

CITY OF BULVERDE, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2016**



CITY OF BULVERDE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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CITY OF BULVERDE
PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

WILLIAM KRAWIETZ

CITY COUNCIL

ROBERT W. HURST

YVONNE L. CHAPMAN

GENE HARTMAN

KIRK HARRISON

RAY JEFFREY

DAVID PAYNE

CITY MANAGER

DANNY BATTS

ATTORNEY

DAVIDSON, TROILO, REAM & GARZA

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

SHAREHOLDERS:
Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of Bulverde

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the major fund, and the aggregate remaining fund information of City of Bulverde, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Bulverde's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, the business-type activities, and the aggregate remaining fund information of City of Bulverde, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of changes – net pension liability and related ratios as referred to in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Bulverde's basic financial statements as a whole. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements are the responsibility of management and were 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.



Armstrong, Vaughan & Associates, P.C.

January 6, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Bulverde's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2016. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

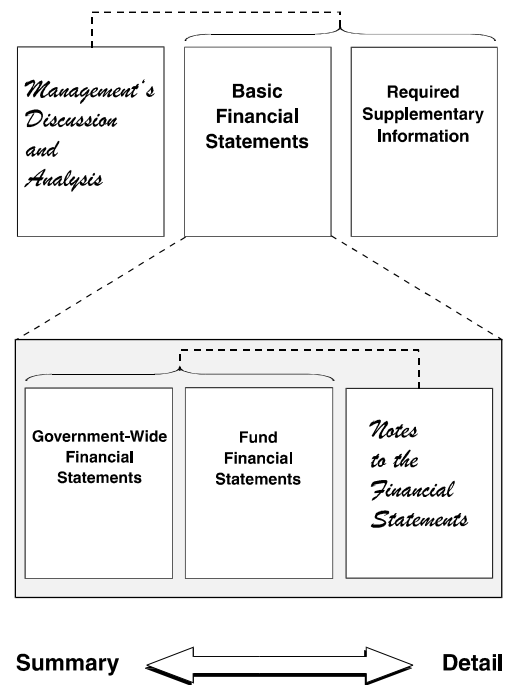
- The City's net position was \$17.7 million at September 30, 2016.
- During the year, the City's governmental expenses were \$360,927 less than the \$3.7 million generated in general and program revenues for governmental funds. The total cost of the City's program expenses increased 20.7% from last year.
- The general fund reported a fund balance this year of \$3.3 million, an increase of 3.4%.
- The City did not issue any new bonds during the fiscal year ending September 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

| Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements | | | |
|---|--|---|--|
| | Fund Statements | | |
| <i>Type of Statements</i> | Government-wide | Governmental Funds | Proprietary Funds |
| <i>Scope</i> | Entire City's government (except fiduciary funds) and component units | The activities of the city that are not proprietary or fiduciary | Activities the City operates similar to private businesses: water and sewer. |
| <i>Required financial statements</i> | • Statement of Net Position | • Balance Sheet | • Statement of Net Position |
| | • Statement of Activities | • Statement of Revenues, Expenditures & Changes in Fund Balances | • Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| <i>Type of asset/liability information</i> | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term |
| <i>Type of inflow/outflow information</i> | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter. | All revenues and expenses during year, regardless of when cash is received or paid |

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s net position and how they have changed. Net position—the difference between the City’s assets and liabilities—is one way to measure the City’s financial health or *position*.

- Over time, increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City’s tax base.

- The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general and administrative, public safety, planning and zoning, municipal court, building operations and maintenance, and public works. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$17.7 million at September 30, 2016. (See Table A-1).

| | Governmental Activities | | Business-Type Activities | | Total | | Percentage Change 2016 - 2015 |
|--------------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|-------------------------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | |
| <i>Assets:</i> | | | | | | | |
| Current Assets | \$ 4,010,093 | \$ 3,732,084 | \$ 10,175 | \$ (1,137) | \$ 4,020,268 | \$ 3,730,947 | 7.8% |
| Capital Assets (net) | 5,495,540 | 5,196,972 | 9,084,608 | 9,389,741 | 14,580,148 | 14,586,713 | 0.0% |
| <i>Total Assets</i> | <u>9,505,633</u> | <u>8,929,056</u> | <u>9,094,783</u> | <u>9,388,604</u> | <u>18,600,416</u> | <u>18,317,660</u> | 1.5% |
| <i>Deferred Outflows:</i> | | | | | | | |
| Pension Related Outflows | 228,784 | 75,879 | - | - | 228,784 | 75,879 | 201.5% |
| <i>Total Deferred Outflows</i> | <u>228,784</u> | <u>75,879</u> | <u>-</u> | <u>-</u> | <u>228,784</u> | <u>75,879</u> | 201.5% |
| <i>Liabilities:</i> | | | | | | | |
| Current Liabilities | 690,817 | 518,665 | 11,747 | - | 702,564 | 518,665 | 35.5% |
| Noncurrent Liabilities | 384,562 | 148,685 | - | - | 384,562 | 148,685 | 158.6% |
| <i>Total Liabilities</i> | <u>1,075,379</u> | <u>667,350</u> | <u>11,747</u> | <u>-</u> | <u>1,087,126</u> | <u>667,350</u> | 62.9% |
| <i>Deferred Inflows:</i> | | | | | | | |
| Pension Related Outflows | - | 39,474 | - | - | - | 39,474 | -100.0% |
| <i>Total Deferred Inflows</i> | <u>-</u> | <u>39,474</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>39,474</u> | -100.0% |
| <i>Net Position:</i> | | | | | | | |
| Invested in Capital Assets | 5,495,540 | 5,196,972 | 9,084,608 | 9,389,741 | 14,580,148 | 14,586,713 | 0.0% |
| Restricted | 619,125 | 573,251 | - | - | 619,125 | 573,251 | 8.0% |
| Unrestricted, (Deficit) | 2,544,373 | 2,527,888 | (1,572) | (1,137) | 2,542,801 | 2,526,751 | 0.6% |
| <i>Total Net Position</i> | <u>\$ 8,659,038</u> | <u>\$ 8,298,111</u> | <u>\$ 9,083,036</u> | <u>\$ 9,388,604</u> | <u>\$ 17,742,074</u> | <u>\$ 17,686,715</u> | 0.3% |

The unrestricted net position represents resources available to fund the programs of the City next year.

Governmental Activities

- Property appraisal value increased for the fiscal year ending September 30, 2016, leading to an increase in property tax revenues of \$40,131.

Table A-2
Changes in City's Net Position

| | Governmental Activities | | Business-Type Activities | | Total | | Percentage Change |
|---------------------------------------|----------------------------|-------------------|-----------------------------|---------------------|------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 - 2015 |
| <i>Program Revenues:</i> | | | | | | | |
| Charges for Services | \$ 960,398 | \$ 714,151 | \$ 197,920 | \$ 24,200 | \$ 1,158,318 | \$ 738,351 | 56.9% |
| Operating Grants and Contributions | 119,204 | 40,017 | - | - | 119,204 | 40,017 | 197.9% |
| Capital Grants and Contributions | - | - | - | 9,440,596 | - | 9,440,596 | -100.0% |
| <i>General Revenues:</i> | | | | | | | |
| Taxes | 2,559,613 | 2,547,213 | - | - | 2,559,613 | 2,547,213 | 0.5% |
| Interest Earnings | 10,925 | 9,389 | - | - | 10,925 | 9,389 | 16.4% |
| Miscellaneous | 90,726 | 335,665 | - | - | 90,726 | 335,665 | -73.0% |
| TOTAL REVENUES | 3,740,866 | 3,646,435 | 197,920 | 9,464,796 | 3,938,786 | 13,111,231 | -70.0% |
| <i>Program Expenses:</i> | | | | | | | |
| General and Administrative | 721,369 | 609,186 | 503,488 | 76,192 | 1,224,857 | 685,378 | 78.7% |
| Public Safety | 1,307,570 | 1,151,855 | - | - | 1,307,570 | 1,151,855 | 13.5% |
| Planning and Zoning | 426,002 | 303,926 | - | - | 426,002 | 303,926 | 40.2% |
| Municipal Court | 198,251 | 167,793 | - | - | 198,251 | 167,793 | 18.2% |
| Building Operations & Maintenance | 284,550 | 224,501 | - | - | 284,550 | 224,501 | 26.7% |
| Public Works | 442,197 | 342,542 | - | - | 442,197 | 342,542 | 29.1% |
| TOTAL EXPENSES | 3,379,939 | 2,799,803 | 503,488 | 76,192 | 3,883,427 | 2,875,995 | 35.0% |
| Change in Net Position | <u>\$ 360,927</u> | <u>\$ 846,632</u> | <u>\$ (305,568)</u> | <u>\$ 9,388,604</u> | <u>\$ 55,359</u> | <u>\$ 10,235,236</u> | -99.5% |

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars. The cost of all *governmental* activities this year was \$3,379,939. 28.4% of the cost was paid by those who directly benefited from the programs. Taxpayers paid for the rest of these activities through property taxes, sales tax, and franchise taxes of \$750,587, \$1,472,469, and \$330,874, respectively.

