

# City of Boerne, Texas

Report to the Members of the City Council  
March 3, 2017





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March 3, 2017

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

Attention: Members of the City Council

We are pleased to present this report related to our audit of the basic financial statements of the City of Boerne, Texas (the City) as of and for the year ended September 30, 2016. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the City of Boerne, Texas.

*RSM US LLP*

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## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the audit of the basic financial statements, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	<p>Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated October 11, 2016. Our audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.</p>
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	<p>We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.</p>
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. Following is a description of significant accounting policies that were implemented during the year.</p> <p>During the year ended September 30, 2016, the City adopted the Governmental Accounting Standards Board (GASB) Statement No. 72, <i>Fair Value Measurement and Application</i>, and GASB Statement No. 79, <i>Certain External Investment Pools and Pool Participants</i>. Due to the nature of the investments held by the City, the adoption of GASB Statement No. 72 and GASB Statement No. 79 resulted in additional footnote disclosures. There was no effect on previously reported net position or fund balance.</p> <p><b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management's Judgments and Accounting Estimates</b> Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
<b>Audit Adjustments</b>	<p>Audit adjustments proposed by us and recorded by the City are shown in the attached Summary of Recorded Audit Adjustments.</p>

Area	Comments
<b>Uncorrected Misstatements</b>	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the City's basic financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed or were the subject of correspondence with management, other than the significant issue arising from the audit related to revenue recognition in the governmental funds in regards to the availability period.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Letter Communicating Significant Deficiencies in Internal Control Over Financial Reporting</b>	We have separately communicated the significant deficiencies in internal control over financial reporting identified during our audit of the financial statements, and this communication is attached as Exhibit A.
<b>Significant Written Communications Between Management and Our Firm</b>	A copy of significant written communications between our firm and the management of the City, including the representation letter provided to us by management, is attached as Exhibit B.
<b>Other Information in Documents Containing Audited Financial Statements</b>	In connection with the City's comprehensive annual financial report containing our independent auditor's report, we did not perform any procedures or corroborate other information included in the comprehensive annual financial report. However, we read the City's comprehensive annual financial report and considered whether the information or the manner in which it was presented was materially inconsistent with information or the manner of presentation of the financial statements.

## Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses its knowledge and experience about past and current events, and certain assumptions about future events. Management may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's September 30, 2016, basic financial statements.

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Depreciable Life of Capital Assets</b>	The depreciable useful life of capital assets is set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed into service and involves assumptions on the estimated useful life.	We scanned the estimated useful lives assigned to asset categories with in-service assets. We believe the estimates and process used by the City are reasonable.
<b>Fair Value of Investments</b>	The City records its investments at estimated fair value, except for external investment pools and certificates of deposit that are recorded at amortized cost or net asset value, as applicable.	The fair value of investment securities is provided by investment advisors, who value the securities using computerized valuation formulas to arrive at an estimated market value.	We tested the proprietary of information underlying management's estimates, including obtaining an independent price verification with a specialist. Based on our procedures, we concluded that management's approach and the estimates are reasonable.
<b>Allowance for Doubtful Accounts</b>	The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings.	The allowance for doubtful accounts is evaluated based on historical experience and specifically identified questionable receivables.	We compared the accounts receivable aging ledger by aging category to the prior year and believe the City measures the allowance balance consistent with its own accounts receivable collection pattern.

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Other Post-Employment Benefits Actuarial Assumptions</b>	An asset or liability is reported for the difference between annual required contributions and the contributions paid by the City.	The City relies on the actuarially computed Other Post-Employment Benefit Obligation based on data provided by the City and estimated discount rate and other historical and general market data. Management reviews the actuarial results and assumptions.	We analyzed the City's methodology, obtained the actuarial calculation reports and believe the estimates are reasonable.
<b>Compensated Absences</b>	Accumulated unpaid compensated absences are accrued when incurred, except in the governmental funds, where the expense is recognized when matured.	A schedule is maintained by employee that includes the number of hours accrued and the employees' rate per hour. This is updated monthly to accurately reflect the liability.	We analyzed the City's schedule and noted payroll taxes associated with compensated absences are not accrued at year end. However, as these amounts are immaterial at both the government wide and enterprise fund level, we concluded that the estimates are reasonable.
<b>Net Pension Liability</b>	The City participates in a joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). The City records its liability associated with the TMRS Plan along with the corresponding deferred inflows and outflows.	TMRS engages the services of a certified actuary to compute the liability based on key assumptions including mortality rates, discount rates and inflation rates. TMRS and the City review the actuarial results.	We analyzed the City's process, tested the underlying participant data, obtained the actuarial report and had an internal actuarial specialist review the significant assumptions and conclusions. We concluded that the estimates are reasonable.

