\$ 52,876	\$ 1,204,300	\$ 199,955	\$ 300,000	\$ 188,436	\$ 2,794,443

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, 2016, the City made the following one-time transfers:

- \$52,876 from the General fund to Debt-Service for principal and interest due on debt obligations;
- \$59,167 from the General fund to Park fund to assist with park operations;
- \$174,005 from the General fund to Library fund to assist with construction of the amphitheater;
- \$25,000 from the Hotel/Motel/CVB fund to the General fund for the Public Art Project;
- \$65,000 from the Cemetery fund to the Park fund to assist with park operations;
- \$108,436 from the Economic Development fund to the Gas fund for the installation of gas services in a new subdivision;
- \$52,876 from the Electric, Water, Wastewater and Gas funds to the General fund for General Obligation debt service;
- \$739,000 from the Electric fund to the General fund to assist with road construction, traffic signal controls, and surveillance cameras;
- \$406,128 from the Electric fund to the Park fund to assist with Optimist park construction, TAPS grant expenditures, and Nature Center parking improvements;
- \$500,000 from the Electric and Water funds to the Economic Development fund to assist with economic development projects within the City;
- \$199,955 from the Wastewater fund to the Water fund to transfer Construction in Progress expenses;
- \$300,000 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;
- \$32,000 from the Solid Waste fund the General fund to assist with the purchase of a brush loader.

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G. Long-term Debt

Long-term debt activity for the year ended September 30, 2016, was as follows:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Debt	\$23,285,000	\$25,185,000	\$11,435,000	\$ -	\$34,720,000	\$25,185,000
Utility RevenueDebt	-	-	29,210,000	42,695,000	29,210,000	42,695,000
Total	\$23,285,000	\$25,185,000	\$40,645,000	\$42,695,000	\$63,930,000	\$67,880,000

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 June 1, 2016, the City issued \$19,945,000 in General Obligation Refunding Bonds, Series 2016 with interest rates of 2% to 5%. The bonds were issued to refund \$355,000 in General Obligation Bonds, Series 2007, \$8,670,000 in General Obligation Bonds, Series 2009, \$5,890,000 in Utility System Revenue Bonds, Series 2006, \$1,045,000 in Utility System Revenue Refunding Bonds, Series 2009, and \$5,300,000 in Utility System Revenue Bonds, Series 2009. This refunding reduced the total debt service payments for all debt over the next twenty-four years by \$3,701,964. The intent of this refunding was to affect a net present value savings of \$2,871,094 on the refunded issue. Since a portion of these general obligation bonds is being used to refund certain revenue bonds and management of the City intends to pay the related portion from the respective enterprise funds, the proportionate share has been recorded in the respective enterprise fund accordingly.

General obligation debt currently outstanding is as follows:

	Original Amount	Interest Rate %	Balances October 1, 2015	Issued During Year	Retired During Year	Balances Sept. 30, 2016
<u>General Obligation Debt:</u>						
2007 Go Bonds	11,470,000	4.00- 5.25	690,000	-	690,000	-
2009 GO Bonds	10,000,000	3.00 -5.00	9,165,000	-	8,915,000	250,000
2011 GO Refunding Bonds	6,345,000	2.00 -4.00	4,715,000	-	480,000	4,235,000
2012 Tax Notes	1,540,000	0.45 - 1.10	1,055,000	-	250,000	805,000
2014 GO Refunding Bonds	9,560,000	0.50 - 3.20	9,560,000	-	75,000	9,485,000
2016 GO Refunding Bonds	8,510,000	2.00 -5.00	-	8,510,000	-	8,510,000
Total of bonded debt			\$25,185,000	\$8,510,000	\$10,410,000	\$23,285,000

City of Boerne, Texas
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Debt service requirements to maturity for general obligation debt are as follows:

Year Ending September 30,	General Obligation Bonds		Total
	Principal	Interest	
2017	1,435,000	726.589	2,161,589
2018	1,475,000	695.882	2,170,882
2019	1,505,000	664.782	2,169,782
2020	1,255,000	633.119	1,888,119
2021	1,295,000	600.794	1,895,794
2022-2026	7,205,000	2,281,145	9,486,145
2027-2031	7,260,000	996,745	8,256,745
2032-2033	1,855,000	73,900	1,928,900
	<u>\$23,285,000</u>	<u>\$ 6,672,956</u>	<u>\$ 29,957,956</u>
Average annual requirements			\$1,762,283

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 \$29,210,000 in Utility System Revenue and Refunding bonds issued in 2009 and 2010 and \$11,435,000 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.

	Orginal Amount	Interest Rate %	Balances October 1, 2015	Additions During Year	Retired During Year	Balances Sept. 30, 2016
<u>Utility Revenue Bonds:</u>						
2006 Utility system Rev Bonds	\$7,500,000	4.35	\$6,100,000	-	\$6,100,000	-
2009 Utility System Refund Bonds	4,850,000	2.00-5.00	2,110,000	-	1,625,000	485,000
2009 Utility System Revenue Bonds	6,660,000	2.00-5.00	5,690,000	-	5,490,000	200,000
2010 Utility System Revenue Bonds	30,000,000	2.00-5.00	28,795,000	-	270,000	28,525,000
Total of Utility Revenue Bonds			<u>\$42,695,000</u>	<u>-</u>	<u>\$13,485,000</u>	<u>\$29,210,000</u>
<u>General Obligation Bonds:</u>						
2016 General Obligation Refunding Bonds	11,435,000	2.00-5.00	-	11,435,000	-	11,435,000
Total of bonded debt			<u>\$43,895,000</u>	<u>-</u>	<u>\$13,485,000</u>	<u>\$40,645,000</u>

City of Boerne, Texas
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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
2017	\$ 1,360,000	\$ 1,709,825	\$ 3,069,825
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 – 2026	8,590,000	6,752,438	15,342,438
2027 – 2031	7,170,000	5,063,938	12,233,938
2032 – 2036	8,925,000	3,223,131	12,148,131
2037 – 2040	8,750,000	879,206	9,629,206
	<u>\$ 40,645,000</u>	<u>\$ 24,053,938</u>	<u>\$ 64,698,938</u>
Average annual requirements			\$ 2,695,789

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Governmental activities:					
Bonds payable:					
General Obligation bonds	\$24,130,000	\$8,510,000	(\$10,160,000)	\$22,480,000	\$1,175,000
Tax notes	1,055,000	-	(250,000)	805,000	260,000
Bond Premium	770,772	859,060	(328,080)	1,301,752	86,378
Total bonds payable	25,955,772	9,369,060	(10,738,080)	24,586,752	1,521,378
OPEB obligation	309,899	205,345	(36,025)	479,219	-
Compensated absences	719,049	98,444	(24,481)	793,012	400,230
Net pension liability	9,544,832	4,032,880	(2,324,480)	11,253,232	-
Governmental activity long-term liabilities	\$36,529,552	\$13,705,729	(\$13,123,066)	\$37,112,215	\$1,921,608
Business-type activities:					
Bonds payable:					
Revenue bonds	\$42,695,000	\$ -	(\$13,485,000)	\$29,210,000	\$955,000
General Obligation bonds	-	11,435,000	-	11,435,000	405,000
Revenue Bond premium	200,767	-	(200,767)	-	-
GO Bond premium	-	1,154,330	(60,754)	1,093,576	60,755
Total bonds payable	42,895,767	12,589,330	(13,746,521)	41,738,576	1,420,755
Compensated absences	255,958	-	(1,873)	254,085	12,704
Net pension liability	3,862,714	1,645,633	(948,514)	4,559,833	-
Business-type long-term liabilities	\$47,014,439	\$14,234,963	(\$14,696,908)	\$46,552,494	\$1,433,459

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H. Restricted assets

Restricted Asset Balances			
Governmental Activities		Business-type activities	
Capital projects fund	\$ 317,933	Customer deposits	\$ 1,212,808
Permanent Cemetery fund	<u>665,669</u>	Bond covenant accounts	4,016,822
Total restricted assets	<u><u>\$ 983,602</u></u>	Capital contributions	4,475,199
		Bond construction	<u>2,057,007</u>
			<u>\$ 11,761,836</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. 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 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.

