

OFFICIAL STATEMENT
Dated August 8, 2023

NEW ISSUE - BOOK-ENTRY-ONLY



Rating: Moody's - "Aa2"
(See "OTHER PERTINENT INFORMATION -
Municipal Bond Rating" herein)

In the opinion of Bond Counsel (defined herein), assuming continuing compliance by the City (defined herein) after the date of initial delivery of the Bonds (defined herein) with certain covenants contained in the Ordinance (defined herein) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See "TAX MATTERS" herein.

\$17,805,000
CITY OF BOERNE, TEXAS
(A political subdivision of the State of Texas located in Kendall County)
GENERAL OBLIGATION BONDS, SERIES 2023

Dated Date: August 15, 2023

Due: March 1, as shown on page -ii- herein

The \$17,805,000 City of Boerne, Texas (the "City" or the "Issuer") General Obligation Bonds, Series 2023 (the "Bonds") are being issued pursuant to the laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, Chapter 331, as amended, Texas Local Government Code, the City's Home Rule Charter, an election held on November 8, 2022 and an ordinance (the "Ordinance") adopted by the City Council on August 8, 2023. (See "THE BONDS - Authority for herein.)

The Bonds are direct obligations of the Issuer payable from an annual ad valorem tax levied, against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Bonds will accrue from August 15, 2023 (the "Dated Date") and will be payable on March 1 and September 1 of each year, commencing March 1, 2024 until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas, as initial Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of (i) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, signage, landscaping and beautification, upgrading technology and traffic signals, acquiring lands and rights-of-way necessary thereto or incidental therewith, (ii) acquiring, constructing, equipping, renovating, and landscaping park, recreation, and open space improvements and additions including public facilities located in and integral to such parks, acquiring necessary lands and rights-of-way, and (iii) paying for the costs of issuing the Bonds. (See "THE BONDS - Use of Proceeds" herein.)

**FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS,
AND REDEMPTION PROVISIONS FOR THE BONDS, SEE INSIDE PAGE OF THIS FRONT COVER**

The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof (the "Purchasers") and are subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. See "LEGAL MATTERS" herein for a discussion of Bond Counsel's opinion. It is expected that the Bonds will be available for delivery through the services of DTC, New York, New York, on or about September 12, 2023.

**STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS**

**\$17,805,000
CITY OF BOERNE, TEXAS
(A political subdivision of the State of Texas located in Kendall County)
GENERAL OBLIGATION BONDS, SERIES 2023**

CUSIP NO. PREFIX⁽¹⁾: 097041

MATURITY SCHEDULE

Principal Amount(\$)	Stated Maturity (March 1)	Interest Rate (%)	Initial Yield (%)	CUSIP No. Suffix ⁽¹⁾
1,465,000	2024	4.00	3.55	PZ4
145,000	2025	4.00	3.50	QA8
145,000	2026	4.00	3.40	QB6
150,000	2027	4.00	3.25	QC4
285,000	2028	4.00	3.20	QD2
355,000	2029	4.00	3.15	QE0
435,000	2030	4.00	3.15	QF7
525,000	2031	5.00	3.15	QG5
630,000	2032	5.00	3.15	QH3
740,000	2033	5.00	3.20	QJ9
815,000	2034	5.00	3.25 ⁽²⁾	QK6
945,000	2035	5.00	3.35 ⁽²⁾	QL4
1,090,000	2036	5.00	3.50 ⁽²⁾	QM2
1,240,000	2037	4.00	4.00	QN0
1,400,000	2038	4.00	4.05	QP5
1,575,000	2039	4.00	4.10	QQ3
1,725,000	2040	4.00	4.15	QR1
1,960,000	2041	4.00	4.20	QS9
2,180,000	2042	4.00	4.25	QT7

(Interest to accrue from Dated Date)

Optional Redemption

The Bonds stated to mature on or after March 1, 2034 are subject to optional redemption prior to their scheduled maturities at the option of the City, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption See "THE BONDS - Redemption Provisions of the Bonds" herein.