Table A-3
Net Cost of Selected City Functions

| | Total Cost of Services | | Percentage Change | Net Cost of Services | | Percentage Change |
|--|---------------------------|------------|----------------------|-------------------------|------------|----------------------|
| | 2016 | 2015 | 2016 - 2015 | 2016 | 2015 | 2016 - 2015 |
| General & Administrative | \$ 721,369 | \$ 609,186 | 18.4% | \$ 721,017 | \$ 608,830 | 18.4% |
| Public Safety | 1,307,570 | 1,151,855 | 13.5% | 1,136,518 | 1,103,659 | 3.0% |
| Planning & Zoning | 426,002 | 303,926 | 40.2% | 426,002 | 303,926 | 40.2% |
| Municipal Court | 198,251 | 167,793 | 18.2% | (489,685) | (396,770) | 23.4% |
| Building Operations and Maintenance | 284,550 | 224,501 | 26.7% | 284,550 | 224,501 | 26.7% |
| Public Works | 442,197 | 342,542 | 29.1% | 221,935 | 201,489 | 10.1% |

Business-Type Activities

The City had the first full year of waste water treatment services. Total charges for services were \$197,920 while total operating expenses, including current depreciation expense was \$503,488 resulting in a net loss for the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$3.7 million, an increase of 2.3% from the preceding year.

General Fund Budgetary Highlights

The City's general fund actual revenues were \$435,006 more than budgeted amounts and expenditures were \$206,716 less than budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2016, the City had invested \$17.2 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount less accumulated depreciation totaling \$2.7 million results in a total Net Capital Asset Value of \$14.6 million.

Table A-4
City's Capital Assets

| | Governmental Activities | | Business-Type Activities | | Total | | Percentage Change |
|--------------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|---------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 - 2015 |
| Land | \$ 192,821 | \$ 192,821 | \$ 286,625 | \$ 286,625 | \$ 479,446 | \$ 479,446 | 0.0% |
| Buildings and Improvements | 2,968,151 | 2,941,794 | 9,153,971 | 9,153,971 | 12,122,122 | 12,095,765 | 0.9% |
| Vehicles and Equipment | 1,005,300 | 786,829 | - | - | 1,005,300 | 786,829 | 27.8% |
| Infrastructure | 3,599,899 | 3,217,824 | - | - | 3,599,899 | 3,217,824 | 11.9% |
| Signs | 42,269 | 42,269 | - | - | 42,269 | 42,269 | 0.0% |
| Totals at Historical Cost | 7,808,440 | 7,181,537 | 9,440,596 | 9,440,596 | 17,249,036 | 16,622,133 | 8.7% |
| Total Accumulated Depreciation | (2,312,900) | (1,984,565) | (355,988) | (50,855) | (2,668,888) | (2,035,420) | 16.5% |
| Net Capital Assets | <u>\$ 5,495,540</u> | <u>\$ 5,196,972</u> | <u>\$ 9,084,608</u> | <u>\$ 9,389,741</u> | <u>\$ 14,580,148</u> | <u>\$14,586,713</u> | 5.7% |

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end, the City had no outstanding long-term debt obligation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2016-2017 Fiscal Year will be a year of asset construction and continued community planning for the Bulverde area.

New residential, commercial, and mixed-use development projects in and around the Bulverde will continue to be under construction, but will also have various new facilities opening throughout the year. Major renovations to the transportation system intersection along HWY 281 and HWY 46 are anticipated to be complete, bringing added lanes, turnarounds, and general mobility enhancements to that heavily commercial corridor. This construction activity on multiple community fronts is clearly an indicator of the growth this region is about to experience in ensuing years.

In addition to the construction efforts occurring around the City during the upcoming year, the community will be providing dialogue on a major design and engineering effort that TxDOT is progressing to improve the Highway 46 corridor that stretches through Bulverde. These efforts will require a great deal of public deliberation throughout the process, but will pay long term dividends as the community continues to grow. Those that fail to plan, plan to fail. The City will also complete an organizational realignment, hiring a new City Planner and contract City Engineer.

In addition to these ongoing planning efforts, the City will also be looking toward developing implementation strategies for the various planning initiatives which have already been completed during the last couple of fiscal years that covered topics such as Transportation and Mobility, Regional Wastewater, Drainage and Floodplain Management, and visioning for the Downtown Bulverde Village area. While it is hoped that the development community will be providing much of the identified infrastructure as the area develops, there are numerous projects that will also require a public funding component. For instance, the City Council has initiated a major design/engineering effort for Streetscape Improvements to Bulverde Road that were identified in the Downtown Bulverde Village Visioning study. The fiscally conservative spending habits of the Bulverde City Council and staff have allowed a fund balance to accrue that will be able to accommodate some of these initiatives, but additional funding mechanisms may also have to be explored. In addition, the leveraging of State grant sources and funding partnerships with other area agencies will continue to be sought where applicable.

Overall, the community is poised for many new challenges in the near-future, mainly in the arenas of planning for the rapid growth that is already occurring. The City is positioning itself to help manage and guide this growth in order to maintain the high-quality of life that residents of the Texas Hill Country and the greater Bulverde area have come to expect.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (830) 980-8832.



BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF BULVERDE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

| | Primary Government | | |
|--|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,475,085 | \$ - | \$ 1,475,085 |
| Investments | 1,962,299 | - | 1,962,299 |
| Receivables (net of allowances for uncollectibles): | | | |
| Ad Valorem Taxes | 21,445 | - | 21,445 |
| Other | 388,989 | 171,948 | 560,937 |
| Accrued Interest Receivable | 502 | - | 502 |
| Internal Balances | 161,773 | (161,773) | - |
| Capital Assets: | | | |
| Land | 192,821 | 286,625 | 479,446 |
| Building and Improvements | 2,968,151 | 9,153,971 | 12,122,122 |
| Vehicles and Equipment | 1,005,300 | - | 1,005,300 |
| Infrastructure | 3,599,899 | - | 3,599,899 |
| Signs | 42,269 | - | 42,269 |
| Accumulated Depreciation | (2,312,900) | (355,988) | (2,668,888) |
| TOTAL ASSETS | <u>9,505,633</u> | <u>9,094,783</u> | <u>18,600,416</u> |
| DEFERRED OUTFLOWS | | | |
| Deferred Pension Related Outflows | 228,784 | - | 228,784 |
| TOTAL DEFERRED OUTFLOWS | <u>\$ 228,784</u> | <u>\$ -</u> | <u>\$ 228,784</u> |

See accompanying notes to basic financial statements.

CITY OF BULVERDE
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2016

| | Primary Government | | |
|-------------------------------------|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| LIABILITIES | | | |
| <i>Current Liabilities:</i> | | | |
| Accounts Payable | \$ 382,449 | \$ 11,747 | \$ 394,196 |
| Wages and Salaries Payable | 30,533 | - | 30,533 |
| Intergovernmental Payable | 116,697 | - | 116,697 |
| Other Current Liabilities | 7,161 | - | 7,161 |
| Accrued Compensated Absences | 93,712 | - | 93,712 |
| Unearned Revenue | 60,265 | - | 60,265 |
| Total Current Liabilities | 690,817 | 11,747 | 702,564 |
| <i>Noncurrent Liabilities</i> | | | |
| Net Pension Liability | 384,562 | - | 384,562 |
| Total Noncurrent Liabilities | 384,562 | - | 384,562 |
| TOTAL LIABILITIES | 1,075,379 | 11,747 | 1,087,126 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 5,495,540 | 9,084,608 | 14,580,148 |
| Restricted for: | | | |
| Police, Court, and Child Safety | 280,913 | - | 280,913 |
| Drainage | 250,000 | - | 250,000 |
| Park Donations | 21,851 | - | 21,851 |
| Hotel/Motel | 11,722 | - | 11,722 |
| Debt Service | 54,639 | - | 54,639 |
| Unrestricted, (Deficit) | 2,544,373 | (1,572) | 2,542,801 |
| TOTAL NET POSITION | \$ 8,659,038 | \$ 9,083,036 | \$ 17,742,074 |

See accompanying notes to basic financial statements.