## Summary of Recorded Audit Adjustments

Number	Date	Name	Account No.	Debit	Credit
PBC1	9/30/2016	ACCOUNTS PAYABLE	01-2200 GF01		\$ (81,048)
PBC1	9/30/2016	ACCOUNTS PAYABLE	02-2200 SRF01		(1,697)
PBC1	9/30/2016	ACCOUNTS PAYABLE	03-2200 SRF02		(11,696)
PBC1	9/30/2016	ACCOUNTS PAYABLE	04-2200 SRF03		(5,183)
PBC1	9/30/2016	ACCOUNTS PAYABLE	51-2200 ENT02		(15,651)
PBC1	9/30/2016	ACCOUNTS PAYABLE	52-2200 ENT03		(10,391)
PBC1	9/30/2016	ACCOUNTS PAYABLE	53-2200 ENT04		(9,895)
PBC1	9/30/2016	ACCOUNTS PAYABLE	54-2200 ENT05		(6,153)
PBC1	9/30/2016	GROUP INSURANCE CONTR.	62-501-107 PF01		(330)
PBC1	9/30/2016	PREPAIDS	62-1151 PF01	\$ 330	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	01-501-107 GF01	8,350	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	01-502-107 GF01	11,154	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	01-504-107 GF01	26,900	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	01-505-107 GF01	2,009	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	01-506-107 GF01	1,672	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	01-507-107 GF01	3,710	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	01-508-107 GF01	6,961	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	01-509-107 GF01	487	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	01-511-107 GF01	6,467	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	01-512-107 GF01	3,043	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	01-513-107 GF01	10,295	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	02-501-107 SRF01	1,697	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	03-501-107 SRF02	11,696	
PBC1	9/30/2016	GROUP INSURANCE CONTR.	04-501-107 SRF03	5,183	
PBC1	9/30/2016	INSURANCE—LIFE,HEALTH,DEN.	51-501-107 ENT02	15,317	
PBC1	9/30/2016	INSURANCE ADMIN FEE	51-501-516 ENT02	334	
PBC1	9/30/2016	INSURANCE—LIFE,HEALTH,DEN.	52-501-107 ENT03	10,391	
PBC1	9/30/2016	INSURANCE—LIFE,HEALTH,DEN.	53-501-107 ENT04	9,895	
PBC1	9/30/2016	INSURANCE—LIFE,HEALTH,DEN.	54-501-107 ENT05	6,153	
<i>PBC entry—accrue TML invoice.</i>				142,044	(142,044)
PBC2	9/30/2016	ACCRUED VACATION	53-2250 ENT04	47,463	
PBC2	9/30/2016	SALARIES—OPERATIONS	53-501-102 ENT04		(47,463)
<i>PBC entry—true-up vacation accrual.</i>				47,463	(47,463)
AJE1	9/30/2016	CONST. IN PROGRESS	54-1015 ENT05	4,368	
AJE1	9/30/2016	ACCOUNTS PAYABLE	54-2200 ENT05		(4,368)
AJE1	9/30/2016	GRANT REVENUE	54-41251 ENT05		(4,368)
AJE1	9/30/2016	MISCELLANEOUS RECEIVABLE	54-1125-3 ENT05	4,368	
<i>Record retainage for work completed at end of year.</i>				8,736	(8,736)