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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.

C. 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:

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.

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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.

The City's contributions to the TMRS SDBF for the years ended 2016, 2015, and 2014 were \$18,843, \$17,030, and \$15,866, 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 funding that is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

City of Boerne, Texas
Notes to Financial Statements
September 30, 2016

The annual OPEB cost for the fiscal year ending September 30, 2016 is as follows:

Annual required contribution	\$ 192,949
Interest on net OPEB obligation	12,396
Adjustment to annual required contribution	<u>(12,076)</u>
Annual OPEB cost	193,269
Contributions made	<u>(23,949)</u>
Increase on net OPEB obligation	\$169,320
Net OPEB obligation at beginning of year	<u>309,899</u>
Net OPEB obligation at end of year	<u><u>\$479,219</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, 2016 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, 2014	\$60,766	\$5,168	8.5%	\$263,815
September 30, 2015	\$62,752	\$16,668	26.6%	\$309,899
September 30, 2016	\$193,269	\$23,949	12.4%	\$479,219

Funding Status

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2015 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%	12,545,593	13.02%

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 13.02%.

City of Boerne, Texas
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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
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
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

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.

D. Employee retirement systems and pension plans

Texas Municipal Retirement System (TMRS)

Plan Description - The City participates as one of the 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by 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

City of Boerne, Texas
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September 30, 2016

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.tmr.com.

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

Benefits Provided – TMRS provides retirement, disability, and death benefits to all eligible employees, excluding volunteer firefighters. Members are eligible to retire upon attaining the normal retirement age of 60 and above with 5 or more years of service, or with 20 years of service regardless of age. A member is vested after 5 years, but must leave accumulated contributions in the TMRS plan. If a member withdraws the contributions with interest, the member would not be entitled to the City-financed monetary credits, even if vested.

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 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

City of Boerne, Texas
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September 30, 2016

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 has not met these requirements, so the ad hoc adjustments are not considered automatic for the City.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

<u>Membership as of the Valuation Date</u>	<u>12/31/2015</u>
Number of :	
Active Members	230
Retirees and beneficiaries	70
Inactive members	65
Total	<u>365</u>

Contributions - Under the state law governing TMRS, the employer's contribution rates are annually determined by the actuary using the Entry Age Normal (EAN) actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate is the contribution rate which, if applied to an employee's compensation throughout their period of anticipated covered service with the City, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortized the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as updated service credits and annuity increases. The City's contribution rate cannot exceed a statutory maximum rate, which is based on a combination of the employee contribution rate and the City matching percentage.

City employees 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 2015 and 2016; both rates were adopted by City Council during the annual budget process. The City's contributions to TMRS for fiscal year 2016 were \$3,521,369, with \$953,932 contributed by City employees, and \$2,567,437 contributed by the City. These amounts were equal to required contributions.

City of Boerne, Texas
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September 30, 2016

Net Pension Liability - The City's Net Pension Liability (NPL) was measured as of December 31, 2015 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, 2015 were as follows:

Total Pension Liability	\$	51,817,450
Plan Fiduciary Net Position		<u>36,004,385</u>
Net Pension Liability	\$	<u>15,813,065</u>
Plan fiduciary net position as a percentage of the total pension		69.48%

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

Inflation	2.50%
Overall payroll growth	3.00%
Investment rate of return	6.75%

Salary increases were based on a service-related table. The investment rate of return is net of pension plan investment expense, and includes inflation. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar adjustment, with male rates multiplied by 109.0% and female rates multiplied by 103.0%. 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 Table with Blue Collar Adjustment is used with a set forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, 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, first used in the December 31, 2015 valuation. 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 method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7.0% to 6.75%. 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.

City of Boerne, Texas
Notes to Financial Statements
September 30, 2016

The long-term expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). This single discount rate of 6.75% was used to measure the TPL as of December 31, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. Based on the stated assumptions and projections of cash flows, the City's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the TPL for the City. The projection of cash flows used to determine the single discount rate for the City assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the City will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	<u>100.0%</u>	

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

City of Boerne, Texas
Notes to Financial Statements
September 30, 2016

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	\$ 23,907,066	\$ 15,813,065	\$ 9,213,569

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.

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, 2015. The table below presents the components used to calculate the NPL for the current reporting period.

Changes in the Net Pension Liability	
Total Pension Liability	
Service Cost	\$ 2,224,334
Interest (on the TPL)	3,351,716
Difference between expected and actual experience	30,940
Changes of assumptions	39,494
Benefit payments, including refunds of employee contributions	(1,197,037)
Net change in TPL	\$ 4,449,447
Total pension liability - beginning	47,368,003
Total pension liability - ending	<u>\$ 51,817,450</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 2,344,680
Contributions - employee	878,191
Net investment income	50,123
Benefit payments, including refunds of employee contributions	(1,197,037)
Administrative Expense	(30,522)
Other	(1,508)
Net change in plan fiduciary net position	\$ 2,043,928
Plan fiduciary net position - beginning	33,960,457
Plan fiduciary net position - ending	<u>\$ 36,004,385</u>
Net Pension Liability	<u>\$ 15,813,065</u>

City of Boerne, Texas
Notes to Financial Statements
September 30, 2016

Pension Expense - For the year ended September 30, 2016, based on the actuarial valuation of December 31, 2015, the City recognized pension expense of \$2,931,597.

Schedule of Pension Expense	
Total Service Cost	\$2,224,334
Interest on the Total Pension Liability	3,351,716
Current Period Benefit Changes	-
Employee Contributions (Reduction of Expense)	(878,191)
Projected Earnings on Plan Investments (Reduction of Expense)	(2,377,232)
Administrative Expense	30,522
Other Changes in Fiduciary Net Position	1,508
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	11,127
Recognition of Current Year Outflow (Inflow) of Resources-Assets	465,422
Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	24,452
Amortization of Prior Year Outflows (Inflows) of Resources-Assets	77,939
Total Pension Expense	<u>\$2,931,597</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2016, 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	\$ 134,981	\$ -
Changes of assumptions	33,255	-
Net difference in projected and actual earnings on pension plan investments	2,095,503	-
Contributions made subsequent to the measurement date	1,874,409	-
Total	<u>\$ 4,138,148</u>	<u>-</u>

City of Boerne, Texas
Notes to Financial Statements
September 30, 2016

\$1,874,409 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, 2016. Other amounts reported as deferred outflows and inflows of resources, by year, will be recognized in pension expense as follows:

	Net Deferred Outflows (Inflows) of Resources
2016	\$ 578,940
2017	578,940
2018	578,940
2019	501,000
2020	22,248
Thereafter	3,672
Total	<u>\$ 2,263,740</u>

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.

