



Communication with Those Charged with Governance

To the Council
City of Bulverde

We have audited the financial statements of the governmental activities, business-type activities, the major fund, and the aggregate remaining fund information of the City of Bulverde as of and for the year ended September 30, 2017, and have issued our report thereon dated January 11, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 31, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of City of Bulverde solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Bulverde is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are Management's estimate of useful lives of capital assets, the collectability of developer receivable related to waste water treatment, and pension liability, deferred outflows and inflows related to pension liability.

Management's estimate of the useful lives of capital assets is based on industry guidance and professional judgment. The estimate for the collectability of the developer receivable related to waste water treatment is based on management's judgment. The estimates related to the Net Pension Liability are based on the actuarial study performed by Texas Municipal Retirement System with no input from the City's Management. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City of Bulverde's financial statements relate to the employee's retirement systems and commitments and contingencies.

Significant Difficulties Encountered during the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. A significant correcting entry was made to reverse a payable for street maintenance which did not begin until after year end. We also assisted management in recording routine items such as depreciation and changes to the net pension liability. These adjustments were not indicative of deficiencies in internal control.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to City of Bulverde's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated January 11, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with City of Bulverde, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Bulverde's auditors.

Public Funds Investment Act

As a part of our audit, we review the City's compliance with the Public Funds Investment Act. Our procedures determined that the City did not approve the investment policy for FY 2017.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing City of Bulverde's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, was materially consistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Other Matters

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the information and use of the City Council and management of City of Bulverde and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

January 11, 2018

CITY OF BULVERDE, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2017**



CITY OF BULVERDE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

INTRODUCTORY SCHEDULE

	<u>PAGE</u>
TITLE PAGE	i
TABLE OF CONTENTS	ii
PRINCIPAL OFFICERS	iv

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	10
STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES	13
BALANCE SHEET - GOVERNMENTAL FUNDS	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET TO THE STATEMENT OF NET POSITION	16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	18
STATEMENT OF NET POSITION – PROPRIETARY FUND	19
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUND	20
STATEMENT OF CASH FLOWS – PROPRIETARY FUND	21
NOTES TO BASIC FINANCIAL STATEMENTS.....	22
REQUIRED SUPPLEMENTARY INFORMATION	41
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND	42
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS.....	44
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS - LAST THREE CALENDAR YEARS	45
SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST FOUR FISCAL YEARS	46
NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS	46

CITY OF BULVERDE
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS (CONTINUED)

SUPPLEMENTARY INFORMATION.....	47
COMPARATIVE BALANCE SHEETS - GENERAL FUND.....	48
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND.....	49
COMBINING BALANCE SHEETS - NONMAJOR GOVERNMENTAL FUNDS.....	50
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS	51
COMPARATIVE BALANCE SHEETS - POLICE SEIZURE FUND	52
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - POLICE SEIZURE FUND.....	53
COMPARATIVE BALANCE SHEETS - DEBT SERVICE FUND	54
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - DEBT SERVICE FUND	55
COMPARATIVE BALANCE SHEETS - HOTEL/MOTEL FUND	56
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - HOTEL/MOTEL FUND	57
COMPARATIVE STATEMENTS OF NET POSITION - PROPRIETARY FUND.....	58
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND	59
COMPARATIVE STATEMENTS OF CASH FLOWS - PROPRIETARY FUND	60

CITY OF BULVERDE
PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

WILLIAM KRAWIETZ

CITY COUNCIL

ROBERT W. HURST

YVONNE L. CHAPMAN

KIRK HARRISON

RAY JEFFREY

GENE HARTMAN

DAVID PAYNE

CITY MANAGER

DANNY BATTS

ATTORNEY

DAVIDSON, TROILO, REAM & GARZA



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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 11, 2018



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, 2017. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

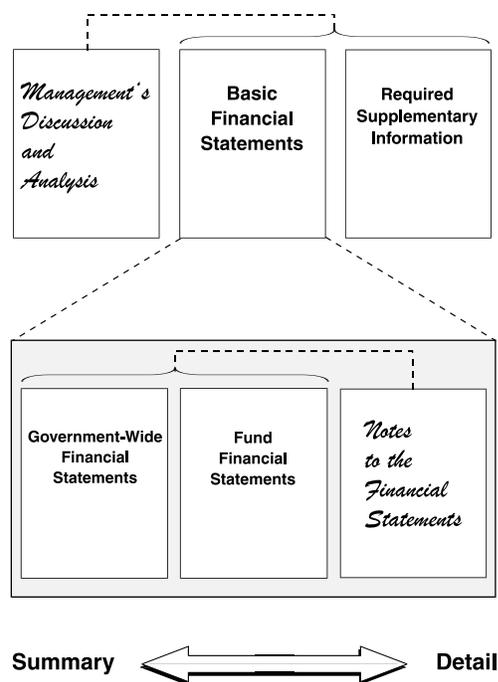
- The City’s net position was \$16.8 million at September 30, 2017.
- During the year, the City’s governmental expenses were \$626 thousand more than the \$4.2 million generated in general and program revenues for governmental funds. The total cost of the City’s program expenses increased 42% from last year.
- The general fund reported a fund balance this year of \$2.9 million, a decrease of 12.1%.
- The City did not issue any new bonds during the fiscal year ending September 30, 2017.

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 \$16.8 million at September 30, 2017. (See Table A-1).