CITY OF BULVERDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| Functions and Programs | Expenses | Program Revenues | | |
|--|---------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| <i>Governmental Activities:</i> | | | | |
| General & Administrative | \$ 721,369 | \$ 352 | \$ - | \$ - |
| Public Safety | 1,307,570 | 51,848 | 119,204 | - |
| Planning & Zoning | 426,002 | - | - | - |
| Municipal Court | 198,251 | 687,936 | - | - |
| Building Operations & Maintenance | 284,550 | - | - | - |
| Public Works | 442,197 | 220,262 | - | - |
| <i>Total Governmental Activities</i> | <u>3,379,939</u> | <u>960,398</u> | <u>119,204</u> | <u>-</u> |
| <i>Business-Type Activities:</i> | | | | |
| Wastewater Treatment | 503,488 | 197,920 | - | - |
| <i>Total Business Type Activities</i> | <u>503,488</u> | <u>197,920</u> | <u>-</u> | <u>-</u> |
| Total Primary Government | <u>\$ 3,883,427</u> | <u>\$ 1,158,318</u> | <u>\$ 119,204</u> | <u>\$ -</u> |
| General Revenues: | | | | |
| Taxes | | | | |
| Ad Valorem Taxes | | | | |
| Sales Taxes | | | | |
| Franchise Taxes | | | | |
| Mixed Beverage Taxes | | | | |
| Hotel/Motel Occupancy Taxes | | | | |
| Interest and Investment Earnings | | | | |
| Miscellaneous | | | | |
| Total General Revenues | | | | |
| Change in Net Position | | | | |
| Net Position at Beginning of Year | | | | |
| Net Position at End of Year | | | | |

See accompanying notes to basic financial statements.

CITY OF BULVERDE
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net (Expense) Revenue and Changes in Net Position
Primary Government

| Total Governmental Activities | Business-Type Activities | Total |
|-------------------------------------|-----------------------------|----------------------|
| \$ (721,017) | \$ - | \$ (721,017) |
| (1,136,518) | - | (1,136,518) |
| (426,002) | - | (426,002) |
| 489,685 | - | 489,685 |
| (284,550) | - | (284,550) |
| <u>(221,935)</u> | <u>-</u> | <u>(221,935)</u> |
| <u>(2,300,337)</u> | <u>-</u> | <u>(2,300,337)</u> |
| - | (305,568) | (305,568) |
| <u>-</u> | <u>(305,568)</u> | <u>(305,568)</u> |
| <u>(2,300,337)</u> | <u>(305,568)</u> | <u>(2,605,905)</u> |
| 750,587 | - | 750,587 |
| 1,472,469 | - | 1,472,469 |
| 330,874 | - | 330,874 |
| 1,331 | - | 1,331 |
| 4,352 | - | 4,352 |
| 10,925 | - | 10,925 |
| 90,726 | - | 90,726 |
| <u>2,661,264</u> | <u>-</u> | <u>2,661,264</u> |
| 360,927 | (305,568) | 55,359 |
| <u>8,298,111</u> | <u>9,388,604</u> | <u>17,686,715</u> |
| <u>\$ 8,659,038</u> | <u>\$ 9,083,036</u> | <u>\$ 17,742,074</u> |

CITY OF BULVERDE
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,409,143 | \$ 65,942 | \$ 1,475,085 |
| Investments | 1,962,299 | - | 1,962,299 |
| Receivables (net of allowances for uncollectibles): | | | |
| Property Taxes | 21,445 | - | 21,445 |
| Other Receivables | 388,989 | - | 388,989 |
| Accrued Interest Receivable | 502 | - | 502 |
| Due from Other Funds | 143,666 | 18,107 | 161,773 |
| TOTAL ASSETS | \$ 3,926,044 | \$ 84,049 | \$ 4,010,093 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES | | | |
| <i>Liabilities:</i> | | | |
| Accounts Payable | \$ 382,449 | \$ - | \$ 382,449 |
| Wages and Salaries Payable | 30,533 | - | 30,533 |
| Intergovernmental Payable | 116,697 | - | 116,697 |
| Other Current Liabilities | 7,161 | - | 7,161 |
| Unearned Revenues | 60,265 | - | 60,265 |
| <i>Total Liabilities</i> | <u>597,105</u> | <u>-</u> | <u>597,105</u> |
| <i>Deferred Inflows of Resources:</i> | | | |
| Unavailable Revenues | 21,445 | - | 21,445 |
| <i>Total Deferred Inflows of Resources</i> | <u>21,445</u> | <u>-</u> | <u>21,445</u> |
| <i>Fund Balances:</i> | | | |
| Restricted for: | | | |
| Child Safety | 51,180 | - | 51,180 |
| Building Security and Technology | 212,045 | - | 212,045 |
| Park Donations | 21,851 | - | 21,851 |
| Drainage | 250,000 | - | 250,000 |
| Police Seizure | - | 17,688 | 17,688 |
| Debt Service | - | 54,639 | 54,639 |
| Hotel/Motel | - | 11,722 | 11,722 |
| Assigned for: | | | |
| Right of Way | 197,800 | - | 197,800 |
| Park Use | 12,645 | - | 12,645 |
| Unassigned | 2,561,973 | - | 2,561,973 |
| <i>Total Fund Balances</i> | <u>3,307,494</u> | <u>84,049</u> | <u>3,391,543</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES | \$ 3,926,044 | \$ 84,049 | \$ 4,010,093 |

See accompanying notes to basic financial statements.

CITY OF BULVERDE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 3,391,543

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital Assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds. 5,495,540

Other long-term assets are not available to pay for current-period expenditures
and, therefore, are unavailable in the funds. 21,445

Net Pension liabilities (and related deferred outflows and inflows of resources)
do not provide current financial resources and are not reported in the funds.

| | | |
|-----------------------------------|----------------|------------------|
| Net Pension Liability | (384,562) | |
| Pension Related Deferred Outflows | <u>228,784</u> | <u>(155,778)</u> |

Accrued compensated absences are not due and payable in the current period
and, therefore, not reported in the funds. (93,712)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 8,659,038

See accompanying notes to basic financial statements.

CITY OF BULVERDE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------------------|---------------------|-----------------------------------|--------------------------------|
| REVENUES | | | |
| Ad Valorem Taxes | \$ 750,943 | \$ - | \$ 750,943 |
| Sales Taxes | 1,472,469 | - | 1,472,469 |
| Franchise Fees | 330,874 | - | 330,874 |
| Mixed Beverage Taxes | 1,331 | - | 1,331 |
| Hotel/Motel Tax | - | 4,352 | 4,352 |
| Intergovernmental Revenues and Grants | 169,115 | 1,937 | 171,052 |
| Fines and Penalties | 568,102 | - | 568,102 |
| Charges for Services | 340,448 | - | 340,448 |
| Interest Income | 10,870 | 55 | 10,925 |
| Miscellaneous | 90,724 | - | 90,724 |
| TOTAL REVENUES | <u>3,734,876</u> | <u>6,344</u> | <u>3,741,220</u> |
| EXPENDITURES | | | |
| <i>Current:</i> | | | |
| General and Administrative | 663,532 | 1,607 | 665,139 |
| Mayor and Council | 11,141 | - | 11,141 |
| Public Safety | 1,208,421 | - | 1,208,421 |
| Planning and Zoning | 426,002 | - | 426,002 |
| Municipal Court | 193,413 | - | 193,413 |
| Building Operations and Maintenance | 257,742 | - | 257,742 |
| Public Works | 649,460 | - | 649,460 |
| Capital Outlay | 215,534 | - | 215,534 |
| TOTAL EXPENDITURES | <u>3,625,245</u> | <u>1,607</u> | <u>3,626,852</u> |
| Net Change in Fund Balance | 109,631 | 4,737 | 114,368 |
| Fund Balances at Beginning of Year | <u>3,197,863</u> | <u>79,312</u> | <u>3,277,175</u> |
| Fund Balances at End of Year | <u>\$ 3,307,494</u> | <u>\$ 84,049</u> | <u>\$ 3,391,543</u> |

See accompanying notes to basic financial statements.