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, 2016

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Ad valorem taxes (including interest and penalties)	\$ 2,356,495	\$ 2,356,495	\$ 2,388,394	\$ 31,899
Sales tax	6,017,935	6,353,735	6,601,935	248,200
Franchise fees	2,311,978	2,311,978	2,454,521	142,543
Licenses and permits	645,000	665,000	940,051	275,051
Fines	282,600	282,600	367,768	85,168
Rents	73,500	73,500	15,331	(58,169)
Grants	50,000	173,236	156,191	(17,045)
Contributions & donations	2,075,160	2,075,160	1,972,540	(102,620)
Miscellaneous	71,000	71,000	514,552	443,552
Interest earned	15,000	15,000	83,538	68,538
Total revenues	13,898,668	14,377,704	15,494,821	1,117,117
Expenditures:				
Current:				
Administration	2,057,668	2,224,668	2,118,685	105,983
Streets	1,616,183	1,616,183	1,471,268	144,915
Law enforcement	4,256,963	4,265,098	4,154,269	110,829
Municipal court	304,748	304,748	286,290	18,458
Animal control	221,443	216,043	198,713	17,330
Facilities and Emergency Operations	840,998	857,998	705,942	152,056
Planning/ Code enforcement	831,941	860,291	851,578	8,713
Convention/community center	158,505	158,505	90,342	68,163
Communications	1,034,063	1,034,063	974,938	59,125
Information Technology	780,777	780,777	726,405	54,372
Fire department	1,632,199	1,632,199	1,585,082	47,117
Capital outlay	936,277	1,876,631	1,608,899	267,732
Total expenditures	14,671,765	15,827,204	14,772,411	1,054,793
Excess(Deficiency) of revenues over(under) expenditures	(773,097)	(1,449,500)	722,410	2,171,910
Other financing sources (uses):				
Transfers from other funds	405,786	955,786	848,876	(106,910)
Transfers to other funds	(335,152)	(335,152)	(286,048)	49,104
Sale of capital assets	10,000	10,000	44,131	34,131
Total other financing sources (uses)	80,634	630,634	606,959	(23,675)
Excess(Deficiency) of revenues and other sources (uses), over(under) expenditures	(692,463)	(818,866)	1,329,369	2,148,235
Fund balance at October 1, 2015	7,871,626	7,871,626	7,871,626	-
Fund balance at September 30, 2016	\$ 7,179,163	\$ 7,052,760	\$ 9,200,995	\$ 2,148,235

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, 2016

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Pension Liability		
Service Cost	\$ 2,224,334	\$ 1,919,644
Interest	3,351,716	3,064,431
Differences Between Expected and Actual Experience	30,940	157,833
Changes of assumptions	39,494	-
Benefit Payments, including refunds of employee contributions	<u>(1,197,037)</u>	<u>(1,183,335)</u>
Net Change in Total Pension Liability	\$ 4,449,447	\$ 3,958,573
Total Pension Liability - Beginning	<u>47,368,003</u>	<u>43,409,430</u>
Total Pension Liability - Ending (a)	<u><u>\$ 51,817,450</u></u>	<u><u>\$ 47,368,003</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 2,344,680	\$ 2,120,885
Contributions - Employee	878,191	794,715
Net Investment Income	50,123	1,745,475
Benefit Payments, including Refunds of Employee Contributions	(1,197,037)	(1,183,335)
Administrative Expense	(30,522)	(18,218)
Other	<u>(1,508)</u>	<u>(1,498)</u>
Net Change in Plan Fiduciary Net Position	\$ 2,043,928	\$ 3,458,024
Plan Fiduciary Net Position - Beginning	<u>33,960,457</u>	<u>30,502,433</u>
Plan Fiduciary Net Position - Ending (b)*	<u><u>\$ 36,004,385</u></u>	<u><u>\$ 33,960,457</u></u>
City's Net Pension Liability - Ending (a) - (b)	\$ 15,813,065	\$ 13,407,546
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.48%	71.69%
Covered Employee Payroll	\$ 12,545,593	\$ 11,353,077
City's Net Pension Liability as a Percentage of Covered Employee Payroll	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, 2016

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

Notes to Schedule of Contributions

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

30 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

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%	12,545,593	13.02%

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

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.

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, 2016

	HOTEL- MOTEL/CVB FUND		PARK FUND		SPECIAL REVENUE		ECONOMIC DEVL FUND		TOTAL		CAPITAL PROJECTS		PERMANENT FUND		TOTAL NONMAJOR GOVERNMENTAL FUNDS	
ASSETS																
Cash and cash equivalents	\$ 320,221	\$ 1,123,429	\$ 375,680	\$ 415,077	\$ 2,234,407								\$ 156,534	\$ 2,390,941		
Receivables	50,651	46,680	19,103	5,063	121,497								-	121,497		
Prepaid items	-	-	-	-	-								330	330		
Restricted cash and cash equivalents	-	-	-	-	-								665,669	983,602		
Total assets	\$ 370,872	\$ 1,170,109	\$ 394,783	\$ 420,140	\$ 2,355,904								\$ 822,533	\$ 3,496,370		
LIABILITIES																
Accounts payable	\$ 8,007	\$ 50,397	\$ 10,908	\$ 43,330	\$ 112,642								\$ 115	\$ 112,757		
Other payables	4,890	32,072	14,147	-	51,109								-	51,109		
Deferred revenue	-	35,316	17,466	-	52,782								-	52,782		
Total liabilities	\$ 12,897	\$ 117,785	\$ 42,521	\$ 43,330	\$ 216,533								\$ 115	\$ 216,648		
FUND BALANCES																
Nonspendable:																
Permanent-Cemetery	\$ -	\$ -	\$ -	\$ -	\$ -								\$ 665,999	\$ 665,999		
Restricted:																
Hotel/Motel -Tourism	357,975	-	-	-	357,975								-	357,975		
Capital Projects:																
Public Safety Center	-	-	-	-	-								-	-		
Sidewalks	-	-	-	-	-								-	-		
Library	-	-	-	-	-								-	-		
Public Safety	-	-	-	-	-								-	-		
Assigned:																
Parks & recreation	-	1,052,324	-	-	1,052,324								-	1,052,324		
Library	-	-	352,262	-	352,262								-	352,262		
Economic Development	-	-	-	376,810	376,810								-	376,810		
Cemetery	-	-	-	-	-								156,419	156,419		
Total fund balances	\$ 357,975	\$ 1,052,324	\$ 352,262	\$ 376,810	\$ 2,139,371								\$ 822,418	\$ 3,279,722		
Total liabilities and fund balances	\$ 370,872	\$ 1,170,109	\$ 394,783	\$ 420,140	\$ 2,355,904								\$ 822,533	\$ 3,496,370		

City of Boerne, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	SPECIAL REVENUE			CAPITAL PROJECTS		PERMANENT FUND CEMETERY	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	HOTEL-MOTEL/CVB	PARK	LIBRARY	2009 G.O.	2012 TAX NOTE		
REVENUES							
Ad valorem taxes	\$ -	\$ 1,446,943	\$ 762,672	\$ -	\$ -	\$ -	\$ 2,209,615
Hotel-Motel taxes	546,239	-	-	-	-	-	546,239
Special revenues	-	630,100	41,454	-	-	152,565	824,119
Grants	-	-	1,892	-	-	-	1,892
Contributions	-	7,366	334,104	-	-	-	341,470
Other	4,230	64,674	(160)	-	-	31,238	99,982
Interest	428	5,847	2,408	444	366	3,129	14,518
Total revenues	550,897	2,154,730	1,142,370	444	366	186,932	4,037,835
EXPENDITURES							
Current:							
Public Safety	-	-	-	-	-	67,192	67,192
Culture and recreation	-	1,964,904	1,104,489	-	-	-	3,069,393
Economic development	485,757	-	-	-	-	-	1,003,922
Capital outlay:							
Public Safety	-	-	-	-	17,600	-	17,600
Culture and recreation	-	610,188	225,037	-	-	-	835,225
Economic development	1,090	-	-	-	-	-	10,710
Total expenditures	486,847	2,575,092	1,329,526	-	17,600	67,192	5,004,042
Excess (Deficiency) of revenues over/ (under) expenditures	64,050	(420,362)	(187,156)	444	(17,234)	119,740	(966,207)
OTHER FINANCING SOURCES (USES)							
Transfers in:							
General fund	-	59,167	174,005	-	-	-	233,172
Cemetery fund	-	65,000	-	-	-	-	65,000
Electric fund	-	406,128	-	-	-	-	656,128
Water fund	-	-	-	-	-	-	250,000
Transfers out:							
General fund	(25,000)	-	-	-	-	-	(25,000)
Parks fund	-	-	-	-	-	(65,000)	(65,000)
Gas fund	-	-	-	-	-	-	(108,436)
Sale of Assets	-	697	89	-	-	-	786
Total other financing sources and (uses)	(25,000)	530,992	174,094	-	-	(65,000)	1,006,650
Net change in fund balances	39,050	110,630	(13,062)	444	(17,234)	54,740	40,443
Fund balances - beginning	318,925	941,694	365,324	167,612	167,111	767,678	3,239,279
Fund balances - ending	\$ 357,975	\$ 1,052,324	\$ 352,262	\$ 168,056	\$ 149,877	\$ 822,418	\$ 3,279,722