	Governmental Activities		Business-Type Activities		Total		Percentage Change 2017 - 2016
	2017	2016	2017	2016	2017	2016	
<i>Assets:</i>							
Current Assets	\$ 3,535,538	\$ 4,010,093	\$ (41,421)	\$ 10,175	\$ 3,494,117	\$ 4,020,268	-13.1%
Capital Assets (net)	5,339,224	5,495,540	8,779,475	9,084,608	14,118,699	14,580,148	-3.2%
<i>Total Assets</i>	<u>8,874,762</u>	<u>9,505,633</u>	<u>8,738,054</u>	<u>9,094,783</u>	<u>17,612,816</u>	<u>18,600,416</u>	-5.3%
<i>Deferred Outflows:</i>							
Pension Related Outflows	232,008	228,784	-	-	232,008	228,784	1.4%
<i>Total Deferred Outflows</i>	<u>232,008</u>	<u>228,784</u>	<u>-</u>	<u>-</u>	<u>232,008</u>	<u>228,784</u>	1.4%
<i>Liabilities:</i>							
Current Liabilities	619,994	690,817	-	11,747	619,994	702,564	-11.8%
Noncurrent Liabilities	453,528	384,562	-	-	453,528	384,562	17.9%
<i>Total Liabilities</i>	<u>1,073,522</u>	<u>1,075,379</u>	<u>-</u>	<u>11,747</u>	<u>1,073,522</u>	<u>1,087,126</u>	-1.3%
<i>Net Position:</i>							
Invested in Capital Assets	5,339,224	5,495,540	8,779,475	9,084,608	14,118,699	14,580,148	-3.2%
Restricted	667,224	619,125	-	-	667,224	619,125	7.8%
Unrestricted, (Deficit)	2,026,800	2,544,373	(41,421)	(1,572)	1,985,379	2,542,801	-21.9%
<i>Total Net Position</i>	<u>\$ 8,033,248</u>	<u>\$ 8,659,038</u>	<u>\$ 8,738,054</u>	<u>\$ 9,083,036</u>	<u>\$ 16,771,302</u>	<u>\$ 17,742,074</u>	-5.5%

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, 2017, leading to an increase in property tax revenues of \$184,140.

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2017	2016	2017	2016	2017	2016	2017 - 2016
<i>Program Revenues:</i>							
Charges for Services	\$ 1,088,085	\$ 960,398	\$ 286,413	\$ 197,920	\$ 1,374,498	\$ 1,158,318	18.7%
Operating Grants and Contributions	114,496	119,204	-	-	114,496	119,204	-3.9%
<i>General Revenues:</i>							
Taxes	2,908,725	2,559,613	-	-	2,908,725	2,559,613	13.6%
Interest Earnings	25,040	10,925	-	-	25,040	10,925	129.2%
Miscellaneous	36,032	90,726	-	-	36,032	90,726	-60.3%
TOTAL REVENUES	4,172,378	3,740,866	286,413	197,920	4,458,791	3,938,786	13.2%
<i>Program Expenses:</i>							
General and Administrative	2,152,945	721,369	631,395	503,488	2,784,340	1,224,857	127.3%
Public Safety	1,438,412	1,307,570	-	-	1,438,412	1,307,570	10.0%
Planning and Zoning	213,496	426,002	-	-	213,496	426,002	-49.9%
Municipal Court	205,997	198,251	-	-	205,997	198,251	3.9%
Building Operations & Maintenance	344,552	284,550	-	-	344,552	284,550	21.1%
Public Works	442,766	442,197	-	-	442,766	442,197	0.1%
TOTAL EXPENSES	4,798,168	3,379,939	631,395	503,488	5,429,563	3,883,427	39.8%
Change in Net Position	<u>\$ (625,790)</u>	<u>\$ 360,927</u>	<u>\$ (344,982)</u>	<u>\$ (305,568)</u>	<u>\$ (970,772)</u>	<u>\$ 55,359</u>	-1853.6%

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 \$4,798,168. 22.7% 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 \$934,727, \$1,619,524, and \$341,496, respectively.

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2017	2016	2017 - 2016	2017	2016	2017 - 2016
General & Administrative	\$2,152,945	\$ 721,369	198.5%	\$2,152,427	\$ 721,017	198.5%
Public Safety	1,438,412	1,307,570	10.0%	1,274,374	1,136,518	12.1%
Planning & Zoning	213,496	426,002	-49.9%	213,496	426,002	-49.9%
Municipal Court	205,997	198,251	3.9%	(518,742)	(489,685)	5.9%
Building Operations and Maintenance	344,552	284,550	21.1%	344,552	284,550	21.1%
Public Works	442,766	442,197	0.1%	129,480	221,935	-41.7%

Business-Type Activities

Total charges for waste water treatment services were \$286,413 while total operating expenses, including current depreciation expense, was \$631,395 resulting in a net loss for the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$4.2 million, an increase of 11.6% from the preceding year.

General Fund Budgetary Highlights

The City's general fund actual revenues were \$583,060 more than budgeted amounts and expenditures were \$829,540 less than budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2017, the City had invested \$17.4 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount less accumulated depreciation totaling \$3.3 million results in a total Net Capital Asset Value of \$14.1 million.

Table A-4
City's Capital Assets

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2017	2016	2017	2016	2017	2016	2017 - 2016
Land	\$ 192,821	\$ 192,821	\$ 286,625	\$ 286,625	\$ 479,446	\$ 479,446	0.0%
Buildings and Improvements	3,023,738	2,968,151	9,153,971	9,153,971	12,177,709	12,122,122	1.9%
Vehicles and Equipment	1,066,449	1,005,300	-	-	1,066,449	1,005,300	6.1%
Infrastructure	3,644,064	3,599,899	-	-	3,644,064	3,599,899	1.2%
Signs	42,269	42,269	-	-	42,269	42,269	0.0%
Totals at Historical Cost	7,969,341	7,808,440	9,440,596	9,440,596	17,409,937	17,249,036	2.1%
Total Accumulated Depreciation	(2,630,117)	(2,312,900)	(661,121)	(355,988)	(3,291,238)	(2,668,888)	13.7%
Net Capital Assets	<u>\$ 5,339,224</u>	<u>\$ 5,495,540</u>	<u>\$ 8,779,475</u>	<u>\$ 9,084,608</u>	<u>\$ 14,118,699</u>	<u>\$ 14,580,148</u>	-2.8%

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 2017-2018 Fiscal Year will be a year of asset construction and continued community planning for the Bulverde area. The revenues and expenses for the 2017-2018 Fiscal Year budget preparation are \$5,824,834.