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Purchasers, the City, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on March 1, 2033, the first optional call date of such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

**CITY OF BOERNE, TEXAS
447 N. Main Street
Boerne, Texas 78006**

CITY COUNCIL

Name	Position	Years of Service	Term Expires May	Occupation
Frank Ritchie	Mayor	1	2025	Mechanic
Ty Wolosin	Mayor Pro Tem	4	2024	General Manager - Brewing
Sharon D. Wright	Council Member	1	2025	Family Nurse Practitioner
Quinten Scott	Council Member	3	2024	Finance & Publisher
Bryce Boddie	Council Member	2	2025	Social Worker
Joseph Macaluso	Council Member	3	2024	Retired Physician/Surgeon

ADMINISTRATION

Name	Position	Length of Service With City
Ben Thatcher	City Manager	3 Years
Kristy Stark	Assistant City Manager	2 Years
Danny Zincke	Assistant City Manager	12 Years
Sarah Buckelew	Director of Finance	2 Years
Lori Carroll	City Secretary	21 Years
Mick McKamie	City Attorney	1 Year

CONSULTANTS AND ADVISORS

ABIP, PC San Antonio, Texas	Certified Public Accountants
Norton Rose Fulbright US LLP Austin, Texas	Bond Counsel
SAMCO Capital Markets, Inc. San Antonio, Texas	Financial Advisor

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Sarah Buckelew, Director of Finance
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Boerne, Texas 78006-1677
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USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Purchasers.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The Purchasers have provided the following sentence for inclusion in this Official Statement. The Purchasers have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Purchasers do not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE THEREOF.

IN CONNECTION WITH THIS OFFERING, THE PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the City, the Financial Advisor, or the Purchasers makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its "BOOK-ENTRY-ONLY SYSTEM."

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement, nor any other statement made in connection with the offer or sale of the Bonds, is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

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The cover page hereof, the appendices herein and any addenda, supplement or amendment hereto are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY INFORMATION

The following information is qualified in its entirety by more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

THE ISSUER	The City of Boerne, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas, operating pursuant to its Home Rule Charter, located in Kendall County, Texas. The Home Rule Charter was amended on November 3, 2020. The City covers approximately 11.92 square miles and is the county seat of Kendall County. See "APPENDIX B - "General Information Regarding the City of Boerne, Texas and its Economy."
THE BONDS	<p>The Bonds are issued as "City of Boerne, Texas General Obligation Bonds, Series 2023." Semi-annual interest payments begin on March 1, 2024 and continue on each September 1 and March 1 thereafter until stated maturity or prior redemption. The Bonds are being issued in the principal amount of \$17,805,000. See THE BONDS - General Description" herein.</p> <p>The Bonds will mature on the dates indicated on page -ii- herein.</p>
DATED DATE	August 15, 2023.
AUTHORITY FOR ISSUANCE	The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, Chapter 331, as amended, Texas Local Government Code, the City's Home Rule Charter, an election held on November 8, 2022 and an ordinance (the "Ordinance") adopted by the City Council on August 8, 2023. See "THE BONDS - Authority for Issuance" herein.
SECURITY FOR THE BONDS	The Bonds are direct obligations of the City, payable from a levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City. See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.
REDEMPTION	The Bonds stated to mature on and after March 1, 2034 are subject to optional redemption on March 1, 2033, or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption. See "THE BONDS - Redemption Provisions of the Bonds" herein.
PAYING AGENT/REGISTRAR	The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas.
BOOK-ENTRY-ONLY SYSTEM	The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment as to principal and interest. See "BOOK-ENTRY-ONLY SYSTEM" herein.
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "TAX MATTERS" herein.
USE OF PROCEEDS	The proceeds of the Bonds will be used for the purpose of (i) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, signage, landscaping and beautification, upgrading technology and traffic signals, acquiring lands and rights-of-way necessary thereto or incidental therewith, (ii) acquiring, constructing, equipping, renovating, and landscaping park, recreation, and open space improvements and additions including public facilities located in and integral to such parks, acquiring necessary lands and rights-of-way, and (iii) paying for the costs of issuing the Bonds. See "PLAN OF FINANCING - Purpose" herein.
BOND RATING	Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "Aa2" to the Bonds. See "OTHER PERTINENT INFORMATION - Municipal Bond Rating" herein.
FUTURE BOND ISSUES	The City, in its long-range planning process, has identified additional capital improvement projects which may be funded through debt financings in the next twelve to fourteen months.
PAYMENT RECORD	The City has never defaulted on the payment of its bonded indebtedness.
DELIVERY	When issued, anticipated on or about September 12, 2023.
LEGALITY	The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. See "APPENDIX D - Form of Opinion of Bond Counsel" herein.