City of Boerne, Texas
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Year Ended September 30, 2016

	FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES			
Ad valorem taxes	\$ 1,964,962	\$ 2,056,306	\$ 91,344
Interest	500	3,650	3,150
Total revenues	<u>1,965,462</u>	<u>2,059,956</u>	<u>94,494</u>
EXPENDITURES			
Debt service:			
Principal	1,385,000	1,385,000	-
Interest	864,359	710,846	153,513
Paying agent fees	3,500	1,881	1,619
Bond issuance costs	-	119,965	(119,965)
Total expenditures	<u>2,252,859</u>	<u>2,217,692</u>	<u>35,167</u>
Excess/(Deficiency) of revenues over/(under) expenditures	<u>(287,397)</u>	<u>(157,736)</u>	<u>129,661</u>
OTHER FINANCING SOURCES			
Transfers in	184,397	52,876	(131,521)
Refunding bonds issued	-	8,510,000	8,510,000
Payments to escrow agent	-	(9,403,885)	(9,403,885)
Premium on Refunding debt	-	859,060	859,060
Total other financing sources	<u>184,397</u>	<u>18,051</u>	<u>(166,346)</u>
Net change in fund balances	(103,000)	(139,685)	(36,685)
Fund balances - beginning	838,134	838,134	-
Fund balances - ending	<u><u>\$ 735,134</u></u>	<u><u>\$ 698,449</u></u>	<u><u>\$ (36,685)</u></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, 2016

	FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES			
Hotel-motel taxes	\$ 510,000	\$ 544,680	\$ 34,680
Penalties	1,000	1,559	559
Miscellaneous Revenues	500	4,230	3,730
Interest on investments	100	428	328
Total revenues	<u>511,600</u>	<u>550,897</u>	<u>39,297</u>
EXPENDITURES			
Current:			
Economic development	497,074	485,757	11,317
Capital outlay:			
Economic development	1,100	1,090	10
Total expenditures	<u>498,174</u>	<u>486,847</u>	<u>11,327</u>
Excess/(Deficiency) of revenues over/ (under) expenditures	<u>13,426</u>	<u>64,050</u>	<u>50,624</u>
OTHER FINANCING (USES)			
Transfers out	(25,000)	(25,000)	-
Total other financing (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balances	(11,574)	39,050	50,624
Fund balances - beginning	318,925	318,925	-
Fund balances - ending	<u>\$ 307,351</u>	<u>\$ 357,975</u>	<u>\$ 50,624</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, 2016

	FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES			
Ad valorem taxes	\$ 1,446,453	\$ 1,446,943	\$ 490
Special revenues	576,500	630,100	53,600
Contributions	2,500	7,366	4,866
Other	54,000	64,674	10,674
Interest	1,500	5,647	4,147
Total revenues	<u>2,080,953</u>	<u>2,154,730</u>	<u>73,777</u>
EXPENDITURES			
Current:			
Culture and recreation	2,073,266	1,964,904	108,362
Capital outlay:			
Culture and recreation	614,428	610,188	4,240
Total expenditures	<u>2,687,694</u>	<u>2,575,092</u>	<u>112,602</u>
Excess/(Deficiency) of revenues over (under) expenditures	<u>(606,741)</u>	<u>(420,362)</u>	<u>186,379</u>
OTHER FINANCING SOURCES			
Transfers in	537,128	530,295	(6,833)
Sale of Capital Assets	-	697	697
Total Other Financing Sources	<u>537,128</u>	<u>530,992</u>	<u>(6,136)</u>
Net change in fund balances	(69,613)	110,630	180,243
Fund balances - beginning	941,694	941,694	-
Fund balances - ending	<u>\$ 872,081</u>	<u>\$ 1,052,324</u>	<u>\$ 180,243</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, 2016

	FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES			
Ad valorem taxes	\$ 746,207	\$ 762,672	\$ 16,465
Special revenues	39,000	41,454	2,454
Grants	-	1,892	1,892
Contributions	329,781	334,104	4,323
Other	2,500	(160)	(2,660)
Interest on investments	800	2,408	1,608
Total revenues	<u>1,118,288</u>	<u>1,142,370</u>	<u>24,082</u>
EXPENDITURES			
Current:			
Culture and recreation	1,115,183	1,104,489	10,694
Capital outlay:			
Culture and recreation	229,409	225,037	4,372
Total expenditures	<u>1,344,592</u>	<u>1,329,526</u>	<u>15,066</u>
Excess/(Deficiency) of revenues over (under) expenditures	<u>(226,304)</u>	<u>(187,156)</u>	<u>39,148</u>
OTHER FINANCING SOURCES			
Transfers in	174,005	174,005	-
Transfers out	-	-	-
Sale of Assets	-	89	89
Total Other Financing Sources	<u>174,005</u>	<u>174,094</u>	<u>89</u>
Net change in fund balances	(52,299)	(13,062)	39,237
Fund balances - beginning	365,324	365,324	-
Fund balances - ending	<u>\$ 313,025</u>	<u>\$ 352,262</u>	<u>\$ 39,237</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, 2016

	FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES			
Interest on investments	\$ 250	\$ 2,096	\$ 1,846
Total revenues	<u>250</u>	<u>2,096</u>	<u>1,846</u>
EXPENDITURES			
Current:			
Economic development	607,569	518,165	89,404
Capital outlay:			
Economic development	<u>10,000</u>	<u>9,620</u>	<u>380</u>
Total expenditures	<u>617,569</u>	<u>527,785</u>	<u>89,784</u>
Excess/(Deficiency) of revenues over/ (under) expenditures	<u>(617,319)</u>	<u>(525,689)</u>	<u>91,630</u>
OTHER FINANCING (USES)			
Transfers in	590,755	500,000	(90,755)
Transfers out	<u>(108,436)</u>	<u>(108,436)</u>	<u>-</u>
Total other financing (uses)	<u>482,319</u>	<u>391,564</u>	<u>(90,755)</u>
Net change in fund balances	(135,000)	(134,125)	875
Fund balances - beginning	510,935	510,935	-
Fund balances - ending	<u><u>\$ 375,935</u></u>	<u><u>\$ 376,810</u></u>	<u><u>\$ 875</u></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, 2016

	Prior Years	Current Year	Total to Date
REVENUES			
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	26,274	444	26,718
Total revenues	<u>11,523,975</u>	<u>444</u>	<u>11,524,419</u>
EXPENDITURES			
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>(1,434,066)</u>	<u>444</u>	<u>(1,433,622)</u>
OTHER FINANCING SOURCES (USES)			
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>\$ 167,612</u>	<u>444</u>	<u>\$ 168,056</u>
Fund balances - beginning		167,612	
Fund balances - ending		<u>\$ 168,056</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, 2016