CITY OF BULVERDE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 114,368

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|----------------------|------------------|---------|
| Capital Outlay | 626,903 | |
| Depreciation Expense | <u>(328,335)</u> | 298,568 |

Revenues in the Statement of Revenues that provided current financial resources are not reported as revenues in the activities. (356)

Governmental funds report required contributions to employee pensions as expenditure. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded that actuarially determined pension expense. (43,497)

Compensated absences 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. (8,156)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 360,927

CITY OF BULVERDE
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2016

| | Business-Type Activities |
|-------------------------------|-----------------------------|
| | Waterwater Treatment |
| ASSETS | |
| Current Assets: | |
| Accounts Receivable | \$ 171,948 |
| Capital Assets: | |
| Land | 286,625 |
| Buildings and Improvements | 9,153,971 |
| Accumulated Depreciation | (355,988) |
| TOTAL ASSETS | \$ 9,256,556 |
| LIABILITIES | |
| Accounts Payable | \$ 11,747 |
| Due To Other Funds | 161,773 |
| TOTAL LIABILITIES | 173,520 |
| NET POSITION | |
| Net Investment Capital Assets | 9,084,608 |
| Unrestricted, (Deficit) | (1,572) |
| TOTAL NET POSITION | \$ 9,083,036 |

See accompanying notes to basic financial statements.

CITY OF BULVERDE
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION – PROPRIETARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Business-Type Activities |
|--|-----------------------------|
| | Wastewater Treatment |
| OPERATING REVENUES | |
| Charges for Services | \$ 197,920 |
| TOTAL OPERATING REVENUES | 197,920 |
| OPERATING EXPENSES | |
| Supplies | 2,663 |
| Contractual Services | 195,692 |
| Depreciation | 305,133 |
| TOTAL OPERATING EXPENSES | 503,488 |
| NET INCOME (LOSS) | (305,568) |
| Net Position at Beginning of Year | 9,388,604 |
| Net Position at End of Year | \$ 9,083,036 |

See accompanying notes to basic financial statements.

CITY OF BULVERDE
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Business-Type Activities |
|--|-----------------------------|
| | Wastewater Treatment |
| Cash Flows From Operating Activities | |
| Cash Received From Customers | \$ 50,172 |
| Cash Paid to Suppliers for Goods & Services | (186,608) |
| Net Cash Provided (Used) by Operating Activities | (136,436) |
| Cash Flows From Noncapital Financing Activities: | |
| Interfund Payables (Receivables) | 136,436 |
| Net Cash Provided (Used) by Noncapital Financing Activities | 136,436 |
| Net Increase (Decrease) in Cash and Investments | - |
| Cash and Investments at Beginning of Year | - |
| Cash and Investments at End of Year | \$ - |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | |
| Operating Income | \$ (305,568) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation | 305,133 |
| (Increase) Decrease in Operating Assets: | |
| Accounts Receivable | (147,748) |
| Accounts Payable | 11,747 |
| Total Adjustments to Reconcile Operating Activities | 169,132 |
| Net Cash Provided (Used) by Operating Activities | \$ (136,436) |

See accompanying notes to basic financial statements.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bulverde (“City”) are presented in accordance with generally accepted accounting principles (GAAP) as applied to state and local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects 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. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds which meet the criteria as **major governmental fund**. The general fund is the only major fund of the City.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unavailable revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition.

The City has two nonmajor special revenue funds which include Police Seizures and Hotel/Motel Fund and another nonmajor fund for the Debt Service Fund.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Wastewater Treatment Fund (used to account for the provision of wastewater services to residents).

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than AAA or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, government investment pools, and certificates of deposit. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit which are carried at amortized cost.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1 and past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Management has estimated that all past due property tax receivables are collectible, and thus, the allowance is zero as of September 30, 2016.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund statements.

CITY OF BULVERDE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with an estimated useful life in excess of two years and an individual cost greater than \$5,000. Infrastructure assets include City-owned streets, sewer, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset</u> | <u>Estimated Life</u> |
|----------------------------|-----------------------|
| Buildings and improvements | 10 to 50 years |
| Vehicles and equipment | 5 to 7 years |
| Streets and Infrastructure | 20 years |
| Signs | 10 years |

9. COMPENSATED ABSENCES

Employees earn vacation leave at varying rates depending on length of service: 10 days leave per year for the first four years (not available for use until first six months of service is completed), an additional 5 days per year for each year through fourteen years, and an additional 5 days per year after fourteen years up to a maximum of 20 days per year. Annual leave in excess of 240 hours will not be carried over, except with City Administrator approval.

Employees earn sick leave at the rate of 1 day per month after six months of employment. No sick leave days are paid when an employee leaves city employment and no liability is reported for unpaid sick leave. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

10. DEFERRED INFLOWS AND OUTFLOWS 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has pension related deferred outflows of resources.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Unavailable revenues from property tax are deferred and recognized as an inflow of resource in the period the amounts become available. The city also has pension related deferred inflows.

11. UNEARNED REVENUE

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Tree Preservation Revenue received in advance of expenses/expenditures are reflected as unearned revenue.

12. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities statement of net position. On new bond issues, bond premiums and discounts are amortized over the life of the discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. PENSIONS

The net pension liability (asset), deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. FUND EQUITY

Fund balances in governmental funds are classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. FUND EQUITY (Continued)

Restricted – Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed – Represents amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned – Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council is the only entity that may make assignments at this time as the Council has not designated any other individuals with the authority to make assignments.

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

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

15. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

16. USE OF ESTIMATES

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

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE B -- CASH AND CASH EQUIVALENTS

The City considers all checking, money market and certificates of deposit with maturities of three months or less as cash and cash equivalents. At year-end, the carrying amount of the City’s deposits with the City’s depository, were \$1,474,335 plus \$750 petty cash and the bank balance was \$1,473,270. Of the bank balance, \$250,000 was covered by federal depository insurance and the City’s depository had pledged securities having a book value of \$2,379,119 and a market value of \$2,446,789. Funds were fully insured and collateralized.

NOTE C -- INVESTMENTS

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. The Act requires that the Council review the investment policy at least annually, investment officers obtain minimum investment training, and investment officers sign quarterly investment reports submitted to Council. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that the City complied with all provisions of the Act.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City’s investment policy further limits investments to: (1) federally insured bank deposits, (2) collateralized bank deposits, (3) U.S. Government Treasury bills and notes, including sweep accounts that invest in them, (4) U.S. Government Agencies, and (5) Public Funds Investment Pools. No other investments may be made without authorization of City Council. The City’s investments at September 30, 2016 are as follows:

| | <u>Reported Value</u> | <u>Fair Value</u> |
|--------------------------|-----------------------|---------------------|
| Investment Pools: | | |
| TexPool | \$ 12,463 | \$ 12,463 |
| Lone Star Investments | 5 | 5 |
| MBIA Texas Class | 1,000,831 | 1,000,831 |
| Certificates of Deposit: | | |
| Blanco National Bank | 700,000 | 700,000 |
| Randolph Brooks FCU | 249,000 | 249,000 |
| Total Investments | <u>\$ 1,962,299</u> | <u>\$ 1,962,299</u> |

The Certificates of Deposit were fully collateralized.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE C -- INVESTMENTS (Continued)

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 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’s investments in Pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

GASB Statement No. 40 requires additional disclosures addressing other common risks of deposits and investments as follows:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the City’s name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agent but not in the City’s name. At year end, the City was not significantly exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. At year end, the City was not exposed to a concentration of credit risk.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE C -- INVESTMENTS (Continued)

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

NOTE D -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Comal County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2015, upon which the fiscal 2016 levy was based, was \$457,136,559 (i.e., market value less exemptions). The estimated market value was \$623,368,924, making the taxable value 73.3% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The tax rate to finance general governmental services for the year ended September 30, 2016, was \$0.135700 per \$100 of assessed value, which means that the City has a tax margin of \$2.364300 for each \$100 value and could increase its annual tax levy by approximately \$10,808,080 based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE E -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2016 are as follows:

| | <u>Governmental Funds</u> | | <u>Proprietary Fund</u> | <u>Total</u> |
|-------------------------|---------------------------|-----------------------|-----------------------------|-------------------|
| | <u>General Fund</u> | <u>Nonmajor Funds</u> | <u>Wastewater Treatment</u> | |
| Sales Tax | \$ 248,197 | \$ - | \$ - | \$ 248,197 |
| Franchise Taxes | 94,655 | - | - | 94,655 |
| Hotel/Motel Tax | 1,971 | - | - | 1,971 |
| Miscellaneous | 44,166 | - | 171,948 | 216,114 |
| Total Other Receivables | <u>\$ 388,989</u> | <u>\$ -</u> | <u>\$ 171,948</u> | <u>\$ 560,937</u> |

NOTE F -- DUE TO/FROM OTHER FUNDS

As of September 30, 2016, interfund receivables and payables that resulted from various interfund transactions were as follows:

| | <u>Due From</u> | <u>Due To</u> |
|-----------------------------------|-------------------|-------------------|
| <i>General Fund:</i> | | |
| Nonmajor Funds | \$ - | \$ 18,107 |
| Waterwater Treatment Fund | 161,773 | - |
| | <u>161,773</u> | <u>18,107</u> |
| <i>Nonmajor Funds:</i> | | |
| General Fund | 18,107 | - |
| | <u>18,107</u> | <u>-</u> |
| <i>Waterwater Treatment Fund:</i> | | |
| General Fund | - | 161,773 |
| | <u>-</u> | <u>161,773</u> |
| Totals | <u>\$ 179,880</u> | <u>\$ 179,880</u> |