Number	Date	Name	Account No.	Debit	Credit
AJE2	9/30/2016	ACCOUNTS PAYABLE	53-2200 ENT04		\$ (32,062)
AJE2	9/30/2016	GRANT REVENUE—TXSTAR	53-41251 ENT04		(25,112)
AJE2	9/30/2016	CONST. IN PROG.—TXSTAR GRANT	53-1016-D ENT04	\$ 32,062	
AJE2	9/30/2016	MISCELLANEOUS RECEIVABLE	53-1125-3 ENT04	25,112	
<i>Record retainage for work completed at end of year.</i>				57,174	(57,174)
AJE3	9/30/2016	CONST. IN PROG.—TXSTAR GRANT	53-1016-D ENT04		(30,913)
AJE3	9/30/2016	SYS. MAINT.—COLLECTION	53-501-403 ENT04	30,913	
<i>Reclass item in CIP to expenditure as nature of the item excluded it from capitalization.</i>				30,913	(30,913)
AJE4	9/30/2016	CLAIM ON POOLED CASH	53-1100 ENT04	50,619	
AJE4	9/30/2016	CONST IN PROGRESS	54-1015 ENT05	50,619	
AJE4	9/30/2016	CLAIM ON POOLED CASH	54-1100 ENT05		(50,619)
AJE4	9/30/2016	CONST. IN PROG.—TX STAR GRANT	53-1016-D ENT04		(50,619)
<i>Reclass Sewer CIP items out of the Gas Fund.</i>				101,238	(101,238)
AJE5	9/30/2016	GRANT REVENUE—CHAPMAN	53-41250 ENT04		(101,135)
AJE5	9/30/2016	GRANT REVENUE—TEXAS STAR	53-41251 ENT04		(224,350)
AJE5	9/30/2016	GRANT REVENUE	54-41251 ENT05		(50,619)
AJE5	9/30/2016	MISCELLANEOUS RECEIVABLE	53-1125-3 ENT04	224,350	
AJE5	9/30/2016	MISCELLANEOUS RECEIVABLE	53-1125-3 ENT04	101,135	
AJE5	9/30/2016	MISCELLANEOUS RECEIVABLE	54-1125-3 ENT05	50,619	
<i>Record revenue and receivables for TxStar and Chapman grants related to expenditures in the current fiscal year.</i>				376,104	(376,104)
AJE6	9/30/2016	DEFERRED REVENUE	01-2231 GF01	541,452	
AJE6	9/30/2016	CITY SALES AND USE TAX	01-40200 GF01		(541,452)
<i>To accrue for sales taxes collected within 60 days of year end.</i>				541,452	(541,452)
				\$ 1,305,124	\$ (1,305,124)

## Summary of Uncorrected Misstatements

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial position, results of operations, cash flows and related basic financial statement disclosures. Following is a summary of those differences.

General Fund	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Net Position	Revenue	Expense
Description:					
Reclass deferred inflow for unavailable sales tax revenue to revenue.	\$ -	\$ -	\$ (486,126)	\$ 486,126	\$ -

Sewer	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Fund Balance	Revenue	Expense
Description:					
Recognize grant revenue related to 2015 expenses in the appropriate fiscal year.	\$ -	\$ -	\$ (48,700)	\$ 48,700	\$ -

Business Type Activities	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Fund Balance	Revenue	Expense
Description:					
Recognize grant revenue related to 2015 expenses in the appropriate fiscal year.	\$ -	\$ -	\$ (48,700)	\$ 48,700	\$ -

**Exhibit A—Letter Communicating Significant Deficiencies in  
Internal Control Over Financial Reporting**



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March 3, 2017

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

In planning and performing our audit of the basic financial statements of the City of Boerne, Texas (the City) as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America (GAAP), we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the City's internal control to be significant deficiencies.

### Revenue Recognition

**Observation:** Management of the City is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP. This includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

As a result of audit procedures performed over financial reporting, we noted revenue accounts which required an adjustment to properly reflect the account balance. An adjusting entry was required in the amount of \$376,104 in order to recognize federal revenue related to grant expenditures incurred during the year. One other adjusting entry was made which related to an item reported as unavailable revenue in the amount of \$541,452, but should have been recorded as revenue since it was collected within 60 days

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of year end. A similar amount was reported as unavailable revenue in the prior year in the amount of \$486,126, which resulted in an understatement of revenues and fund balance. Due to the amount not being material to the financial statements, the correction was run through the current year. The City's policy is to consider revenues to be available if they are collected within 60 days of the end of the current fiscal period.