OFFICIAL STATEMENT
\$17,805,000
CITY OF BOERNE, TEXAS
(A political subdivision of the State of Texas located in Kendall County, Texas)
GENERAL OBLIGATION BONDS, SERIES 2023

INTRODUCTION

This Official Statement, which includes the cover page, and the appendices hereto, provides certain information in connection with the issuance by the City of Boerne, Texas (the "City" or the "Issuer") of its General Obligation Bonds, Series 2023 (the "Bonds") in the aggregate principal amount of \$17,805,000. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in an ordinance authorizing the issuance of the Bonds (the "Ordinance") adopted by the City Council on August 8, 2023, except as otherwise indicated herein.

This Official Statement contains descriptions of the Bonds and certain other information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the City and, during the offering period, from the City's Financial Advisor, SAMCO Capital Markets, Inc., 1020 N. E. Loop 410, Suite 640, San Antonio, Texas 78209, upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of this Official Statement pertaining to the Bonds will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Ordinance.

THE BONDS

Authority for Issuance

The Bonds constitute the first installment of bonds authorized at an election held in the City on November 8, 2022 (the "Election"). The Bonds are being issued pursuant to the laws of the State of Texas, including Chapters 1251 and 1331, as amended, Texas Government Code, Chapter 331, as amended, Texas Local Government Code, the City's Home Rule Charter, the Election and the Ordinance. After the issuance of the Bonds, the City will have \$18,000,000* remaining authorized and unissued bonds from the Election. A summary of the bonds authorized at the Election follows:

A summary of the bonds authorized at said Election is as follows:

Purpose	Amount \$ Authorized	Amount \$ Previously Issued	Amount \$ This Issue*	Amount \$ Remaining*
Streets. designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, signage, landscaping and beautification, upgrading technology and traffic signals, acquiring lands and rights-of-way necessary thereto or incidental therewith	23,000,000	-0-	9,000,000	14,000,000
Parks. acquiring, constructing, equipping, renovating, and landscaping park, recreation, and open space improvements and additions, including public facilities located in and integral to such parks, acquiring necessary lands and rights-of-way, including public facilities located in and integral to such parks, acquiring necessary lands and rights-of-way	13,000,000	-0-	9,000,000	4,000,000
Totals	36,000,000	-0-	18,000,000	18,000,000

* Includes the Bonds and certain premium allocations.

Use of Proceeds

The proceeds of the Bonds will be used for the purpose of making permanent public improvements and for other public purposes, to-wit: (i) designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and

extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, signage, landscaping and beautification, upgrading technology and traffic signals, acquiring lands and rights-of-way necessary thereto or incidental therewith, (ii) acquiring, constructing, equipping, renovating, and landscaping park, recreation, and open space improvements and additions including public facilities located in and integral to such parks, acquiring necessary lands and rights-of-way, and (iii) paying for the costs of issuing the Bonds.

General Description

The Bonds are dated August 15, 2023 (the "Dated Date") and will accrue interest from the Dated Date, with such interest being payable on March 1 and September 1 in each year, commencing March 1, 2024, until stated maturity or prior redemption. The Bonds will mature on the dates, in the principal amounts and will bear interest at the rates set forth on the inside cover page of this Official Statement.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 principal for any one maturity.