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE G -- CAPITAL ASSETS

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

| <u>Governmental Activities</u> | Balance 10/1/2015 | Additions | Disposals | Balance 9/30/2016 |
|-------------------------------------|----------------------|---------------------|-------------|----------------------|
| Land | \$ 192,821 | \$ - | \$ - | \$ 192,821 |
| Buildings and Improvements | 2,941,794 | 26,357 | - | 2,968,151 |
| Vehicles and Equipment | 786,829 | 218,471 | - | 1,005,300 |
| Infrastructure | 3,217,824 | 382,075 | - | 3,599,899 |
| Signs | 42,269 | - | - | 42,269 |
| | <u>7,181,537</u> | <u>626,903</u> | <u>-</u> | <u>7,808,440</u> |
| Less Accumulated Depreciation | | | | |
| Buildings and Improvements | (281,470) | (67,340) | - | (348,810) |
| Vehicles and Equipment | (560,674) | (98,269) | - | (658,943) |
| Infrastructure | (1,106,813) | (160,892) | - | (1,267,705) |
| Signs | (35,608) | (1,834) | - | (37,442) |
| | <u>(1,984,565)</u> | <u>(328,335)</u> | <u>-</u> | <u>(2,312,900)</u> |
| Governmental Capital Assets, Net | <u>\$ 5,196,972</u> | <u>\$ 298,568</u> | <u>\$ -</u> | <u>\$ 5,495,540</u> |
| <u>Business Type Activities</u> | | | | |
| Land | \$ 286,625 | \$ - | \$ - | \$ 286,625 |
| Buildings and Improvements | 9,153,971 | - | - | 9,153,971 |
| | <u>9,440,596</u> | <u>-</u> | <u>-</u> | <u>9,440,596</u> |
| Less Accumulated Depreciation | | | | |
| Buildings and Improvements | (50,855) | (305,133) | - | (355,988) |
| | <u>(50,855)</u> | <u>(305,133)</u> | <u>-</u> | <u>(355,988)</u> |
| Business Type Capital Assets | <u>\$ 9,389,741</u> | <u>\$ (305,133)</u> | <u>\$ -</u> | <u>\$ 9,084,608</u> |

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

| | |
|---|-------------------|
| General & Administrative | \$ 70,392 |
| Public Safety | 90,134 |
| Public Works | 167,809 |
| Total Depreciation Expense - Governmental Activities | <u>\$ 328,335</u> |

CITY OF BULVERDE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2016

NOTE H-- LONG-TERM OBLIGATIONS

The changes in long-term obligations during the year are summarized as follows:

| <u>Governmental Activities</u> | <u>Balance 10/1/2015</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 9/30/2016</u> | <u>Due Within One Year</u> |
|--------------------------------|------------------------------|------------------|-------------------|------------------------------|--------------------------------|
| Compensated Absences | \$ 85,556 | \$ 93,712 | \$ (85,556) | \$ 93,712 | \$ 93,712 |

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

1. Plan Description

The City of Bulverde participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS 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 retirement system.

2. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City of Bulverde has a 6% employee deposit rate and a 2 to 1 matching ratio. They currently have no military service credit as well as no buy back election. The City of Bulverde plan provisions have a 5 year vesting period. An employee is eligible to retire after 5 year of service at the age of 60 or after 20 years of service at any age. The statutory maximum percentage is removed.

CITY OF BULVERDE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2016

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

2. Benefits Provided (Continued)

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

| | 2015 |
|--|------|
| Inactive employees or beneficiaries currently receiving benefits | 6 |
| Inactive employees entitled to but not yet receiving benefits | 11 |
| Active employees | 24 |
| | 41 |

3. Contributions

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

For the year ending September 30, 2016, employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The required contribution rates for the City were 8.51% and 8.24% in calendar years 2015 and 2016, respectively. However, TMRS allowed the City to pay a phase in rate of 6.89% and 7.39% for the 2015 and 2016 calendar year resulting in a contribution deficiency in the amount of \$14,532 and \$13,483, respectively.

4. Net Pension Liability

The City's Net Pension Liability (NPL) or Asset was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

5. Actuarial Assumptions

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

| | |
|----------------------------|--------------------------------------|
| Inflation | 2.50% per year |
| Salary Increases | 3.50% to 10.50%, including inflation |
| Investment Rate of Return* | 6.75% |

* Presented net of pension plan investment expense, including inflation

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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% 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.

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding the expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

5. Actuarial Assumptions (Continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|-------------------|--|
| Domestic Equity | 17.50% | 4.55% |
| International Equity | 17.50% | 6.10% |
| Core Fixed Income | 10.00% | 1.00% |
| Non-Core Fixed Income | 20.00% | 3.65% |
| Real Return | 10.00% | 4.03% |
| Real Estate | 10.00% | 5.00% |
| Absolute Return | 10.00% | 4.00% |
| Private Equity | 5.00% | 8.00% |
| | <u>100.00%</u> | |

6. 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.

7. Changes in Net Pension Liability

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|--|----------------------------|--------------------------------|--------------------------|
| Balance at December 31, 2014 | \$ 1,729,144 | \$ 1,580,459 | \$ 148,685 |
| Changes for the year: | | | |
| Service Cost | 158,694 | - | 158,694 |
| Interest | 125,684 | - | 125,684 |
| Change of Benefit Terms | - | - | - |
| Difference Between Expected and Actual Experience | 58,422 | - | 58,422 |
| Changes of Assumptions | 48,185 | - | 48,185 |
| Contributions - Employer | - | 82,459 | (82,459) |
| Contributions - Employee | - | 71,807 | (71,807) |
| Net Investment Income | - | 2,333 | (2,333) |
| Benefit Payments, Including Refunds of Employee Contributions | (26,020) | (26,020) | - |
| Administrative Expense | - | (1,420) | 1,420 |
| Other Changes | - | (71) | 71 |
| Net Changes | <u>364,965</u> | <u>129,088</u> | <u>235,877</u> |
| Balance at December 31, 2015 | <u>\$ 2,094,109</u> | <u>\$ 1,709,547</u> | <u>\$ 384,562</u> |

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

7. Changes in Net Pension Liability (Continued)

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

| | Discount Rate 5.75% | Discount Rate 6.75% | Discount Rate 7.75% |
|-------------------------------|------------------------|------------------------|------------------------|
| Net Pension Liability (Asset) | \$ 755,253 | \$ 384,562 | \$ 86,936 |

8. 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 at www.tmr.com.

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

For the year ended September 30, 2016, the City recognized pension expense of \$139,158. Also as of September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between Expected and Actual Economic Experience | \$ 16,094 | \$ - |
| Changes in Actuarial Assumptions | 40,488 | - |
| Differences Between Projected and Actual Investment Earnings | 97,193 | - |
| Contributions Subsequent to the Measurement Date | 75,009 | - |
| | \$ 228,784 | \$ - |

Deferred outflows of resources in the amount of \$75,009 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF BULVERDE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2016

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

9. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

| | | |
|---------------------------------|-----------|----------------|
| For the Year ended December 31, | | |
| 2016 | \$ | 35,729 |
| 2017 | | 35,729 |
| 2018 | | 35,729 |
| 2019 | | 32,210 |
| 2020 | | 10,551 |
| Thereafter | | 3,827 |
| | <u>\$</u> | <u>153,775</u> |

NOTE J -- OTHER POST EMPLOYMENT BENEFIT

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

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 annual 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 September 30, 2016, 2015 and 2014 were \$1,476, \$1,328, and \$1,502, respectively, and were equal to the required contributions each year.

NOTE K -- COMMITMENTS AND CONTINGENCIES

Risk Management

The City has identified possible risk of losses arising from events such as the following:

1. Torts.
2. Theft of, damage to, or destruction of assets.
3. Errors and omissions.
4. Job-related illnesses or injuries to employees.
5. Acts of God.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE K -- COMMITMENTS AND CONTINGENCIES (Continued)

Risk Management (Continued)

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2016, were \$48,301.

Litigation

The City is the subject of various claims and litigation from time to time that arise in the course of its operations. The City is currently involved in a pending lawsuit with 281 Casey Road Joint Venture regarding the City's variance dispute with the property owner. This case is currently being handled by Texas Municipal League Risk Pool. Additionally, management is of the opinion that any proceedings known to exist as of September 30, 2016 are not likely to have a material adverse effect on the City's financial position.