**Recommendation:** We recommend management develop a control procedure that requires a periodic reconciliation of the City's current grant log to the financial statements. Since the measurable and available criteria related to revenue recognition is mainly a consideration at year-end, we recommend management review all revenue collections 60 days subsequent to year end and determine proper accounting and reporting of such amounts.

**Management's response:** Management has reviewed the grant revenue accounting and reporting requirements, as well as the measurable and available criteria for revenue recognition, and will consider going forward. The measurable and available accounting criteria was discussed in prior years by management with the previous audit firm, and it was determined it was adequately presented. However, the availability criteria was not fully understood and considered in such discussions. Management has also reviewed the recommendation and has implemented it accordingly.

#### **Schedule of Expenditures of Federal Awards**

**Observation:** Management is responsible for the preparation of the Schedule of Expenditures of Federal Awards (the SEFA) and for determining if the City is subject to a single audit (compliance audit).

The scope of our original engagement included the performance of a single audit so as to satisfy the audit requirements imposed by the Single Audit Act and Subpart F of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Subsequent to commencement of the single audit, we noted the SEFA included \$77,128 of nonfederal expenditures related to local match costs. This adjustment reduced federal expenditures reported in the SEFA to below \$750,000, which resulted in a single audit not being required. A single audit is required when federal expenditures equal or exceed \$750,000.

**Recommendation:** We recommend management develop a reconciliation procedure between federal revenues and expenditures reported in the basic financial statements and federal expenditures reported in the SEFA, which will allow for the timely identification of differences that need to be adjusted.

**Management's response:** Management has reviewed the local match criteria and now has a better understanding and will not report such costs in the SEFA in the future. Management has also reviewed the recommendation and has implemented it accordingly.

This communication is intended solely for the information and use of management, members of the City Council, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*RSM VS LLP*

**Exhibit B—Significant Written Communications Between  
Management and Our Firm**



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

March 3, 2017

RSM US LLP  
100 NE Loop 410, Suite 1100  
San Antonio, Texas 78216

This representation letter is provided in connection with your audit 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 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of March 3, 2017:

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated October 11, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. We have determined it will not be misleading to the users of the financial statements to correct an error in the previously issued financial statements in relation to revenue recognition for sales taxes under GASB Statement No. 33. In that regard:
  - a. The error was corrected through an adjusting journal entry to revenue during the current fiscal year.
  - b. We were not aware of the error when the previously issued financial statements were originally issued.
  - c. We are not aware of any other errors in those financial statements.
9. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders, that is not disclosed in the financial statements.
10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
11. We have informed you of all uncorrected misstatements in the financial statements.

As of and for the year ended September 30, 2016, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the opinion units of the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.



General Fund	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Net Position	Revenue	Expense
Description:					
Reclass deferred inflow for unavailable sales tax revenue to revenue	\$ -	\$ -	\$ (486,126)	\$ 486,126	\$ -

Sewer	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Fund Balance	Revenue	Expense
Description:					
Recognize grant revenue related to 2015 expenses in the appropriate fiscal year	\$ -	\$ -	\$ (48,700)	\$ 48,700	\$ -

Business Type Activities	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Fund Balance	Revenue	Expense
Description:					
Recognize grant revenue related to 2015 expenses in the appropriate fiscal year	\$ -	\$ -	\$ (48,700)	\$ 48,700	\$ -

#### Information Provided

12. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
  - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:
  - a. Management.

- b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements received in communications from employees, former employees, analysts, regulators, or others.
17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
18. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
19. We have disclosed to you the identity of the City's related parties and all the related-party relationships and transactions of which we are aware.
20. We have informed you of all significant deficiencies in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize and report financial data. We are aware of no material weaknesses in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize and report financial data.
21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

**Supplementary Information**

22. With respect to supplementary information presented in relation to the financial statements as a whole:
- a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
23. With respect to 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 presented as required by Governmental Accounting Standards Board to supplement the basic financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.

- c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon
24. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

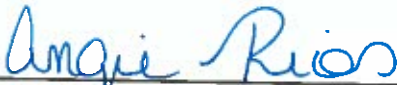
City of Boerne, Texas



Ron Bowman,  
City Manager



Sandra Mattick,  
Finance Director



Angie Rios,  
Assistant Finance Director