Initially the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Notwithstanding the foregoing, as long as the Bonds are held in the Book-Entry-Only System, principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Security for Payment

The Bonds constitute direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the Ordinance. See "AD VALOREM PROPERTY TAXATION" herein.

Payment Record

The City has never defaulted on the payment of its bonded indebtedness.

Legality

The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds. A form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

Delivery

When issued; anticipated to occur on or about September 12, 2023.

Future Issues

The City, in its long-range planning process, has identified additional capital improvement projects which may be funded through debt financing in the next twelve to fourteen months.

Redemption Provisions of the Bonds

The City reserves the right to redeem the Bonds maturing on and after March 1, 2034 in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on March 1, 2033 or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. The years of maturity of the Bonds called for redemption shall be selected by the City.

Selection of Bonds for Redemption

If less than all of the Bonds are redeemed within a stated maturity at any time, the Bonds to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of \$5,000 within any stated maturity.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than \$5,000.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer or the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Defeasance

The Ordinance provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that

the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds (“Defeasance Proceeds”), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities. Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of, or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the percentage of the aggregate principal amount of Bonds required to be held for consent to any amendment, addition, or waiver.

Defaults and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City’s Bonds are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court (the “Court”) ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the “Proprietary-Governmental Dichotomy”). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State’s sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality. In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson*”), the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources.” While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code. Notwithstanding the foregoing, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a

suit, and subsequently, a judgment, is justiciable against a municipality. If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. As noted above, the Ordinance provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors or general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas. The Bonds will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. If the Bonds are not held in the Book-Entry-Only System, interest on the Bonds will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date (see "REGISTRATION, TRANSFER AND EXCHANGE - Record Date" herein) or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner, and principal of the Bonds will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar.

Successor Paying Agent/Registrar

The City covenants that until the Bonds are paid it will at all times maintain and provide a Paying Agent/Registrar. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the person entitled to the payment of interest on a Bond is the fifteenth day of the month next preceding each interest payment date.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment is the next succeeding day which is not such a day and payment on such date will have the same force and effect as if made on the original date payment was due.

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each

registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed bonds will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and at the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Limitation on Transferability of Bonds Called for Redemption

Neither the City nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen, or lost, such new Bond will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory to establish to the City and the Paying Agent/Registrar that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with Bond or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

SOURCES AND USES OF FUNDS

Sources of Funds:	
Par Amount of Bonds	\$17,805,000.00
Net Reoffering Premium	512,057.65
Accrued Interest	<u>56,973.75</u>
Total	\$18,374,031.40
Uses of Funds:	
Deposit to Project Fund	\$18,000,000.00
Deposit to Debt Service Fund	56,973.75
Purchaser's Discount	168,613.35
Costs of Issuance	145,000.00
Contingency	<u>3,444.30</u>
Total	\$18,374,031.40

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City, the Financial Advisor, and the Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or any notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the applicable series of Bonds), or any notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Neither DTC or Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on the payable date in accordance with

their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Purchaser believe to be reliable, but the Issuer, the Financial Advisors and the Purchaser take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE - Future Registration."

INVESTMENT POLICIES

Investments

The City invests its funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City's investment policies are subject to change.

Legal Investments

Under Texas law and subject to certain limitations, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

Under Texas law and subject to certain limitations, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9)

one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

Except as stated above or inconsistent with its investment policy, the Issuer may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the Issuer is not required to liquidate the investment unless it no longer carries a required rating, in which case the Issuer is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the Issuer's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Issuer must submit an investment report to the City Council detailing: (1) the investment position of the Issuer, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) the investment strategy expressed in the Issuer's investment policy, and (b) the Public Funds Investment Act. No person may invest Issuer funds without express written authority from the City Council.