	Prior Years	Current Year	Total to Date
REVENUES			
Tax Notes proceeds	\$ 1,540,000	\$ -	\$ 1,540,000
Interest on investments	738	366	1,104
Total revenues	<u>1,540,738</u>	<u>366</u>	<u>1,541,104</u>
 EXPENDITURES			
Bond Issuance costs	15,340	-	15,340
Capital outlay:			
Highways and Streets	178,942	-	178,942
Public Safety	649,833	17,600	667,433
Total expenditures	<u>844,115</u>	<u>17,600</u>	<u>861,715</u>
 Excess of revenues over expenditures	696,623	(17,234)	679,389
 Other Financing uses:			
Transfers out	<u>(529,512)</u>	<u>-</u>	<u>(529,512)</u>
 Net change in fund balances	<u>\$ 167,111</u>	(17,234)	<u>\$ 149,877</u>
 Fund balances - beginning		167,111	
Fund balances - ending		<u>\$ 149,877</u>	

City of Boerne, Texas
Cemetery Permanent Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Year Ended September 30, 2016

	FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES:			
Special revenues			
Lot sales	\$ 120,000	\$ 143,615	\$ 23,615
Urn Garden sales	5,000	8,950	3,950
Other - Endowment revenue	20,200	31,238	11,038
Endowment interest	500	1,732	1,232
Interest	500	1,397	897
Total revenues	<u>146,200</u>	<u>186,932</u>	<u>40,732</u>
EXPENDITURES:			
Personnel	55,225	48,009	7,216
Supplies	3,000	1,523	1,477
General	1,000	688	312
Maintenance	3,650	1,982	1,668
Contractual	22,555	14,990	7,565
Capital outlay	25,500	-	25,500
Total expenditures	<u>110,930</u>	<u>67,192</u>	<u>43,738</u>
Excess/(Deficiency) of revenues over/ (under) expenditures	<u>35,270</u>	<u>119,740</u>	<u>84,470</u>
OTHER FINANCING (USES)			
Transfers out	(65,000)	(65,000)	-
Total other financing (uses)	<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>
Net change in fund balances	(29,730)	54,740	84,470
Fund balances - beginning	767,678	767,678	-
Fund balances - ending	<u>\$ 737,948</u>	<u>\$ 822,418</u>	<u>\$ 84,470</u>

City of Boerne, Texas
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended September 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and cash equivalents	\$ 853	\$ 4,213	\$ (3,996)	\$ 1,070
Total Assets	<u>\$ 853</u>	<u>\$ 4,213</u>	<u>\$ (3,996)</u>	<u>\$ 1,070</u>
Liabilities:				
Accounts payable	\$ 853	\$ 4,061	\$ (3,844)	\$ 1,070
Total Liabilities	<u>\$ 853</u>	<u>\$ 4,061</u>	<u>\$ (3,844)</u>	<u>\$ 1,070</u>



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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.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	109
Revenue Capacity 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.	115
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	122
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	127
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	129

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)

	2007	2008	2009	2010	2011	2012	2013 *	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 13,869,142	\$ 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
Restricted	1,055,492	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
Unrestricted	5,232,395	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
Total governmental activities net position	\$ 20,157,029	\$ 23,025,314	\$ 24,019,047	\$ 27,739,474	\$ 26,434,169	\$ 27,742,711	\$ 26,868,561	\$ 30,252,542	\$ 24,719,454	\$ 26,868,640
Business-type activities										
Net investment in capital assets	\$ 24,431,090	\$ 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
Restricted	1,404,804	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
Unrestricted	6,702,365	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
Total business-type activities net position	\$ 32,538,259	\$ 38,000,901	\$ 41,026,616	\$ 43,843,603	\$ 45,138,470	\$ 48,514,258	\$ 48,639,415	\$ 52,893,573	\$ 52,240,845	\$ 60,752,808
Primary government										
Net investment in capital assets	\$ 38,300,232	\$ 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
Restricted	2,460,296	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
Unrestricted	11,934,760	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
Total primary government net position	\$ 52,695,288	\$ 61,026,215	\$ 65,045,663	\$ 71,583,077	\$ 71,572,639	\$ 76,256,969	\$ 75,507,976	\$ 83,146,115	\$ 76,960,299	\$ 87,621,448

* Restated for the implementation of GASB 65

City of Boerne, Texas
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 2,678,132	\$ 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
Public safety	4,503,790	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
Highways & streets	1,602,576	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
Economic Development and assistance	251,445	279,057	375,069	406,730	396,847	409,890	436,306	761,734	915,793	1,025,169
Culture & recreation	1,850,645	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
Interest on long term debt	231,234	987,906	900,390	1,320,546	1,293,803	1,121,400	1,131,656	1,104,084	805,586	699,457
Total governmental activities expenses	\$11,117,822	\$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
Business-type activities:										
Electric	\$10,240,412	\$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
Water	2,397,117	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
Wastewater	1,709,502	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
Gas	1,640,516	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
Solid Waste	381,482	444,013	486,104	498,007	536,432	568,090	586,371	598,292	700,442	698,642
Total business-type activities expenses	16,369,029	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
Total primary government expenses	\$27,486,851	\$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
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,187,301	\$ 765,420	\$ 520,576	\$ 526,149	\$ 533,006	\$ 537,833	\$ 554,101	\$ 591,838	\$ 660,461	\$ 638,974
Public safety	1,828,392	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
Highways & streets	1,113,795	1,208,548	1,424,739	1,436,637	1,507,087	1,503,413	1,594,537	1,767,766	1,975,617	1,837,502
Culture & recreation	629,094	487,010	483,361	463,942	527,594	489,884	498,018	542,087	570,145	679,724
Total charges for services	4,758,582	4,420,524	4,164,831	4,236,214	4,349,882	4,432,512	4,784,643	5,491,240	5,573,111	6,062,952
Operating grants and contributions	-	164,904	460,728	461,943	523,219	587,686	579,134	599,513	677,415	828,004
Capital grants and contributions	1,272,209	1,959,145	196,322	3,978,553	347,907	252,050	534,403	5,781,669	2,096,374	1,854,325
Total governmental activities program revenues	\$ 6,030,791	\$ 6,544,573	\$ 4,821,881	\$ 8,676,710	\$ 5,221,008	\$ 5,272,248	\$ 5,898,180	\$ 11,872,422	\$ 8,346,900	\$ 8,745,281
Business-type activities:										
Charges for services:										
Electric	\$10,785,574	\$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
Water	2,368,181	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
Wastewater	1,568,758	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
Gas	1,465,137	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
Solid Waste	434,375	475,735	513,080	526,885	549,714	583,393	624,917	647,758	700,792	780,116
Total charges for services	16,622,025	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
Operating grants and contributions	-	4,612	-	62,611	95,550	212,916	23,537	28,959	57,365	25,952
Capital grants and contributions	3,216,124	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
Total business-type activities program revenues	19,838,149	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
Total primary government program revenues	\$25,868,940	\$31,613,704	\$28,352,431	\$33,286,776	\$30,018,056	\$32,418,063	\$31,032,416	\$43,973,629	\$41,678,562	\$46,861,441
Net (expense)/revenue										
Governmental activities	\$ (5,087,031)	\$ (5,916,956)	\$ (8,547,996)	\$ (6,317,000)	\$ (11,620,315)	\$ (11,346,308)	\$ (12,656,981)	\$ (9,285,813)	\$ (13,218,730)	\$ (14,104,415)
Business-type activities	3,469,120	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
Total primary government net expense	\$ (1,617,911)	\$ (971,107)	\$ (5,652,147)	\$ (3,516,439)	\$ (10,245,307)	\$ (7,882,064)	\$ (11,785,277)	\$ (4,530,989)	\$ (8,112,849)	\$ (4,110,304)