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, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 802,398	\$ -	\$ 802,398
Investments	2,053,753	-	2,053,753
Receivables (net of allowances for uncollectibles):			
Ad Valorem Taxes	17,244	-	17,244
Other	455,940	163,893	619,833
Accrued Interest Receivable	889	-	889
Internal Balances	205,314	(205,314)	-
Capital Assets:			
Land	192,821	286,625	479,446
Building and Improvements	3,023,738	9,153,971	12,177,709
Vehicles and Equipment	1,066,449	-	1,066,449
Infrastructure	3,644,064	-	3,644,064
Signs	42,269	-	42,269
Accumulated Depreciation	(2,630,117)	(661,121)	(3,291,238)
TOTAL ASSETS	<u>8,874,762</u>	<u>8,738,054</u>	<u>17,612,816</u>
DEFERRED OUTFLOWS			
Deferred Pension Related Outflows	232,008	-	232,008
TOTAL DEFERRED OUTFLOWS	<u>\$ 232,008</u>	<u>\$ -</u>	<u>\$ 232,008</u>

See accompanying notes to basic financial statements.

CITY OF BULVERDE
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 283,364	\$ -	\$ 283,364
Wages and Salaries Payable	37,469	-	37,469
Intergovernmental Payable	91,198	-	91,198
Other Current Liabilities	13,735	-	13,735
Accrued Compensated Absences	95,241	-	95,241
Unearned Revenue	98,987	-	98,987
Total Current Liabilities	619,994	-	619,994
<i>Noncurrent Liabilities:</i>			
Net Pension Liability	453,528	-	453,528
Total Noncurrent Liabilities	453,528	-	453,528
TOTAL LIABILITIES	1,073,522	-	1,073,522
NET POSITION			
Net Investment in Capital Assets	5,339,224	8,779,475	14,118,699
Restricted for:			
Police, Court, and Child Safety	330,297	-	330,297
Drainage	250,000	-	250,000
Park Donations	21,851	-	21,851
Hotel/Motel	10,383	-	10,383
Debt Service	54,693	-	54,693
Unrestricted, (Deficit)	2,026,800	(41,421)	1,985,379
TOTAL NET POSITION	\$ 8,033,248	\$ 8,738,054	\$ 16,771,302

See accompanying notes to basic financial statements.

CITY OF BULVERDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
<i>Governmental Activities:</i>				
General & Administrative	\$ 2,152,945	\$ 518	\$ -	\$ -
Public Safety	1,438,412	49,542	114,496	-
Planning & Zoning	213,496	-	-	-
Municipal Court	205,997	724,739	-	-
Building Operations & Maintenance	344,552	-	-	-
Public Works	442,766	313,286	-	-
<i>Total Governmental Activities</i>	<u>4,798,168</u>	<u>1,088,085</u>	<u>114,496</u>	<u>-</u>
<i>Business-Type Activities:</i>				
Wastewater Treatment	631,395	286,413	-	-
<i>Total Business-Type Activities</i>	<u>631,395</u>	<u>286,413</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u><u>\$ 5,429,563</u></u>	<u><u>\$ 1,374,498</u></u>	<u><u>\$ 114,496</u></u>	<u><u>\$ -</u></u>
General Revenues:				
Taxes				
Sales Taxes				
Ad Valorem 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.

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

Total Governmental Activities	Business-Type Activities	Total
\$ (2,152,427)	\$ -	\$ (2,152,427)
(1,274,374)	-	(1,274,374)
(213,496)	-	(213,496)
518,742	-	518,742
(344,552)	-	(344,552)
(129,480)	-	(129,480)
<u>(3,595,587)</u>	<u>-</u>	<u>(3,595,587)</u>
-	(344,982)	(344,982)
<u>-</u>	<u>(344,982)</u>	<u>(344,982)</u>
<u>(3,595,587)</u>	<u>(344,982)</u>	<u>(3,940,569)</u>
1,619,524	-	1,619,524
934,727	-	934,727
341,496	-	341,496
4,141	-	4,141
8,837	-	8,837
25,040	-	25,040
36,032	-	36,032
<u>2,969,797</u>	<u>-</u>	<u>2,969,797</u>
(625,790)	(344,982)	(970,772)
<u>8,659,038</u>	<u>9,083,036</u>	<u>17,742,074</u>
<u>\$ 8,033,248</u>	<u>\$ 8,738,054</u>	<u>\$ 16,771,302</u>

CITY OF BULVERDE
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 724,766	\$ 77,632	\$ 802,398
Investments	2,053,753	-	2,053,753
Receivables (net of allowances for uncollectibles):			
Property Taxes	17,244	-	17,244
Other Receivables	455,940	-	455,940
Accrued Interest Receivable	889	-	889
Due from Other Funds	196,631	8,683	205,314
TOTAL ASSETS	\$ 3,449,223	\$ 86,315	\$ 3,535,538
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 283,364	\$ -	\$ 283,364
Wages and Salaries Payable	37,469	-	37,469
Intergovernmental Payable	91,198	-	91,198
Other Current Liabilities	13,735	-	13,735
Unearned Revenues	98,987	-	98,987
<i>Total Liabilities</i>	<u>524,753</u>	<u>-</u>	<u>524,753</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Revenues	17,244	-	17,244
<i>Total Deferred Inflows of Resources</i>	<u>17,244</u>	<u>-</u>	<u>17,244</u>
<i>Fund Balances:</i>			
Restricted for:			
Child Safety	55,518	-	55,518
Building Security and Technology	245,436	-	245,436
Park Donations	21,851	-	21,851
Police Donations	8,104	-	8,104
Drainage	250,000	-	250,000
Police Seizure	-	21,239	21,239
Debt Service	-	54,693	54,693
Hotel/Motel	-	10,383	10,383
Assigned for:			
Park Use	24,717	-	24,717
Unassigned	2,301,600	-	2,301,600
<i>Total Fund Balances</i>	<u>2,907,226</u>	<u>86,315</u>	<u>2,993,541</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	\$ 3,449,223	\$ 86,315	\$ 3,535,538