380 Development Agreement

In September 2012, the City of Bulverde entered into a 380 Development agreement to encourage growth within the City. The agreement involves the City reimbursing the project costs through refunding a portion of sales and use taxes generated by the projects up to a maximum amount. The City will start accruing sales tax rebate based on the sales tax collections to date in anticipation of the developer's request for payment. The original agreement was amended in December 2014 to include that the Developer would fund all costs and expenses associated with the construction of the City Wastewater Improvements and then convey to the City said Wastewater Improvements and related access easements in accordance the conditions set forth in the Wastewater Service Agreement. The terms of the economic development reimbursement agreement are as follows:

The City shall pay to the Developer 100% of the City's share of Sales and Use Tax proceeds generated with the property until the total amount equals the City Wastewater Improvement costs plus interest at the rate of 5% per annum. At such time, then the City shall thereafter remit 75% of all Sales and Use Tax proceeds collected from within the property for the remainder of the 10 year period, and thereafter the payment shall reduce to 50% of all Sales and Use Tax proceeds generated within the property until the expiration date. The agreement was set for a maximum grant amount of \$10,349,968 and 25 years.

The following table represents the maximum balance due as of September 30, 2016:

| Development | Sales Tax Refund Agreement | Maximum Grant Amount (Base) | Current Year Reductions | Maximum Balance Due |
|-------------------|-------------------------------|--------------------------------|----------------------------|------------------------|
| Singing Hills | 100% | \$ 10,349,968 | \$ 20,365 | \$ 10,329,603 |
| WWTP Improvements | 100% | 600,445 | 6,788 | 631,531 |
| | | <u>\$ 10,950,413</u> | <u>\$ 27,153</u> | <u>\$ 10,961,134</u> |

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE K -- COMMITMENTS AND CONTINGENCIES (Continued)

Wastewater Services Agreement

On February 18, 2015, the City contracted with Guadalupe-Blanco River Authority (GBRA) to operate the wastewater treatment plant on the City's behalf. The City will pay GBRA in accordance with the contract, for the expenses incurred by GBRA in operating and maintaining the City's system and for performing billing and collection services, and for, compensation due GBRA for performing those services. The agreement will conclude on August 31, 2018. At this date the agreement will automatically renew for an additional seven (7) year term unless the City or GBRA provide a written notice to terminate this agreement.

Construction Commitments

The City had the following contracts in place as of September 30, 2016 with various vendors:

| <u>Commitment</u> | <u>Estimated Project Cost to City</u> | <u>Expended to Date</u> | <u>Estimated Future Commitment</u> |
|--------------------|---|-----------------------------|--|
| Engineering | \$ 176,933 | \$ 166,959 | \$ 9,974 |
| Street Maintenance | 484,758 | 464,064 | 20,694 |
| | <u>\$ 661,691</u> | <u>\$ 631,023</u> | <u>\$ 30,668</u> |

NOTE L -- SUBSEQUENT EVENTS

Subsequent to year end, a lawsuit was filed against the City and the Mayor and Council. The case is being handled by Texas Municipal League Risk Pool and the City has filed to remove the case to Federal Court and rule a motion to dismiss. Management is of the opinion that any proceedings are not likely to have a material adverse effect on the City's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Notes to Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability and Related Ratios
- Notes to the Schedule of Changes – Net Pension Liability and Related Ratios

CITY OF BULVERDE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budget Amounts | | Actual Amounts | Variance |
|---|-------------------|-------------------|-------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| REVENUES | | | | |
| Ad Valorem Taxes | \$ 738,085 | \$ 738,085 | \$ 750,943 | \$ 12,858 |
| Sales Taxes | 1,312,181 | 1,312,181 | 1,472,469 | 160,288 |
| Franchise Fees | 317,036 | 317,036 | 330,874 | 13,838 |
| Mixed Beverage Taxes | 1,500 | 1,500 | 1,331 | (169) |
| Intergovernmental Revenue and Grants | 104,344 | 132,207 | 169,115 | 36,908 |
| Fines and Penalties | 539,115 | 455,000 | 568,102 | 113,102 |
| Charges for Services | 92,252 | 274,896 | 340,448 | 65,552 |
| Interest Income | 9,005 | 9,005 | 10,870 | 1,865 |
| Miscellaneous | 29,500 | 59,960 | 90,724 | 30,764 |
| TOTAL REVENUES | 3,143,018 | 3,299,870 | 3,734,876 | 435,006 |
| EXPENDITURES | | | | |
| <i>General and Administrative:</i> | | | | |
| Salaries | 300,202 | 356,925 | 330,685 | 26,240 |
| Supplies | 6,450 | 11,089 | 6,562 | 4,527 |
| Contractual | 26,835 | 27,685 | 28,512 | (827) |
| Mayor and Council | 30,750 | 30,750 | 11,141 | 19,609 |
| Insurance | 57,520 | 57,520 | 48,530 | 8,990 |
| Professional Fees | 118,430 | 305,479 | 249,243 | 56,236 |
| Capital Outlay | 3,000 | 3,000 | - | 3,000 |
| <i>Total General and Administrative</i> | 543,187 | 792,448 | 674,673 | 117,775 |
| <i>Public Safety:</i> | | | | |
| Salaries | 1,053,005 | 1,084,391 | 1,082,187 | 2,204 |
| Supplies | 7,950 | 7,950 | 9,763 | (1,813) |
| Contractual | 119,568 | 134,568 | 116,471 | 18,097 |
| Capital Outlay | 189,786 | 206,711 | 215,534 | (8,823) |
| <i>Total Public Safety</i> | 1,370,309 | 1,433,620 | 1,423,955 | 9,665 |
| <i>Planning and Zoning:</i> | | | | |
| Supplies | 1,200 | 1,200 | 1,441 | (241) |
| Contractual | 273,400 | 308,400 | 424,561 | (116,161) |
| <i>Total Planning and Zoning</i> | 274,600 | 309,600 | 426,002 | (116,402) |
| <i>Municipal Court:</i> | | | | |
| Salaries | 150,383 | 157,490 | 159,507 | (2,017) |
| Supplies | 5,800 | 5,800 | 7,086 | (1,286) |
| Contractual | 34,700 | 34,700 | 26,820 | 7,880 |
| <i>Total Municipal Court</i> | \$ 190,883 | \$ 197,990 | \$ 193,413 | \$ 4,577 |

CITY OF BULVERDE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budget Amounts | | Actual Amounts | Variance |
|---|----------------------------|----------------------------|-----------------------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| EXPENDITURES (CONT.) | | | | |
| <i>Building Operations & Maintenance:</i> | | | | |
| Salaries | \$ 70,000 | \$ - | \$ - | \$ - |
| Supplies | 12,300 | 12,300 | 10,847 | 1,453 |
| Contractual | 375,330 | 317,810 | 246,895 | 70,915 |
| Capital Outlay | 11,500 | 11,500 | - | 11,500 |
| <i>Total Operations & Maintenance</i> | <u>469,130</u> | <u>341,610</u> | <u>257,742</u> | <u>83,868</u> |
| <i>Public Works:</i> | | | | |
| Salaries | 147,943 | 151,767 | 152,250 | (483) |
| Supplies | 250 | 1,210 | 1,153 | 57 |
| Contractual | 416,716 | 568,716 | 496,057 | 72,659 |
| Capital Outlay | 35,000 | 35,000 | - | 35,000 |
| <i>Total Public Works</i> | <u>599,909</u> | <u>756,693</u> | <u>649,460</u> | <u>107,233</u> |
| TOTAL EXPENDITURES | <u>3,448,018</u> | <u>3,831,961</u> | <u>3,625,245</u> | <u>206,716</u> |
| Net Change in Fund Balance | (305,000) | (532,091) | 109,631 | 641,722 |
| Fund Balances at Beginning of Year | <u>3,197,863</u> | <u>3,197,863</u> | <u>3,197,863</u> | <u>-</u> |
| Fund Balances at End of Year | <u><u>\$ 2,892,863</u></u> | <u><u>\$ 2,665,772</u></u> | <u><u>\$ 3,307,494</u></u> | <u><u>\$ 641,722</u></u> |

CITY OF BULVERDE
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2016

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The General Fund is the only fund which has a legally adopted annual budget.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. The actual expenditures did not exceed the appropriated budget for 2016.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