Current Investments*

As of July 1, 2023, the following percentages of the City's investable funds from its General Fund were invested as indicated below:

<u>Category of Investments</u>	<u>Amount</u>	<u>Percentage</u>	<u>Term of Investments</u>
Investment Pools	\$ 98,287,582	96.20%	Average 30 days
Certificates of Deposit	2,453,311	2.40%	WAM 96 days
Municipal Bonds	424,147	0.40%	WAM 34 days
Commercial Paper	<u>982,107</u>	<u>1.00%</u>	WAM 193 days
Total	\$102,147,147	100.00%	

As of such date, the "fair" value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% their book "balance." No funds of the City are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

* Unaudited.

PENSION FUND AND OTHER POST-EMPLOYMENT BENEFITS

The City provides certain post-retirement benefits to retired employees that fall within the scope of Governmental Accounting Standards Board's Statement of General Accounting Standards No. 45 ("GASB 45"), Accounting by Employers for Other Post-Employment Benefits ("OPEB").

GASB 45, which sets forth standards for the measurement, recognition, and display of post-employment benefits other than pensions (such as health and life insurance for current and future retirees), applies to the City and requires implementation by the City for the fiscal year that began October 1, 2008. GASB 45 requires the City to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting over the working lifetime of the employees; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, the future costs of those benefits have been funded; and provide information useful in assessing potential demands on the employer's future cash flows. The employer's contributions to OPEB costs that are less than an actuarially determined annual required contribution will result in a net OPEB cost, which under GASB 45 must be recorded as a liability in the employer's financial statements.

See NOTES TO FINANCIAL STATEMENTS, Note 8 - Defined Benefit Pension Plan and Note 9 – Other Post-Employment Benefits, in the audited financial statements of the City for the year ended September 30, 2022 as set forth in APPENDIX C hereto.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The Kendall Appraisal District (the "Appraisal District") is primarily responsible for appraising property within the City generally as of January 1 of each year. Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION - City and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see "CITY'S APPLICATION OF PROPERTY TAX CODE" herein.

City and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$57,216,456 for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION - Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, reappraisals which are higher than renditions, and reappraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In

many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city’s tax rate in tax years 2022 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

2023 Legislative Session

The 88th Texas Legislature convened in regular session on January 10, 2023 and concluded on May 29, 2023. The Governor of Texas (the "Governor") is permitted to call one or more additional special sessions which may last no more than 30 days and for which the Governor sets the agenda. The Governor called a first special session which convened on May 29, 2023 and concluded on June 27, 2023 without any legislation being passed. The Governor called a second special session which convened on June 27, 2023 and concluded on July 13, 2023 to address school district taxes. During the regular legislative session, the Legislature adopted a general appropriations act and adopted certain legislation affecting ad valorem taxation procedures of cities. The City is in the process of analyzing the effect of legislation adopted during the regular session and the special sessions. The City can make no representations or predictions regarding any actions the Legislature may take during any special session of the 88th Texas legislative session concerning the substance or the effect of any legislation that may be passed in the future or how such legislation could affect the City.

CITY'S APPLICATION OF THE PROPERTY TAX CODE

The City grants an optional exemption of \$10,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The City does not grant an additional exemption of up to 20% for residence homesteads.

The City taxes business personal property.

The Kendall County Tax Collector collects property taxes for the City.

The City does not permit discounts or split payments, except in the case of persons over 65 or disabled who are permitted to pay taxes on homesteads in four installments. The first installment is due on February 1 of each year and the final installment is due on August 1.

The City grants the Article VIII, Section 1-j property ("freeport property") exemption but currently has no property in this category.

The City currently does not have any active abatement agreements.

The City currently does not have any tax increment reinvestment zones.

The City currently does not have any public improvement districts.

The City has entered into 20 Chapter 380 agreements regarding developments in the City. Of those, nine are still active.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion is reproduced as APPENDIX C.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the City pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the periodic calculation and payment to the United States Treasury of any arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome..

Tax Changes

Existing law may change to reduce or eliminate the benefit to Bond holders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchaser of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest.

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain Bonds (the "Premium Bonds") may be greater than the stated redemption price on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable certificate premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable certificate premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information from MSRB."

Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must maintain each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the City includes all quantitative financial information and operating data of the general type included in this Official Statement. Specifically, the information is of the type included in APPENDIX A, exclusive of the table reflecting "Direct and Estimated Overlapping Funded Debt Payable from Ad Valorem Taxes," "Estimated Interest & Sinking Fund Management Index 2022/23," "Estimated Interest & Sinking Fund Management Index 2023/24," and in APPENDIX C. The City will update and provide this information within six months after the end of each of its fiscal years ending in and after 2023.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if it commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements at such time and later provide audited financial statements when and if the audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March in each year, unless it changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Bonds nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the Issuer in accordance with its undertaking made for the Obligations will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The City has agreed to update information and to provide notices of specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in

or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The City may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

During the past five years, the City has complied in all material respects with continuing disclosure agreements made by it in accordance with the Rule.

LEGAL MATTERS

The City will furnish the Purchasers with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, ("Bond Counsel"), to the effect that the Bonds are valid and legally binding obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Bond Counsel has been engaged by and only represents the City. A form of Bond Counsel's opinion appears in APPENDIX D attached hereto. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in their capacity as Bond Counsel, such firm has reviewed the information under the captions "THE BONDS" (except under the subcaptions "Payment Record," "Delivery," "Future Issues," and "Defaults and Remedies," as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE," "TAX MATTERS," "LEGAL MATTERS" (except for the last sentence of the first paragraph thereof, as to which no opinion is expressed), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale," and "CONTINUING DISCLOSURE OF INFORMATION" (except matters discussed under the subcaption "Compliance with Prior Undertakings," as to which no opinion is expressed) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and the legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on definitive bonds in the event of discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

LITIGATION

In the opinion of certain officials of the City, the City is not a party to any litigation or other proceedings pending or, to its knowledge, threatened, in any court, agency or other administrative body (either state or federal), which, if decided adversely to the City, would have a material adverse effect on the financial statements of the City.

At the time of initial delivery of the Bonds, the City will provide the Purchasers with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds 23 Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "OTHER PERTINENT INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

OTHER PERTINENT INFORMATION

Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources that are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities act of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Municipal Bond Rating

Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "Aa2" to the Bonds.

An explanation of the significance of such rating may be obtained from Moody's. The rating of the Bonds by Moody's reflects only the view of the company at the time the rating is given, and the City makes no representation as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by Moody's, if, in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as the Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds.

Initial Purchaser

After requesting bids for the Bonds, the City accepted the bid of Hilltop Securities Inc. (the "Purchaser") to purchase the Bonds at the interest rates shown on page ii of the Official Statement at a price of \$18,148,444.30, which is exclusive of a Purchaser's discount of \$168,613.55, plus accrued interest from their dated date through their date of initial delivery. The City can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

It is important to note that the City’s actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Purchasers will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, and on the date of the initial delivery of the Bonds, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they are made, not misleading; (c) insofar as the description and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and that the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2020 the date of the last audited financial statements of the City.

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Authorization of the Official Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

This Official Statement has been approved by the City Council of the City for distribution in accordance with provisions of the United States Securities and Exchange Commission’s rule codified at 17 C.F.R. Section 240.15c-12, as amended.

The Ordinance also approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the reoffering of the Bonds by the Purchasers.

CITY OF BOERNE, TEXAS

/s/ Frank Ritchie
Mayor

ATTEST:

/s/ Lori Carroll
City Secretary

APPENDIX A
SELECTED FINANCIAL INFORMATION
OF THE CITY OF BOERNE, TEXAS

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VALUATION AND DEBT DATA

Valuation, Exemptions and Debt Obligations

2022 Total Appraised Valuation ⁽¹⁾		\$3,164,135,744
Exemptions and Exclusions:		
100% Disabled Veterans Homestead	\$74,460,499	
Disabled/Deceased Veterans	2,325,000	
Abatement Value	-0-	
Productivity	40,853,310	
Freeport	18,459,219	
10% HO Cap Loss	199,754,279	
Other	<u>545,500</u>	<u>336,397,807</u>
 2022 Net Assessed Valuation (100% of market value) ⁽¹⁾		 \$2,827,737,937
 2023 Net Taxable Assessed Value certified as of July 26, 2023 ⁽¹⁾		 \$3,154,394,682
(does not include values still under review in the amount of \$423,904,616)		