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, 2017

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 2,993,541
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,339,224
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		17,244
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	(453,528)	
Pension Related Deferred Outflows	<u>232,008</u>	(221,520)
Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds.		<u>(95,241)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ 8,033,248</u></u>

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, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Ad Valorem Taxes	\$ 938,923	\$ -	\$ 938,923
Sales Taxes	1,619,524	-	1,619,524
Franchise Fees	341,496	-	341,496
Mixed Beverage Taxes	4,141	-	4,141
Sale of Seized Property	-	3,551	3,551
Hotel/Motel Tax	-	8,837	8,837
Intergovernmental Revenues and Grants	155,291	-	155,291
Fines and Penalties	603,600	-	603,600
Charges for Services	437,077	-	437,077
Interest Income	24,986	54	25,040
Miscellaneous	39,096	-	39,096
TOTAL REVENUES	<u>4,164,134</u>	<u>12,442</u>	<u>4,176,576</u>
EXPENDITURES			
<i>Current:</i>			
General and Administrative	2,082,166	-	2,082,166
Mayor and Council	8,561	-	8,561
Public Safety	1,233,016	-	1,233,016
Planning and Zoning	206,937	-	206,937
Municipal Court	202,118	-	202,118
Building Operations and Maintenance	358,209	-	358,209
Public Works	325,646	-	325,646
Visitor Center	925	-	925
Capital Outlay	146,824	10,176	157,000
TOTAL EXPENDITURES	<u>4,564,402</u>	<u>10,176</u>	<u>4,574,578</u>
Net Change in Fund Balance	(400,268)	2,266	(398,002)
Fund Balances at Beginning of Year	<u>3,307,494</u>	<u>84,049</u>	<u>3,391,543</u>
Fund Balances at End of Year	<u>\$ 2,907,226</u>	<u>\$ 86,315</u>	<u>\$ 2,993,541</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, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (398,002)

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	210,651	
Depreciation Expense	<u>(366,967)</u>	(156,316)

Revenues in the Statement of Revenues that provided current
financial resources are not reported as revenues in the activities. (4,200)

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. (65,743)

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. (1,529)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (625,790)

CITY OF BULVERDE
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2017

	Business-Type Activities
	Waterwater Treatment
ASSETS	
Current Assets:	
Accounts Receivable	\$ 163,893
Capital Assets:	
Land	286,625
Buildings and Improvements	9,153,971
Accumulated Depreciation	(661,121)
TOTAL ASSETS	\$ 8,943,368
 LIABILITIES	
Due To Other Funds	\$ 205,314
TOTAL LIABILITIES	205,314
 NET POSITION	
Net Investment Capital Assets	8,779,475
Unrestricted, (Deficit)	(41,421)
TOTAL NET POSITION	\$ 8,738,054

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, 2017

	Business-Type Activities
	Wastewater Treatment
OPERATING REVENUES	
Charges for Services	\$ 286,413
TOTAL OPERATING REVENUES	286,413
 OPERATING EXPENSES	
Supplies	1,250
Contractual Services	325,012
Depreciation	305,133
TOTAL OPERATING EXPENSES	631,395
 NET INCOME (LOSS)	(344,982)
 Net Position at Beginning of Year	9,083,036
 Net Position at End of Year	\$ 8,738,054

See accompanying notes to basic financial statements.

CITY OF BULVERDE
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities
	Wastewater Treatment
Cash Flows From Operating Activities	
Cash Received From Customers	\$ 294,468
Cash Paid to Suppliers for Goods & Services	(338,009)
Net Cash Provided (Used) by Operating Activities	(43,541)
 Cash Flows From Noncapital Financing Activities:	
Interfund Payables (Receivables)	43,541
Net Cash Provided (Used) by Noncapital Financing Activities	43,541
 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	\$ (344,982)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	305,133
(Increase) Decrease in Operating Assets:	
Accounts Receivable	8,055
Accounts Payable	(11,747)
Total Adjustments to Reconcile Operating Activities	301,441
 Net Cash Provided (Used) by Operating Activities	\$ (43,541)

See accompanying notes to basic financial statements.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017

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 Seizure and Hotel/Motel Funds. The Debt Service Fund is also a nonmajor 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, 2017

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.

The City reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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 maintains a consistent net asset value per share that approximates the fair value of the underlying securities. These investments are reported at net asset value.

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, 2017.

CITY OF BULVERDE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2017

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

6. ACCOUNTS RECEIVABLE (Continued)

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.

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.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

9. COMPENSATED ABSENCES (Continued)

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.

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.

11. UNEARNED REVENUE

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Tree preservation and sewer hookup 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.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

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.

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.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

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.

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 \$801,648 plus \$750 petty cash and the bank balance was \$790,306. 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 \$1,847,435 and a market value of \$1,846,467. 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 did not approve the investment policy for FY 2017.

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.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE C -- INVESTMENTS (Continued)

The City’s investments at September 30, 2017 are as follows:

	Reported Value	Fair Value
Investment Pools:		
TexPool	\$ 12,549	\$ 12,549
Lone Star Investments	5	5
MBIA Texas Class	1,292,199	1,292,199
Certificates of Deposit:		
Blanco National Bank	500,000	500,000
Randolph Brooks FCU	249,000	249,000
Total Investments	\$ 2,053,753	\$ 2,053,753

All of the City’s investments carried at fair value are valued using quoted market prices (Level 1 inputs).

The Certificates of Deposit were fully collateralized.

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.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE C -- INVESTMENTS (Continued)

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.

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, 2016, upon which the fiscal 2017 levy was based, was \$566,104,818 (i.e., market value less exemptions). The estimated market value was \$766,904,763, making the taxable value 73.8% of the estimated market value.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE D -- PROPERTY TAX CALENDAR (Continued)

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The tax rate to finance general governmental services for the year ended September 30, 2017, was \$0.139403 per \$100 of assessed value, which means that the City has a tax margin of \$2.360597 for each \$100 value and could increase its annual tax levy by approximately \$13,363,453 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.