CITY OF BULVERDE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST TWO CALENDAR YEARS

| Total Pension Liability | | |
|---|---------------------|---------------------|
| | 2014 | 2015 |
| Service Cost | \$ 137,904 | \$ 158,694 |
| Interest (on the Total Pension Liability) | 112,194 | 125,684 |
| Changes of Benefit Terms | - | - |
| Difference between Expected and Actual Experience | (45,953) | 58,422 |
| Change of Assumptions | - | 48,185 |
| Benefit Payments, Including Refunds of Employee Contributions | (17,646) | (26,020) |
| Net Change in Total Pension Liability | 186,499 | 364,965 |
| Total Pension Liability - Beginning | 1,542,645 | 1,729,144 |
| Total Pension Liability - Ending | <u>\$ 1,729,144</u> | <u>\$ 2,094,109</u> |
| Plan Fiduciary Net Position | | |
| | 2014 | 2015 |
| Contributions - Employer | \$ 75,584 | \$ 82,459 |
| Contributions - Employee | 66,988 | 71,807 |
| Net Investment Income | 78,841 | 2,333 |
| Benefit Payments, Including Refunds of Employee Contributions | (17,646) | (26,020) |
| Administrative Expense | (823) | (1,420) |
| Other | (68) | (71) |
| Net Change in Plan Fiduciary Net Position | 202,876 | 129,088 |
| Plan Fiduciary Net Position - Beginning | 1,377,583 | 1,580,459 |
| Plan Fiduciary Net Position - Ending | <u>\$ 1,580,459</u> | <u>\$ 1,709,547</u> |
| Net Pension Liability (Asset) - Ending | \$ 148,685 | \$ 384,562 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 91.40% | 81.64% |
| Covered Employee Payroll | \$ 1,116,461 | \$ 1,196,786 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 13.32% | 32.13% |

CITY OF BULVERDE
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO THE SCHEDULE OF CHANGES – NET PENSION LIABILITY
 AND RELATED RATIOS
 LAST THREE FISCAL YEARS

Schedule of Contributions:

| | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|------------------|------------------|------------------|
| Actuarially Determined Contribution | \$ 73,177 | \$ 95,183 | \$ 109,144 |
| Contributions in Relation to the Actuarially Determined Contribution | <u>73,177</u> | <u>80,651</u> | <u>95,661</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ 14,532</u> | <u>\$ 13,483</u> |
| Covered Employee Payroll | \$ 1,090,594 | \$ 1,175,404 | \$ 1,314,743 |
| Contributions as a Percentage of Covered Employee Payroll | 6.71% | 6.86% | 7.28% |

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date: 2015

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 28 Years |
| Asset Valuation Method | 10 Year Smoothed Market; 15% Soft Corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 10.50% including Inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014. |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |

SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Statements – General Fund
- Combining Statement – Nonmajor Governmental Funds
- Comparative Statements – Police Seizure Fund
- Comparative Statements – Debt Service
- Comparative Statements – Hotel/Motel Fund
- Comparative Statements – Proprietary Water/Sewer Utility Fund

CITY OF BULVERDE
COMPARATIVE BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 2016 AND 2015

| | 2016 | 2015 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 1,409,143 | \$ 1,637,174 |
| Investments | 1,962,299 | 1,637,273 |
| Receivables (net of allowances for uncollectibles): | | |
| Property Taxes | 21,445 | 21,800 |
| Other Receivables | 388,989 | 344,113 |
| Accrued Interest Receivable | 502 | 830 |
| Due From Other Funds | 143,666 | 11,582 |
| TOTAL ASSETS | \$ 3,926,044 | \$ 3,652,772 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES | | |
| <i>Liabilities:</i> | | |
| Accounts Payable | \$ 382,449 | \$ 267,639 |
| Wages and Salaries Payable | 30,533 | 23,057 |
| Intergovernmental Payable | 116,697 | 74,547 |
| Other Current Liabilities | 7,161 | 7,601 |
| Unearned Revenue | 60,265 | 60,265 |
| <i>Total Liabilities</i> | <i>597,105</i> | <i>433,109</i> |
| <i>Deferred Inflows of Resources:</i> | | |
| Unavailable Revenues | 21,445 | 21,800 |
| <i>Total Deferred Inflows of Resources</i> | <i>21,445</i> | <i>21,800</i> |
| <i>Fund Balances:</i> | | |
| Restricted for: | | |
| Child Safety | 51,180 | 54,443 |
| Building Security and Technology | 212,045 | 180,372 |
| Park Donations | 21,851 | 9,124 |
| Drainage | 250,000 | 250,000 |
| Assigned for: | | |
| Right of Way | 197,800 | 197,800 |
| Park Use | 12,645 | - |
| Unassigned | 2,561,973 | 2,506,124 |
| <i>Total Fund Balances</i> | <i>3,307,494</i> | <i>3,197,863</i> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 3,926,044 | \$ 3,652,772 |

CITY OF BULVERDE
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

| | 2016 | 2015 |
|--|---------------------|---------------------|
| REVENUES | | |
| Ad Valorem Taxes | \$ 750,943 | \$ 721,880 |
| Sales Taxes | 1,472,469 | 1,501,202 |
| Franchise Fees | 330,874 | 330,587 |
| Mixed Beverage Taxes | 1,331 | 1,470 |
| Intergovernmental Revenues & Grants | 169,115 | 297,995 |
| Fines and Penalties | 568,102 | 473,651 |
| Licenses and Permits | 340,448 | 232,321 |
| Interest Income | 10,870 | 9,336 |
| Miscellaneous | 90,724 | 78,381 |
| TOTAL REVENUES | 3,734,876 | 3,646,823 |
| EXPENDITURES | | |
| <i>Current:</i> | | |
| General and Administrative | 663,532 | 578,808 |
| Mayor and Council | 11,141 | 24,023 |
| Public Safety | 1,208,421 | 1,048,994 |
| Planning and Zoning | 426,002 | 303,926 |
| Municipal Court | 193,413 | 167,241 |
| Building Operations and Maintenance | 257,742 | 216,929 |
| Public Works | 649,460 | 383,050 |
| Capital Outlay | 215,534 | 137,960 |
| TOTAL EXPENDITURES | 3,625,245 | 2,860,931 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 109,631 | 785,892 |
| Net Change in Fund Balance | 109,631 | 785,892 |
| Fund Balances at Beginning of Year | 3,197,863 | 2,411,971 |
| Fund Balances at End of Year | \$ 3,307,494 | \$ 3,197,863 |

CITY OF BULVERDE
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

| | Police Seizure Fund | Debt Service Fund | Hotel/Motel Fund | Total Nonmajor Governmental Funds |
|--|---------------------------|-------------------------|---------------------|--|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 11,303 | \$ 54,639 | \$ - | \$ 65,942 |
| Due from Other Funds | 6,385 | - | 11,722 | 18,107 |
| TOTAL ASSETS | \$ 17,688 | \$ 54,639 | \$ 11,722 | \$ 84,049 |
| LIABILITIES AND FUND BALANCES | | | | |
| <i>Liabilities:</i> | \$ - | \$ - | \$ - | \$ - |
| <i>Total Liabilities</i> | - | - | - | - |
| <i>Fund Balances:</i> | | | | |
| Restricted For: | | | | |
| Police Seizure | 17,688 | - | - | 17,688 |
| Debt Service | - | 54,639 | - | 54,639 |
| Hotel/Motel | - | - | 11,722 | 11,722 |
| <i>Total Fund Balances</i> | <u>17,688</u> | <u>54,639</u> | <u>11,722</u> | <u>84,049</u> |
| TOTAL LIABILITIES & FUND BALANCES | \$ 17,688 | \$ 54,639 | \$ 11,722 | \$ 84,049 |

CITY OF BULVERDE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016

| | Police Seizure Fund | Debt Service Fund | Hotel/Motel Fund | Total Nonmajor Governmental Funds |
|-------------------------------------|---------------------------|-------------------------|---------------------|--|
| REVENUES | | | | |
| Interest Income | \$ - | \$ 55 | \$ - | \$ 55 |
| Intergovernmental Revenues & Grants | 1,937 | - | - | 1,937 |
| Hotel Motel Tax | - | - | 4,352 | 4,352 |
| TOTAL REVENUES | <u>1,937</u> | <u>55</u> | <u>4,352</u> | <u>6,344</u> |
| EXPENDITURES | | | | |
| General and Administrative | <u>1,607</u> | - | - | <u>1,607</u> |
| TOTAL EXPENDITURES | <u>1,607</u> | - | - | <u>1,607</u> |
| Net Change in Fund Balance | 330 | 55 | 4,352 | 4,737 |
| Fund Balances at Beginning of Year | <u>17,358</u> | <u>54,584</u> | <u>7,370</u> | <u>79,312</u> |
| Fund Balances at End of Year | <u>\$ 17,688</u> | <u>\$ 54,639</u> | <u>\$ 11,722</u> | <u>\$ 84,049</u> |