⁽¹⁾ Source: Kendall County Appraisal District

Outstanding Debt By Issues

**Amount
Outstanding
At 8-08-2023**

General Obligation Debt	
General Obligation Refunding Bonds, Series 2016 ⁽¹⁾	\$11,770,000
General Obligation Refunding Bonds, Series 2017 ⁽²⁾	23,600,000
General Obligation Refunding Bonds, Series 2019	1,095,000
General Obligation Refunding Bonds, Series 2021	21,665,000
General Obligation Bonds, Series 2023 (the "Bonds")	<u>17,805,000</u>
Total General Obligation Debt	\$75,935,000
Less: Self-supporting Debt	<u>28,895,000</u>
Net Tax-supported General Obligation Debt	47,040,000
Less: Interest & Sinking Fund Balance (as of 7-1-2023)	<u>450,533</u>
Net Funded General Obligation Debt Outstanding	\$46,589,467
Ratio Net Tax Supported Debt to 2022 Taxable Assessed Valuation	1.66%
Ratio Net Funded Debt to 2022 Taxable Assessed Valuation	1.65%

⁽¹⁾ This series is approximately 50% supported by Utility System revenues.

⁽²⁾ This series is 100% supported by Utility System revenues.

2020 U.S. Census Population - 17,850
 2023 Population Estimate - 21,062
 Per Capita 2022 Net Assessed Valuation - \$134,257.81
 Per Capita Net Tax Supported Debt - \$2,233.41
 Per Capita Net Funded Debt - \$2,212.06

Non-Funded Debt

The City has entered into a capital lease (direct borrowing) to acquire equipment for the police department, fire department, park department and the electric department. This commitment is expected to be funded by the City's general fund, park fund and electric fund.

Below is a schedule by years of future minimum lease payments for the governmental activities under the capital lease as of September 30, 2022.

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2023	\$272,314	\$ 5,825	\$278,139
2024	245,863	3,819	249,682
2025	194,234	1,959	196,193
2026	50,755	420	51,175
2027	481	1	482
Total	<u>\$763,647</u>	<u>\$12,024</u>	<u>\$775,571</u>

Below is a schedule by years of future minimum lease payments for the business-type activities under the capital lease as of September 30, 2022.

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2023	\$ 34,485	\$ 498	\$ 34,983
2024	34,181	324	34,505
2025	32,918	153	33,071
2026	10,563	19	10,582
2027	422	1	423
Total	<u>\$112,569</u>	<u>\$995</u>	<u>\$113,564</u>

The underlying assets used in financing the capital lease obligations for governmental and business type activities are presented in the following asset class.

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Machinery & Equipment			
Governmental Activities	<u>\$1,006,067</u>	<u>\$242,500</u>	<u>\$763,567</u>
Business type Activities	<u>\$ 139,592</u>	<u>\$ 25,981</u>	<u>\$113,581</u>

General Obligation Bonds Authorized but Unissued

Following the issuance of the Bonds, the City will have \$18,000,000 in authorized but unissued bonds from the November 2, 2022 bond election. A summary of the bonds authorized at the election is as follows:

<u>Purpose</u>	<u>Amount \$ Authorized</u>	<u>Amount \$ Previously Issued</u>	<u>Amount \$ This Issue*</u>	<u>Amount \$ Remaining*</u>
Streets. designing, demolishing, constructing, renovating, improving, reconstructing, restructuring and extending streets and thoroughfares and related land and right-of-way sidewalks, streetscapes, collectors, drainage, signage, landscaping and beautification, upgrading technology and traffic signals, acquiring lands and rights-of-way necessary thereto or incidental therewith	23,000,000	-0-	9,000,000	14,000,000
Parks. acquiring, constructing, equipping, renovating, and landscaping park, recreation, and open space improvements and additions, including public facilities located in and integral to such parks, acquiring necessary lands and rights-of-way, including public facilities located in and integral to such parks, acquiring necessary lands and rights-of-way	<u>13,000,000</u>	<u>-0-</u>	<u>9,000,000</u>	<u>4,000,000</u>
Totals	<u>36,000,000</u>	<u>-0-</u>	<u>18,000,000</u>	<u>18,000,000</u>

* Includes certain premium allocations.