NOTE E -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2017 are as follows:

	Governmental Funds		Proprietary Fund	Total
	General Fund	Nonmajor Funds	Wastewater Treatment	
Sales Tax	\$ 269,753	\$ -	\$ -	\$ 269,753
Franchise Taxes	101,687	-	-	101,687
Hotel/Motel Tax	5,498	-	-	5,498
Miscellaneous	79,002	-	163,893	242,895
Total Other Receivables	\$ 455,940	\$ -	\$ 163,893	\$ 619,833

NOTE F -- DUE TO/FROM OTHER FUNDS

As of September 30, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due To	Due From	Amount
General Fund	Wastewater Treatment Fund	\$ 205,314
Nonmajor Funds	General Fund	8,683
		\$ 213,997

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE G -- CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance 10/1/2016	Additions	Disposals	Balance 9/30/2017
Land	\$ 192,821	\$ -	\$ -	\$ 192,821
Buildings and Improvements	2,968,151	55,587	-	3,023,738
Vehicles and Equipment	1,005,300	110,899	(49,750)	1,066,449
Infrastructure	3,599,899	44,165	-	3,644,064
Signs	42,269	-	-	42,269
	<u>7,808,440</u>	<u>210,651</u>	<u>(49,750)</u>	<u>7,969,341</u>
Less Accumulated Depreciation				
Buildings and Improvements	(348,810)	(69,033)	-	(417,843)
Vehicles and Equipment	(658,943)	(115,619)	-	(774,562)
Infrastructure	(1,267,705)	(179,995)	49,750	(1,397,950)
Signs	(37,442)	(2,320)	-	(39,762)
	<u>(2,312,900)</u>	<u>(366,967)</u>	<u>49,750</u>	<u>(2,630,117)</u>
Governmental Capital Assets, Net	<u>\$ 5,495,540</u>	<u>\$ (156,316)</u>	<u>\$ -</u>	<u>\$ 5,339,224</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	(355,988)	(305,133)	-	(661,121)
	<u>(355,988)</u>	<u>(305,133)</u>	<u>-</u>	<u>(661,121)</u>
Business Type Capital Assets	<u>\$ 9,084,608</u>	<u>\$ (305,133)</u>	<u>\$ -</u>	<u>\$ 8,779,475</u>

Land is not depreciated.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE G -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

General & Administrative	\$ 71,097
Public Safety	108,470
Public Works	<u>187,400</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 366,967</u>

NOTE H-- LONG-TERM OBLIGATIONS

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

Governmental Activities	Balance 10/1/2016	Additions	Reductions	Balance 9/30/2017	Due Within One Year
Compensated Absences	\$ 93,712	\$ 95,241	\$ (93,712)	\$ 95,241	\$ 95,241

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

1. Plan Description

The City of Bulverde participates as one of 879 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.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

2. Benefits Provided (Continued)

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.

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

	2016
Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	12
Active employees	23
	42

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, 2017, 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 8.24% and 9.21% in calendar years 2016 and 2017, respectively. However, TMRS allowed the City to pay a phase in rate of 7.39% and 8.76% for the 2016 and 2017 calendar year resulting in a contribution deficiency in the amount of \$13,483 and \$7,488, respectively.

4. Net Pension Liability

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

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

5. Actuarial Assumptions

The Total Pension Liability in the December 31, 2016 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

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, 2016 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. 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.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

5. Actuarial Assumptions (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
	<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.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

7. Discount Rate Sensitivity Analysis

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)	\$ 878,576	\$ 453,528	\$ 111,548

8. Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 2,094,109	\$ 1,709,547	\$ 384,562
Changes for the year:			
Service Cost	187,381	-	187,381
Interest	146,798	-	146,798
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	33,784	-	33,784
Changes of Assumptions	-	-	-
Contributions - Employer	-	101,969	(101,969)
Contributions - Employee	-	82,790	(82,790)
Net Investment Income	-	115,613	(115,613)
Benefit Payments, Including Refunds of Employee Contributions	(26,020)	(26,020)	-
Administrative Expense	-	(1,305)	1,305
Other Changes	-	(70)	70
Net Changes	341,943	272,977	68,966
Balance at December 31, 2016	\$ 2,436,052	\$ 1,982,524	\$ 453,528

9. 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.

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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

For the year ended September 30, 2017, the City recognized pension expense of \$178,105. Also as of September 30, 2017, 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	\$ 41,974	\$ -
Changes in Actuarial Assumptions	32,791	-
Differences Between Projected and Actual Investment Earnings	71,840	-
Contributions Subsequent to the Measurement Date	85,403	-
	\$ 232,008	\$ -

Deferred outflows of resources in the amount of \$85,403 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,	
2017	\$ 40,735
2018	40,735
2019	37,216
2020	15,558
2021	8,877
Thereafter	3,484
	\$ 146,605

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.

CITY OF BULVERDE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2017

NOTE J -- OTHER POST EMPLOYMENT BENEFIT (Continued)

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s 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, 2017, 2016 and 2015 were \$1,473, \$1,476, and \$1,328, 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.

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, 2017, were \$55,022.

Litigation

The City is the subject of various claims and litigation from time to time that arise in the course of its operations. Management is of the opinion that any proceedings known to exist as of September 30, 2017 are not likely to have a material adverse effect on the City’s financial position.

Construction Commitments

The City had the following commitment in place as of September 30, 2017:

Commitment	Estimated Project Cost to City	Expended to Date	Estimated Future Commitment
Street Maintenance	\$ 328,253	\$ -	\$ 328,253

CITY OF BULVERDE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE K -- COMMITMENTS AND CONTINGENCIES (Continued)

380 Development Agreements

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, 2017:

Development	Sales Tax Refund Agreement	Maximum Grant Amount (Base)	Payments as of 9/30/2017	Maximum Balance Due
Singing Hills	100%	\$ 10,349,968	\$ 70,992	\$ 10,278,976
WWTP Improvements	100%	600,445	23,664	646,612
		<u>\$ 10,950,413</u>	<u>\$ 94,656</u>	<u>\$ 10,925,588</u>

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.