City of Boerne, Texas
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 3,021,235	\$ 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
Sales taxes	3,831,390	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
Other taxes	319,351	346,290	356,673	377,530	379,218	420,617	468,556	498,886	553,729	546,239
Unrestricted Grants and contributions	255,452	-	-	-	-	-	-	-	-	-
Investment earnings	358,582	225,597	93,482	24,553	11,443	6,112	17,378	29,965	34,758	83,538
Miscellaneous	148,071	247,055	124,427	204,279	104,244	2,272,313	158,036	243,969	433,187	628,775
Transfers	50,000	52,876	52,876	52,876	152,876	151,261	450,816	552,876	2,610,209	1,621,568
Total governmental activities	\$ 7,984,081	\$ 8,785,241	\$ 9,541,729	\$ 10,037,427	\$ 10,315,010	\$ 12,654,850	\$ 11,954,401	\$ 12,669,794	\$ 15,753,325	\$ 16,253,601
Business-type activities:										
Investment earnings	\$ 936,543	\$ 569,669	\$ 182,742	\$ 69,302	\$ 72,735	\$ 51,865	\$ 45,063	\$ 52,210	\$ 97,999	\$ 139,417
Miscellaneous	-	-	-	-	-	10,940	22,097	-	18,526	3
Transfers	(50,000)	(52,876)	(52,876)	(52,876)	(152,876)	(151,261)	(450,816)	(552,876)	(2,610,209)	(1,621,568)
Total business-type activities	886,543	516,793	129,866	16,426	(80,141)	(88,456)	(383,656)	(500,666)	(2,493,684)	(1,482,148)
Total primary government	\$ 8,870,624	\$ 9,302,034	\$ 9,671,595	\$ 10,053,853	\$ 10,234,869	\$ 12,566,394	\$ 11,570,745	\$ 12,169,128	\$ 13,259,641	\$ 14,771,453
Change in Net Position										
Governmental activities	\$ 2,897,050	\$ 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
Business-type activities	4,355,663	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
Total primary government	\$ 7,252,713	\$ 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

City of Boerne, Texas
General Government Tax Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Ad Valorem Tax	Sales Tax	Franchise Tax	Total
2007	3,021,235	3,831,390	1,430,770	8,283,395
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

City of Boerne, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Restricted	-	-	-	-	-	\$ 154,143	\$ 233,957	\$ 181,694	\$ 215,226	\$ 232,981
Nonspendable	-	-	-	-	-	-	-	1,550,000	4,578	-
Unassigned	4,976,203	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
Total general fund	\$ 4,976,203	\$ 5,548,186	\$ 5,762,758	\$ 5,416,495	\$ 4,742,104	\$ 6,091,886	\$ 7,097,666	\$ 7,368,557	\$ 7,871,626	\$ 9,742,447
All other governmental funds										
Restricted	\$ 11,709,231	\$ 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
Assigned	408,809	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
Nonspendable	530,817	561,294	504,380	545,176	608,629	634,857	675,859	741,419	767,678	665,999
Total all other governmental funds	\$ 12,648,857	\$ 12,661,347	\$ 8,246,392	\$ 11,986,232	\$ 5,809,238	\$ 3,853,843	\$ 4,445,220	\$ 4,590,872	\$ 4,077,413	\$ 3,978,171

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Ad valorem taxes	\$ 3,021,235	\$ 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
Sales tax	3,831,390	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
Hotel-Motel tax	319,351	346,290	356,673	377,530	379,218	420,617	468,556	498,886	553,729	546,239
Library, parks & swimming revenues	295,434	375,370	435,973	447,425	520,690	545,724	575,268	635,317	669,848	824,119
Franchise fees	1,430,770	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
Licenses & permits	577,948	471,065	276,536	333,791	404,746	451,526	526,713	934,541	698,757	940,051
Fines	338,196	352,402	315,780	374,193	334,505	287,541	347,142	316,436	238,562	367,768
Rents	119,330	124,651	132,811	130,542	107,419	72,854	61,020	62,147	66,376	15,331
Grants	1,058,694	63,476	119,107	350,981	53,364	9,093	105,094	32,647	149,877	158,083
Contributions & donations	1,165,166	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
Miscellaneous	124,448	230,159	115,670	185,382	104,244	306,170	146,263	276,474	422,679	614,534
Interest earned	387,078	626,984	237,738	56,981	24,054	12,341	17,378	29,964	38,772	101,706
Total revenues	\$ 12,669,040	\$ 13,460,769	\$ 13,830,721	\$ 15,852,294	\$ 14,953,495	\$ 15,563,146	\$ 16,933,620	\$ 18,311,695	\$ 19,952,298	\$ 22,134,064
Expenditures:										
General government	\$ 2,434,201	\$ 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
Public safety	3,962,619	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
Highways & streets	926,341	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
Economic development and assistance	250,219	279,057	375,069	394,149	393,428	405,257	422,791	757,666	904,553	1,003,922
Culture & recreation	1,406,399	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
Capital outlay	6,610,963	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
Debt service										
Principal	805,000	800,000	885,000	650,000	715,000	950,000	965,000	1,235,000	1,270,000	1,385,000
Interest and fees	166,327	1,006,115	907,726	1,551,892	1,293,047	1,163,324	1,134,572	1,108,328	824,765	712,727
Bond issuance costs	-	-	-	-	-	-	15,340	-	213,022	119,965
Total expenditures	\$ 16,562,069	\$ 12,946,068	\$ 18,092,737	\$ 22,815,779	\$ 21,974,519	\$ 18,509,760	\$ 17,330,423	\$ 18,448,028	\$ 22,590,492	\$ 21,994,145
Excess of revenues over(under) expenditures	\$ (3,893,029)	\$ 514,701	\$ (4,262,016)	\$ (6,963,485)	\$ (7,021,024)	\$ (2,946,614)	\$ (396,803)	\$ (136,333)	\$ (2,638,194)	\$ 139,919
Other financing sources (uses):										
Issuance and refunding of Bonds/Notes - net	\$ 16,131,926	\$ -	\$ -	\$ 10,285,289	\$ -	\$ 40,714	\$ 1,540,000	\$ -	\$ (37,751)	\$ (34,825)
Transfers from other funds	298,265	701,385	374,231	329,138	1,485,164	501,767	1,353,597	885,694	3,688,578	2,106,052
Transfers to other funds	(248,265)	(648,509)	(321,355)	(276,262)	(1,332,288)	(348,891)	(902,781)	(332,818)	(1,078,369)	(484,484)
Sale of capital assets	23,623	16,896	8,757	18,897	16,763	2,147,411	18,484	-	55,346	44,917
Total other financing sources (uses)	\$ 16,181,926	\$ 52,876	\$ 52,876	\$ 10,338,165	\$ 169,639	\$ 2,341,001	\$ 2,009,300	\$ 552,876	\$ 2,627,804	\$ 1,631,660
Net change in fund balances	\$ 12,288,897	\$ 567,577	\$ (4,209,140)	\$ 3,374,680	\$ (6,851,385)	\$ (605,613)	\$ 1,612,497	\$ 416,543	\$ (10,390)	\$ 1,771,579
Debt service as a percentage of non-capital expenditures	9.54%	16.26%	14.75%	19.73%	14.64%	14.33%	13.60%	13.37%	11.79%	10.31%

**City of Boerne, Texas
General Fund Tax Revenues by Source
Last Ten Fiscal Years**

Fiscal Year	Ad Valorem Taxes	City Sales Tax	Franchise Tax	Total
2007	900,009	3,831,390	1,430,770	6,162,169
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

Note: The above figures are for the General Fund.