CITY OF BULVERDE
 COMPARATIVE BALANCE SHEETS
 POLICE SEIZURE FUND
 SEPTEMBER 30, 2016 AND 2015

| | 2016 | 2015 |
|--|------------------|------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 11,303 | \$ 10,973 |
| Due from Other Funds | 6,385 | 6,385 |
| TOTAL ASSETS | \$ 17,688 | \$ 17,358 |
| LIABILITIES AND FUND BALANCES | | |
| <i>Liabilities:</i> | \$ - | \$ - |
| <i>Total Liabilities</i> | - | - |
| <i>Fund Balances:</i> | | |
| Restricted for Police Seizure | 17,688 | 17,358 |
| <i>Total Fund Balances</i> | 17,688 | 17,358 |
| TOTAL LIABILITIES & FUND BALANCES | \$ 17,688 | \$ 17,358 |

CITY OF BULVERDE
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 POLICE SEIZURE FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

| | 2016 | 2015 |
|-------------------------------------|--------------|--------------|
| REVENUES | | |
| Intergovernmental Revenues & Grants | \$ 1,937 | \$ 200 |
| Sale of Seized Property | - | 7,284 |
| TOTAL REVENUES | 1,937 | 7,484 |
| EXPENDITURES | | |
| General and Administrative | 1,607 | 685 |
| TOTAL EXPENDITURES | 1,607 | 685 |
| Net Change in Fund Balance | 330 | 6,799 |
| Fund Balances at Beginning of Year | 17,358 | 10,559 |
| Fund Balances at End of Year | \$ 17,688 | \$ 17,358 |

CITY OF BULVERDE
 COMPARATIVE BALANCE SHEETS
 DEBT SERVICE FUND
 SEPTEMBER 30, 2016 AND 2015

| | 2016 | 2015 |
|--|------------------|------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 54,639 | \$ 54,584 |
| TOTAL ASSETS | \$ 54,639 | \$ 54,584 |
| LIABILITIES AND FUND BALANCES | | |
| <i>Liabilities:</i> | \$ - | \$ - |
| <i>Total Liabilities</i> | - | - |
| <i>Fund Balances:</i> | | |
| Restricted for Debt Service | 54,639 | 54,584 |
| <i>Total Fund Balances</i> | 54,639 | 54,584 |
| TOTAL LIABILITIES & FUND BALANCES | \$ 54,639 | \$ 54,584 |

CITY OF BULVERDE
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 DEBT SERVICE FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

| | 2016 | 2015 |
|------------------------------------|------------------|-----------|
| REVENUES | | |
| Interest Income | \$ 55 | \$ 54 |
| TOTAL REVENUES | 55 | 54 |
| EXPENDITURES | | |
| TOTAL EXPENDITURES | - | - |
| Net Change in Fund Balance | 55 | 54 |
| Fund Balances at Beginning of Year | 54,584 | 54,530 |
| Fund Balances at End of Year | \$ 54,639 | \$ 54,584 |

CITY OF BULVERDE
 COMPARATIVE BALANCE SHEETS
 HOTEL/MOTEL FUND
 SEPTEMBER 30, 2016 AND 2015

| | 2016 | 2015 |
|--|------------------|-----------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ - | \$ - |
| Due from Other Funds | 11,722 | 7,370 |
| TOTAL ASSETS | \$ 11,722 | \$ 7,370 |
| LIABILITIES AND FUND BALANCES | | |
| <i>Liabilities:</i> | | |
| | \$ - | \$ - |
| <i>Total Liabilities</i> | - | - |
| <i>Fund Balances:</i> | | |
| Restricted for Hotel/Motel | 11,722 | 7,370 |
| <i>Total Fund Balances</i> | 11,722 | 7,370 |
| TOTAL LIABILITIES & FUND BALANCES | \$ 11,722 | \$ 7,370 |

CITY OF BULVERDE
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 HOTEL/MOTEL FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

| | 2016 | 2015 |
|------------------------------------|------------------|----------|
| REVENUES | | |
| Hotel/Motel Tax | \$ 4,352 | \$ 3,498 |
| TOTAL REVENUES | 4,352 | 3,498 |
| EXPENDITURES | - | - |
| TOTAL EXPENDITURES | - | - |
| Net Change in Fund Balance | 4,352 | 3,498 |
| Fund Balances at Beginning of Year | 7,370 | 3,872 |
| Fund Balances at End of Year | \$ 11,722 | \$ 7,370 |

CITY OF BULVERDE
 COMPARATIVE STATEMENTS OF NET POSITION
 PROPRIETARY FUND
 SEPTEMBER 30, 2016 AND 2015

| | 2016 | 2015 |
|-------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current Assets: | | |
| Accounts Receivable | \$ 171,948 | \$ 24,200 |
| Capital Assets: | | |
| Land | 286,625 | 286,625 |
| Buildings and Improvements | 9,153,971 | 9,153,971 |
| Accumulated Depreciation | (355,988) | (50,855) |
| TOTAL ASSETS | \$ 9,256,556 | \$ 9,413,941 |
| LIABILITIES | | |
| Accounts Payable | \$ 11,747 | \$ - |
| Due To Other Funds | 161,773 | 25,337 |
| TOTAL LIABILITIES | 173,520 | 25,337 |
| NET POSITION | | |
| Net Investment Capital Assets | 9,084,608 | 9,389,741 |
| Unrestricted, (Deficit) | (1,572) | (1,137) |
| TOTAL NET POSITION | \$ 9,083,036 | \$ 9,388,604 |

CITY OF BULVERDE
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

| | 2016 | 2015 |
|---|---------------------|--------------|
| Operating Revenues | | |
| Charges for Services | \$ 197,920 | \$ 24,200 |
| Total Operating Revenues | 197,920 | 24,200 |
| Operating Expenses Before Depreciation | | |
| Supplies | 2,663 | - |
| Contractual Services | 195,692 | 25,337 |
| Total Operating Expenses Before Depreciation | 198,355 | 25,337 |
| Operating Income Before Depreciation | (435) | (1,137) |
| Depreciation | 305,133 | 50,855 |
| Operating Income (Loss) | (305,568) | (51,992) |
| Other Income(Expense): | | |
| Capital Contributions | - | 9,440,596 |
| Total Other Income (Expense) | - | 9,440,596 |
| NET CHANGE IN NET POSITION | (305,568) | 9,388,604 |
| Net Position at Beginning of Year | 9,388,604 | - |
| Net Position at End of Year | \$ 9,083,036 | \$ 9,388,604 |

CITY OF BULVERDE
 COMPARATIVE STATEMENTS OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

| | 2016 | 2015 |
|--|------------------|-----------------|
| Cash Flows From Operating Activities | | |
| Cash Received From Customers | \$ 50,172 | \$ - |
| Cash Paid to Suppliers for Goods & Services | (186,608) | (25,337) |
| Net Cash Provided (Used) by Operating Activities | (136,436) | (25,337) |
| Cash Flows From Noncapital Financing Activities: | | |
| Interfund Payables (Receivables) | 136,436 | 25,337 |
| Net Cash Provided (Used) by Noncapital Financing Activities | 136,436 | 25,337 |
| Net Increase (Decrease) in Cash and Investments | - | - |
| Cash and Investments at Beginning of Year | - | - |
| Cash and Investments at End of Year: | \$ - | \$ - |

SUPPLEMENTAL SCHEDULE OF NON-CASH OPERATING ACTIVITIES:

| | | |
|--|-------------|---------------------|
| Property (Wastewater Treatment Facility) Received in Exchange: | | |
| Fair Market Value of Asset Received in Trade | \$ - | \$ 9,440,596 |
| Cash Paid by the City | - | - |
| Net Capital Contribution Value | \$ - | \$ 9,440,596 |

CITY OF BULVERDE
 COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

| | 2016 | 2015 |
|--|---------------------|--------------------|
| Reconciliation of Operating Income to Net Cash | | |
| Provided (Used) by Operating Activities: | | |
| Operating Income | \$ (305,568) | \$ (51,992) |
| Adjustments to Reconcile Operating | | |
| Income to Net Cash Provided | | |
| (Used) by Operating Activities: | | |
| Depreciation | 305,133 | 50,855 |
| (Increase) Decrease in | | |
| Operating Assets: | | |
| Accounts Receivable | (147,748) | (24,200) |
| Accounts Payable | 11,747 | - |
| Total Adjustments to Reconcile | 169,132 | 26,655 |
| Operating Activities | 169,132 | 26,655 |
| Net Cash Provided (Used) by Operating | | |
| Activities | \$ (136,436) | \$ (25,337) |