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, 2017

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Ad Valorem Taxes	\$ 908,999	\$ 908,999	\$ 938,923	\$ 29,924
Sales Taxes	1,404,700	1,400,000	1,619,524	219,524
Franchise Fees	314,000	314,000	341,496	27,496
Mixed Beverage Taxes	-	1,500	4,141	2,641
Intergovernmental Revenue and Grants	170,475	77,944	155,291	77,347
Fines and Penalties	598,127	503,000	603,600	100,600
Charges for Services	299,344	347,431	437,077	89,646
Interest Income	15,000	15,000	24,986	9,986
Miscellaneous	19,600	13,200	39,096	25,896
TOTAL REVENUES	3,730,245	3,581,074	4,164,134	583,060
EXPENDITURES				
<i>General and Administrative:</i>				
Salaries	339,244	256,739	251,695	5,044
Supplies	9,950	9,950	5,789	4,161
Contractual	29,558	26,381	17,112	9,269
Mayor and Council	44,750	40,350	8,561	31,789
Insurance	57,520	57,520	52,737	4,783
Professional Fees	312,898	1,843,202	1,754,833	88,369
Capital Outlay	-	3,000	-	3,000
<i>Total General and Administrative</i>	793,920	2,237,142	2,090,727	146,415
<i>Public Safety:</i>				
Salaries	1,129,192	1,127,465	1,127,464	1
Supplies	8,100	9,487	9,485	2
Contractual	114,568	96,068	96,067	1
Capital Outlay	98,897	123,744	146,824	(23,080)
<i>Total Public Safety</i>	1,350,757	1,356,764	1,379,840	(23,076)
<i>Planning and Zoning:</i>				
Salaries	-	111,300	93,892	17,408
Supplies	1,200	5,186	5,184	2
Contractual	8,400	154,710	107,861	46,849
<i>Total Planning and Zoning</i>	9,600	271,196	206,937	64,259
<i>Municipal Court:</i>				
Salaries	176,817	188,876	158,634	30,242
Supplies	8,000	8,000	6,738	1,262
Contractual	48,250	48,250	36,746	11,504
Capital Outlay	1,500	1,500	-	1,500
<i>Total Municipal Court</i>	\$ 234,567	\$ 246,626	\$ 202,118	\$ 44,508

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, 2017

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
EXPENDITURES (CONT.)				
<i>Building Operations & Maintenance:</i>				
Salaries	\$ 70,000	\$ -	\$ -	\$ -
Supplies	12,300	15,300	12,104	3,196
Contractual	639,030	401,510	346,105	55,405
Capital Outlay	93,795	84,795	-	84,795
<i>Total Operations & Maintenance</i>	<u>815,125</u>	<u>501,605</u>	<u>358,209</u>	<u>143,396</u>
<i>Public Works:</i>				
Salaries	162,851	158,737	151,196	7,541
Supplies	250	1,210	1,078	132
Contractual	500,070	587,190	173,372	413,818
Capital Outlay	-	20,000	-	20,000
<i>Total Public Works</i>	<u>663,171</u>	<u>767,137</u>	<u>325,646</u>	<u>441,491</u>
<i>Visitor Center:</i>				
Supplies	-	925	925	-
Capital Outlay	-	12,547	-	12,547
<i>Total Visitor Center</i>	<u>-</u>	<u>13,472</u>	<u>925</u>	<u>12,547</u>
TOTAL EXPENDITURES	<u>3,867,140</u>	<u>5,393,942</u>	<u>4,564,402</u>	<u>829,540</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(136,895)</u>	<u>(1,812,868)</u>	<u>(400,268)</u>	<u>1,412,600</u>
Other Financing Sources (Uses)				
Transfers In (Out)	54,600	68,072	-	(68,072)
Total Other Financing Sources (Uses)	<u>54,600</u>	<u>68,072</u>	<u>-</u>	<u>(68,072)</u>
Net Change in Fund Balance	(82,295)	(1,744,796)	(400,268)	1,344,528
Fund Balances at Beginning of Year	3,307,494	3,307,494	3,307,494	-
Fund Balances at End of Year	<u>\$ 3,225,199</u>	<u>\$ 1,562,698</u>	<u>\$ 2,907,226</u>	<u>\$ 1,344,528</u>

Note that the above deficit for current operations was approved by City Council as a use of prior fund balance.



CITY OF BULVERDE
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2017

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 2017.

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 THREE CALENDAR YEARS

	Total Pension Liability		
	2014	2015	2016
Service Cost	\$ 137,904	\$ 158,694	\$ 187,381
Interest (on the Total Pension Liability)	112,194	125,684	146,798
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(45,953)	58,422	33,784
Change of Assumptions	-	48,185	-
Benefit Payments, Including Refunds of Employee Contributions	(17,646)	(26,020)	(26,020)
Net Change in Total Pension Liability	186,499	364,965	341,943
Total Pension Liability - Beginning	1,542,645	1,729,144	2,094,109
Total Pension Liability - Ending	<u>\$ 1,729,144</u>	<u>\$ 2,094,109</u>	<u>\$ 2,436,052</u>
	Plan Fiduciary Net Position		
	2014	2015	2016
Contributions - Employer	\$ 75,584	\$ 82,459	\$ 101,969
Contributions - Employee	66,988	71,807	82,790
Net Investment Income	78,841	2,333	115,613
Benefit Payments, Including Refunds of Employee Contributions	(17,646)	(26,020)	(26,020)
Administrative Expense	(823)	(1,420)	(1,305)
Other	(68)	(71)	(70)
Net Change in Plan Fiduciary Net Position	202,876	129,088	272,977
Plan Fiduciary Net Position - Beginning	1,377,583	1,580,459	1,709,547
Plan Fiduciary Net Position - Ending	<u>\$ 1,580,459</u>	<u>\$ 1,709,547</u>	<u>\$ 1,982,524</u>
Net Pension Liability (Asset) - Ending	\$ 148,685	\$ 384,562	\$ 453,528
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.40%	81.64%	81.38%
Covered Employee Payroll	\$ 1,116,461	\$ 1,196,786	\$ 1,379,830
Net Pension Liability as a Percentage of Covered Employee Payroll	13.32%	32.13%	32.87%

Note: The schedule above reflects the changes in the net pension liability for the current and previous two years. GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. The City will build this schedule over the 10-year period beginning December 31, 2014 as data becomes available.