City of Boerne, Texas
Business-type Activities - Electric Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Residential Sales	Commercial Sales	Total				Connection fees	Other	Total Revenues
			Electric Sales	Primary Extensions	Penalties				
2007	3,809,328	6,294,991	10,104,319	399,006	104,331		2,143	175,775	10,785,574
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

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:		Taxable Assessed Value	Direct Tax Rate (1)	Actual Taxable Value	Percentage of Assessed to Actual Value (2)
	Residential Assessed Value	Commercial Assessed Value		Tax Exempt Real Property					
2007	493,632,512	269,087,685	65,082,640	151,736,960	676,065,877	0.4422	676,065,877	100.00	
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	

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	City of Boerne				Overlapping Rates								Total Direct & Overlapping Rates
					School District				County				
	Debt		Total		Debt		Total		Debt		Total		
	Operating Rate	Service Rate	City Rate		Operating Rate	Service Rate	School Rate		Operating Rate	Service Rate	County Rate		
2007	0.3007	0.1415	0.4422		1.3300	0.2900	1.6200		0.3443	0.0257	0.3700		2.4322
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

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

**City of Boerne, Texas
Principal Property Taxpayers
Current Year and Nine Years Ago**

<u>Taxpayer</u>	2016			2007		
	Taxable	Rank	Percentage of	Taxable	Rank	Percentage of
	Assessed		Total Taxable	Assessed		Total Taxable
	Value		Assessed	Value		Assessed
	Value		Value	Value		Value
H.E.B. Grocery Co.	\$ 17,866,650	1	1.3%	\$ 3,985,820	9	0.59%
Wal-Mart Real Estate Business, TR	17,170,510	2	1.2%	14,966,750	1	2.21%
Heller Property LP	15,028,750	3	1.1%	10,555,710	2	1.56%
VBM Acquisition LLC	13,243,470	4	0.9%			
Jet Specialty Inc	11,071,310	5	0.8%			
Carrington Place I & 11, LP	9,905,750	6	0.7%	5,032,040	4	0.74%
Home Depot	9,686,000	7	0.7%	9,012,440	3	1.33%
Lanpar Holding LP	7,693,650	8	0.5%			
Cambridge-Boerne Partners, LP	7,274,360	9	0.5%			
Starplex	7,164,070	10	0.5%			
Jennings Anderson Ford Sales LTD	-		-	4,300,720	6	0.64%
Cibolo Sisters Enterprises LTD	-		-	4,828,500	5	0.71%
The Vistas of Boerne, LTD	-		-	4,160,070	8	0.62%
Cusick Consulting LTD	-		-	3,412,060	10	0.51%
10/SLR Land Co. LTD	-		-	4,240,460	7	0.63%
	<u><u>\$ 116,104,520</u></u>		<u><u>8.1%</u></u>	<u><u>\$ 64,494,570</u></u>		<u><u>9.54%</u></u>

Source: Kendall Appraisal District

City of Boerne, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended September 30	Tax Roll Year	Total Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
			Current Taxes Collected	Percent of Levy		Total Tax Collections	Percentage of Levy
2007	2006	2,985,270	2,933,757	98.3%	49,853	2,983,610	99.9%
2008	2007	3,708,084	3,668,742	98.9%	37,480	3,706,222	99.9%
2009	2008	4,431,905	4,346,628	98.1%	83,879	4,430,507	100.0%
2010	2009	4,753,703	4,662,552	98.1%	86,986	4,749,538	99.9%
2011	2010	4,756,326	4,705,125	98.9%	45,386	4,750,511	99.9%
2012	2011	4,975,957	4,915,337	98.8%	61,519	4,976,856	100.0%
2013	2012	5,510,736	5,429,178	98.5%	82,591	5,511,769	100.0%
2014	2013	5,839,322	5,759,708	98.6%	76,999	5,836,707	100.0%
2015	2014	6,181,080	6,131,966	99.2%	29,860	6,161,826	99.7%
2016	2015	6,622,585	6,549,283	98.9%	-	6,549,283	98.9%

Source: Kendall Appraisal District

City of Boerne, Texas
Principal Electric Utility Customers by Sales
Current Year and Nine Years Ago

<u>Utility Customer</u>	2016			2007		
	Electric Sales		Percentage of Total Electric Sales Revenues	Electric Sales		Percentage of Total Electric Sales Revenues
	Revenue	Rank		Revenue	Rank	
Boerne Independent School District	\$ 1,122,223	1	7.57%	\$ 509,197	1	5.04%
City of Boerne	785,045	2	5.30%			
Wal-Mart	614,746	3	4.15%	450,173	2	4.46%
Morningside Ministries	573,372	4	3.87%	276,911	4	2.74%
H.E. Butt Supermarket	500,190	5	3.38%	355,153	3	3.51%
The Home Depot	242,003	6	1.63%	228,776	5	2.26%
Healthcare Reit Inc	183,949	7	1.24%			
Kendall County Auditor	158,805	8	1.07%	85,355	9	0.84%
St. Peters Catholic Church	101,917	9	0.69%			
Methodist Boerne Medical Ctr	99,642	10	0.67%			
First Baptist Church				104,362	7	1.03%
Alamo Fiesta RV Resort				100,694	8	1.00%
Benefit Planners	-	-	-	148,446	6	1.47%
Kendall Inn Hotel Partners	-	-	-	82,765	10	0.82%
	<u>\$ 4,381,892</u>		<u>29.58%</u>	<u>\$ 2,341,832</u>		<u>23.18%</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)			
2007	14,535,000	5,795,000	560,000	13,370,000	-	34,260,000	6.9%	3,585.18
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

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 127 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

Fiscal Year Ended September 30,	Gross Bonded Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita(2)
2007	20,890,000	249,975	20,640,025	3.05%	2,159.90
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	37,115,328	698,449	36,416,879	2.55%	2,530.36

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 117 for property value data.
- (2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 127.

City of Boerne, Texas
Direct and Overlapping Governmental Activities Debt
September 30, 2016

		<u>Net Debt</u>	<u>Percentage Applicable to City (1)</u>	<u>City's Share of Debt</u>
Kendall County	(1) \$	11,535,000	32.04%	\$ 36,954
Boerne Ind. School District	(1)	258,276,765	25.99%	671,300
Total overlapping debt				<u>708,254</u>
City of Boerne	(1)	37,115,328	100.00%	<u>37,115,328</u>
Total direct and overlapping debt				<u><u>\$ 37,823,582</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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$67,606,588	\$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
Total net debt applicable to limit	20,640,025	19,836,111	18,810,667	27,791,862	27,052,871	26,069,119	26,642,772	25,358,270	25,117,638	36,416,879
Legal debt margin	\$46,966,563	\$62,063,554	\$80,431,838	\$80,514,187	\$80,809,829	\$83,679,921	\$97,250,456	\$101,363,112	\$108,827,275	\$106,487,891
Total net debt applicable to the limit as a percentage of debt limit	30.53%	24.22%	18.95%	25.66%	25.08%	23.75%	21.50%	20.01%	18.75%	25.48%

Legal Debt Margin Calculation for Fiscal Year 2016

Total assessed value	\$1,429,047,699
Debt limit (10% of total assessed value)	142,904,770
Debt applicable to limit:	
General bonded debt	37,115,328
Less: Amount set aside for repayment of general bonded debt	698,449
Total net debt applicable to limit	36,416,879
Legal debt margin	<u>\$ 106,487,891</u>

Note:

The Constitution of Texas in Article 11, Section 5, limits the maximum amount that a home rule city can tax to \$2.50 per \$100 of valuation.

The Attorney General of Texas has created a rule for the guidance of home rule cities which states that bonds outstanding under this constitutional provision shall be on the basis of no greater than \$1.50 per \$100 of assessed valuation.