CITY OF BULVERDE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 LAST FOUR FISCAL YEARS

Schedule of Contributions:

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 73,177	\$ 95,183	\$ 109,144	\$ 119,851
Contributions in Relation to the Actuarially Determined Contribution	73,177	80,651	95,661	112,363
Contribution Deficiency (Excess)	\$ -	\$ 14,532	\$ 13,483	\$ 7,488
Covered Employee Payroll	\$ 1,090,594	\$ 1,175,404	\$ 1,314,743	\$ 1,339,733
Contributions as a Percentage of Covered Employee Payroll	6.71%	6.86%	7.28%	8.39%

Note: The schedule above reflects the TMRS contributions made by the City for the current year and the previous three years. GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. The City will build this schedule over the 10-year period beginning September 30, 2014 as data becomes available.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date: 2016

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	27 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.

Other Information:

Notes: There were no benefit changes during the year.



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, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 724,766	\$ 1,409,143
Investments	2,053,753	1,962,299
Receivables (net of allowances for uncollectibles):		
Property Taxes	17,244	21,445
Other Receivables	455,940	388,989
Accrued Interest Receivable	889	502
Due From Other Funds	196,631	143,666
TOTAL ASSETS	\$ 3,449,223	\$ 3,926,044
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 283,364	\$ 382,449
Wages and Salaries Payable	37,469	30,533
Intergovernmental Payable	91,198	116,697
Other Current Liabilities	13,735	7,161
Unearned Revenue	98,987	60,265
<i>Total Liabilities</i>	524,753	597,105
<i>Deferred Inflows of Resources:</i>		
Unavailable Revenues	17,244	21,445
<i>Total Deferred Inflows of Resources</i>	17,244	21,445
<i>Fund Balances:</i>		
Restricted for:		
Child Safety	55,518	51,180
Building Security and Technology	245,436	212,045
Park Donations	21,851	21,851
Police Donations	8,104	-
Drainage	250,000	250,000
Assigned for:		
Right of Way	-	197,800
Park Use	24,717	12,645
Unassigned	2,301,600	2,561,973
<i>Total Fund Balances</i>	2,907,226	3,307,494
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,449,223	\$ 3,926,044

CITY OF BULVERDE
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
REVENUES		
Ad Valorem Taxes	\$ 938,923	\$ 750,943
Sales Taxes	1,619,524	1,472,469
Franchise Fees	341,496	330,874
Mixed Beverage Taxes	4,141	1,331
Intergovernmental Revenues & Grants	155,291	169,115
Fines and Penalties	603,600	568,102
Licenses and Permits	437,077	340,448
Interest Income	24,986	10,870
Miscellaneous	39,096	90,724
TOTAL REVENUES	4,164,134	3,734,876
EXPENDITURES		
<i>Current:</i>		
General and Administrative	2,082,166	663,532
Mayor and Council	8,561	11,141
Public Safety	1,233,016	1,208,421
Planning and Zoning	206,937	426,002
Municipal Court	202,118	193,413
Building Operations and Maintenance	358,209	257,742
Public Works	325,646	649,460
Visitor Event Center	925	-
Capital Outlay	146,824	215,534
TOTAL EXPENDITURES	4,564,402	3,625,245
Net Change in Fund Balance	(400,268)	109,631
Fund Balances at Beginning of Year	3,307,494	3,197,863
Fund Balances at End of Year	\$ 2,907,226	\$ 3,307,494

CITY OF BULVERDE
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2017

	<u>Police Seizure Fund</u>	<u>Debt Service Fund</u>	<u>Hotel/Motel Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 22,939	\$ 54,693	\$ -	\$ 77,632
Due from Other Funds	<u>(1,700)</u>	<u>-</u>	<u>10,383</u>	<u>8,683</u>
TOTAL ASSETS	<u>\$ 21,239</u>	<u>\$ 54,693</u>	<u>\$ 10,383</u>	<u>\$ 86,315</u>
 LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <i>Fund Balances:</i>				
Restricted For:				
Police Seizure	21,239	-	-	21,239
Debt Service	-	54,693	-	54,693
Hotel/Motel	<u>-</u>	<u>-</u>	<u>10,383</u>	<u>10,383</u>
<i>Total Fund Balances</i>	<u>21,239</u>	<u>54,693</u>	<u>10,383</u>	<u>86,315</u>
 TOTAL LIABILITIES & FUND BALANCES	 <u>\$ 21,239</u>	 <u>\$ 54,693</u>	 <u>\$ 10,383</u>	 <u>\$ 86,315</u>

CITY OF BULVERDE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017

	Police Seizure Fund	Debt Service Fund	Hotel/Motel Fund	Total Nonmajor Governmental Funds
REVENUES				
Interest Income	\$ -	\$ 54	\$ -	\$ 54
Sale of Seized Property	3,551	-	-	3,551
Hotel Motel Tax	-	-	8,837	8,837
TOTAL REVENUES	<u>3,551</u>	<u>54</u>	<u>8,837</u>	<u>12,442</u>
EXPENDITURES				
Capital Outlay	-	-	10,176	10,176
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>10,176</u>	<u>10,176</u>
Net Change in Fund Balance	3,551	54	(1,339)	2,266
Fund Balances at Beginning of Year	<u>17,688</u>	<u>54,639</u>	<u>11,722</u>	<u>84,049</u>
Fund Balances at End of Year	<u>\$ 21,239</u>	<u>\$ 54,693</u>	<u>\$ 10,383</u>	<u>\$ 86,315</u>

CITY OF BULVERDE
 COMPARATIVE BALANCE SHEETS
 POLICE SEIZURE FUND
 SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 22,939	\$ 11,303
Due from Other Funds	(1,700)	6,385
TOTAL ASSETS	\$ 21,239	\$ 17,688
 LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>	\$ -	\$ -
<i>Fund Balances:</i>		
Restricted for Police Seizure	21,239	17,688
<i>Total Fund Balances</i>	21,239	17,688
 TOTAL LIABILITIES & FUND BALANCES	 \$ 21,239	 \$ 17,688

CITY OF BULVERDE
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 POLICE SEIZURE FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
REVENUES		
Intergovernmental Revenues & Grants	\$ -	\$ 1,937
Sale of Seized Property	3,551	-
TOTAL REVENUES	3,551	1,937
EXPENDITURES		
General and Administrative	-	1,607
TOTAL EXPENDITURES	-	1,607
Net Change in Fund Balance	3,551	330
Fund Balances at Beginning of Year	17,688	17,358
Fund Balances at End of Year	\$ 21,239	\$ 17,688

CITY OF BULVERDE
 COMPARATIVE BALANCE SHEETS
 DEBT SERVICE FUND
 SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 54,693	\$ 54,639
TOTAL ASSETS	\$ 54,693	\$ 54,639
 LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>	\$ -	\$ -
<i>Fund Balances:</i>		
Restricted for Debt Service	54,693	54,639
<i>Total Fund Balances</i>	54,693	54,639
TOTAL LIABILITIES & FUND BALANCES	\$ 54,693	\$ 54,639

CITY OF BULVERDE
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 DEBT SERVICE FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
REVENUES		
Interest Income	\$ 54	\$ 55
TOTAL REVENUES	54	55
EXPENDITURES		
TOTAL EXPENDITURES	-	-
Net Change in Fund Balance	54	55
Fund Balances at Beginning of Year	54,639	54,584
Fund Balances at End of Year	\$ 54,693	\$ 54,639

CITY OF BULVERDE
 COMPARATIVE BALANCE SHEETS
 HOTEL/MOTEL FUND
 SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ -	\$ -
Due from Other Funds	10,383	11,722
 TOTAL ASSETS	\$ 10,383	\$ 11,722
 LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>	\$ -	\$ -
<i>Fund Balances:</i>		
Restricted for Hotel/Motel	10,383	11,722
<i>Total Fund Balances</i>	10,383	11,722
 TOTAL LIABILITIES & FUND BALANCES	\$ 10,383	\$ 11,722

CITY OF BULVERDE
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 HOTEL/MOTEL FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
REVENUES		
Hotel/Motel Tax	\$ 8,837	\$ 4,352
TOTAL REVENUES	8,837	4,352
 EXPENDITURES		
Capital Outlay	10,176	-
TOTAL EXPENDITURES	10,176	-
 Net Change in Fund Balance	(1,339)	4,352
 Fund Balances at Beginning of Year	11,722	7,370
 Fund Balances at End of Year	\$ 10,383	\$ 11,722

CITY OF BULVERDE
 COMPARATIVE STATEMENTS OF NET POSITION
 PROPRIETARY FUND
 SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Accounts Receivable	\$ 163,893	\$ 171,948
Capital Assets:		
Land	286,625	286,625
Buildings and Improvements	9,153,971	9,153,971
Accumulated Depreciation	(661,121)	(355,988)
TOTAL ASSETS	\$ 8,943,368	\$ 9,256,556
 LIABILITIES		
Accounts Payable	\$ -	\$ 11,747
Due To Other Funds	205,314	161,773
TOTAL LIABILITIES	205,314	173,520
 NET POSITION		
Net Investment Capital Assets	8,779,475	9,084,608
Unrestricted, (Deficit)	(41,421)	(1,572)
TOTAL NET POSITION	\$ 8,738,054	\$ 9,083,036

CITY OF BULVERDE
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Operating Revenues		
Charges for Services	\$ 286,413	\$ 197,920
Total Operating Revenues	<u>286,413</u>	<u>197,920</u>
Operating Expenses Before Depreciation		
Supplies	1,250	2,663
Contractual Services	325,012	195,692
Total Operating Expenses Before Depreciation	<u>326,262</u>	<u>198,355</u>
Operating Income Before Depreciation	(39,849)	(435)
Depreciation	305,133	305,133
Operating Income (Loss)	<u>(344,982)</u>	<u>(305,568)</u>
NET CHANGE IN NET POSITION	(344,982)	(305,568)
Net Position at Beginning of Year	<u>9,083,036</u>	<u>9,388,604</u>
Net Position at End of Year	<u><u>\$ 8,738,054</u></u>	<u><u>\$ 9,083,036</u></u>

CITY OF BULVERDE
 COMPARATIVE STATEMENTS OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities		
Cash Received From Customers	\$ 294,468	\$ 50,172
Cash Paid to Suppliers for Goods & Services	(338,009)	(186,608)
Net Cash Provided (Used) by Operating Activities	(43,541)	(136,436)
 Cash Flows From Noncapital Financing Activities:		
Interfund Payables (Receivables)	43,541	136,436
Net Cash Provided (Used) by Noncapital Financing Activities	43,541	136,436
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	\$ -	\$ -
Cash Paid by the City	-	-
Net Capital Contribution Value	\$ -	\$ -

CITY OF BULVERDE
 COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income	\$ (344,982)	\$ (305,568)
Adjustments to Reconcile Operating		
Income to Net Cash Provided		
(Used) by Operating Activities:		
Depreciation	305,133	305,133
(Increase) Decrease in		
Operating Assets:		
Accounts Receivable	8,055	(147,748)
Accounts Payable	(11,747)	11,747
Total Adjustments to Reconcile		
Operating Activities	301,441	169,132
 Net Cash Provided (Used) by Operating		
Activities	\$ (43,541)	\$ (136,436)