City of Boerne, Texas
Pledged Revenue Coverage
Last Ten Fiscal Years

Utility	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Electric:</u>										
Revenues	\$ 10,970,496	\$ 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
Less: Operating Expenses	(9,856,284)	(12,321,471)	(12,136,454)	(11,964,106)	(12,450,289)	(12,132,292)	(11,698,252)	(13,546,962)	(13,794,036)	(13,178,897)
Net Available Revenue	\$ 1,114,212	\$ 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
<u>Water:</u>										
Revenues	\$ 2,576,020	\$ 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
Less: Operating Expenses	(1,976,087)	(2,445,934)	(2,862,068)	(2,760,467)	(2,947,661)	(2,846,182)	(2,925,133)	(3,167,299)	(3,347,857)	(3,520,010)
Net Available Revenue	\$ 599,933	\$ 689,637	\$ 532,191	\$ 607,072	\$ 1,260,256	\$ 1,229,343	\$ 1,358,444	\$ 1,288,989	\$ 1,331,251	\$ 1,626,162
<u>Wastewater:</u>										
Revenues	\$ 1,944,945	\$ 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
Less: Operating Expenses	(1,084,586)	(1,222,499)	(1,403,009)	(1,432,880)	(1,498,255)	(1,525,010)	(1,572,710)	(1,753,726)	(1,999,875)	(2,301,112)
Net Available Revenue	\$ 860,359	\$ 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
<u>Natural Gas:</u>										
Revenues	\$ 1,622,887	\$ 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
Less: Operating Expenses	(1,347,104)	(1,541,040)	(1,490,342)	(1,816,636)	(1,467,841)	(1,321,356)	(1,330,473)	(1,647,996)	(1,550,053)	(1,809,543)
Net Available Revenue	\$ 275,783	\$ 220,138	\$ 50,833	\$ 51,700	\$ 247,259	\$ 202,866	\$ 183,801	\$ 427,578	\$ 446,054	\$ 26,084
Total Utility Systems Revenues	\$ 17,114,348	\$ 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
Less: Total Utility Systems Operating Expenses	(14,264,061)	(17,530,944)	(17,891,873)	(17,974,089)	(18,364,046)	(17,824,840)	(17,526,568)	(20,115,983)	(20,691,820)	(20,809,562)
Total Utility Systems Net Revenue Available	\$ 2,850,287	\$ 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
Annual Debt Service	\$ 1,019,949	\$ 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
Coverage	2.79	3.06	3.45	3.67	1.68	2.08	1.99	1.98	2.62	2.32

*Note: Excludes depreciation and amortization

**City of Boerne, Texas
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population(1)	Median Household Income(2)	Persons Per Household(1)	School Enrollment (3)	Unemployment Rate(4)
2007	9,556	51,879	2.62	6,188	3.8
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

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**

<u>Employer</u>	2016			2007		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Principal Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Principal Employment</u>
Boerne Independent School District	1,014	1	33.85%	933	1	34.94%
H E Butt Grocery Store	351	2	11.72%	250	4	9.36%
Mission Pharmacal	247	3	8.24%	285	3	10.67%
Albany Engineered Composites	228	4	7.61%	167	7	
Kendall County	252	5	8.41%	180	6	6.74%
City of Boerne	232	6	7.74%	186	5	6.97%
WalMart Stores	217	7	7.24%	325	2	12.17%
Toyota of Boerne	199	8	6.64%			
Mercedes Benz of Boerne	129	9	4.31%			
The Home Depot	127	10	4.24%	127	8	4.76%
Jennings Anderson Ford				115	9	4.31%
Town & Country Manor Nursing Home				102	10	3.82%

Source: City of Boerne Study

City of Boerne, Texas
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	25	27	27	18	20	20	21	22	20	21
Public Safety:										
Police	32	33	35	35	34	35	34	36	35	41
Animal Control	3	3	3	3	3	3	3	3	3	3
Municipal Court	3	3	3	3	3	3	3	3	3	3
Emergency & Risk	5	5	5	5	6	7	8	8	8	7
Code Enforcement	4	4	4	8	7	7	7	9	10	11
Communications	12	12	12	12	12	12	13	13	13	12
Fire	5	7	7	13	11	12	12	13	14	16
Highways & Streets	16	18	18	18	18	18	18	18	15	18
Culture & Recreation	33	36	38	39	39	40	37	37	38	38
Cemetery	1	1	1	1	1	1	1	1	1	1
Electric	21	21	21	21	20	20	20	21	20	23
Water	13	16	18	14	13	13	15	15	15	16
Sewer	10	11	13	14	13	13	13	13	16	15
Gas	3	3	3	8	6	6	6	6	6	7
Total	186	200	208	212	206	210	211	218	217	232

Source: City of Boerne

City of Boerne, Texas
Operating Indicators by Function
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical Arrests	417	531	459	309	333	362	373	490	479	578
Parking Violations	95	84	32	38	27	32	11	70	20	104
Traffic Violations	3,374	4,014	3,110	2427	2,498	1,943	2,583	1,986	1,326	2,481
Fire										
Number of calls (In City)	251	249	228	295	372	348	271	317	444	472
Inspections	473	1234	1191	1804	1586	1457	2102	1277	1870	2302
Code Enforcement										
Permits issued	2249	1900	1019	1247	1664	1699	1909	2002	2135	2305
Highways & streets										
Streets resurfaced(miles)	1.00	2.00	2.00	5.9	2.9	3	4	2.72	1	2.9
Other street repairs (hours)	16,827	17,835	17,095	10,072	16,006	16,558	16,839	17,412	285	1,466
Culture & recreation										
Athletic field revenues	\$54,389	\$ 49,581	\$ 31,141	\$ 33,811	\$ 28,333	\$ 25,910	\$ 22,647	\$27,881	\$44,923	\$42,669
Community Center events	696	743	624	574	442	432	371	297	303	142
Electric										
New connections	138	272	49	71	80	102	75	88	128	75
Average daily consumptions (kilowatt hours)	309,762	323,077	326,890	342,077	354,182	347,317	339,886	362,390	366,009	360,960
Water										
New connections	321	267	103	127	112	168	167	172	254	248
Average daily consumptions (thousands of gallons)	102,792	137,850	140,354	125,796	168,722	161,389	163,363	156,933	158,559	177,771
Wastewater										
New connections	280	284	100	113	90	145	148	138	131	246
Average daily treatment (thousands of gallons)	86,332	90,382	100,205	99,069	107,293	107,217	101,182	113,884	115,372	119,015
Reclaimed water										
New connections										88
Average daily treatment (thousands of gallons)										17,970
Natural Gas										
New connections	23	123	59	58	58	54	68	78	138	128
Average daily consumptions (thousands of cubic feet)	323	320	319	455	402	397	386	483	475	424

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	13	12	14	14	15	15	15	15	16	18
Fire:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire Trucks	6	8	8	8	8	8	8	9	9	9
Highways & streets										
Streets (miles)	46.02	49.25	49.25	52.7	52.7	52.7	55.4	59	60	63
Streetlights	500	550	550	559	613	613	613	658	666	686
Culture & recreation										
Parks	11	11	12	12	12	12	12	12	12	12
Parks acreage	311.6	361.6	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	1
Electric										
Number of distribution stations	2	2	2	2	2	2	2	2	2	2
Capacity sold (mega-watt hours)	113.0	117.9	119.3	124.9	129.3	126.8	124.1	132.3	133.6	131.8
Water										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Capacity produced (thousands of gallons)	487,316	631,614	600,138	553,636	752,281	676,762	691,667	676,100	678,456	743,454
Wastewater										
Treatment plants	1	1	1	1	1	1	2	2	2	2
Capacity treated (thousands of gallons)	497,579	329,892	314,498	479,507	340,377	361,646	364,256	374,001	529,526	558,906
Natural Gas										
Gas mains (miles)	44.6	50.43	54.65	55.23	55.23	54.35	56.65	57	58	61.21
Capacity sold (thousands of cubic feet)	117,883	116,779	116,383	165,970	146,786	145,038	140,711	176,464	173,413	154,594

Sources: Various City of Boerne departments.

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



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