TAXATION DATA

Ad Valorem Tax Rate Distribution

<u>Tax Year</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Local Maintenance	\$0.3906	\$0.3936	\$0.3908	\$0.3869	\$0.3651
Interest & Sinking Fund	<u>.0604</u>	<u>.0784</u>	<u>.0812</u>	<u>.0851</u>	<u>.1069</u>
Totals	\$0.4510	\$0.4720	\$0.4720	\$0.4720	\$0.4720

Schedule of Delinquent Taxes Receivable (Unaudited)⁽¹⁾

<u>Fiscal Year</u> <u>9/30</u>	<u>Ending Balance</u> <u>9/30/2022</u>
2013	\$ 0
2014	0
2015	0
2016	2,212
2017	53,002
2018	0
2019	21,483
2020	37,731
2021	9,608
2022	<u>41,655</u>
Total	\$165,691

⁽¹⁾ Source: Kendall Appraisal District.

Tax Collection Data

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of fifteen percent (15%) of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

<u>Tax Year</u>	<u>Taxable Assessed Valuation</u> *	<u>Tax Rate</u>	<u>% Collections</u>		<u>Year Ending</u>
			<u>Current</u>	<u>Total</u>	
2012	\$1,202,969,130	.4720	98.52%	100.00%	9-30-13
2013	1,269,687,474	.4720	98.64%	100.00%	9-30-14
2014	1,340,150,935	.4720	99.21%	100.00%	9-30-15
2015	1,429,334,413	.4720	98.89%	99.97%	9-30-16
2016	1,552,510,596	.4720	98.70%	99.27%	9-30-17
2017	1,622,572,641	.4720	99.40%	100.00%	9-30-18
2018	1,810,017,186	.4720	99.32%	99.74%	9-30-19
2019	2,019,408,311	.4720	99.24%	99.60%	9-30-20
2020	2,173,360,602	.4720	99.40%	99.90%	9-30-21
2021	2,364,574,344	.4720	99.62%	99.62%	9-31-22
2022	2,827,737,937	.4510	98.40%	98.66%	9-31-23 **

* 2011-2021 - City's Comprehensive Annual Financial Report; 2022 - Kendall County Appraisal District.

** Year to date.

Municipal Sales Taxes

The City has adopted the Municipal Sales and Use Tax Act, VATCS, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1.0% Local Sales and Use Tax within the City, the proceeds of which are credited to the General Fund and are not pledged to the payment of the Bonds. Collection and enforcement are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In addition to this 1.0% sales tax, the City collects a one-half percent (1/2 of 1%) sales and use tax to be used to reduce the property tax rate. Kendall County collects the remaining one-half percent (1/2 of 1%) sales tax to reduce the County's property tax rate.

Fiscal Year	Rate	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2011	1.50%	\$4,447,723	93.51%	0.41
2012	1.50%	4,765,341	95.77%	0.43
2013	1.50%	5,243,148	95.14%	0.42
2014	1.50%	5,420,528	92.83%	0.43
2015	1.50%	5,876,279	95.07%	0.44
2016	1.50%	7,143,387	107.86%	0.50
2017	1.50%	6,628,822	91.75%	0.43
2018	1.50%	7,021,498	82.19%	0.39
2019	1.50%	7,912,673	94.47%	0.43
2020	1.50%	8,432,288	90.33%	0.42
2021	1.50%	9,577,288	95.80%	0.41
2022	1.50%	10,119,996	93.36%	0.36

Source: Texas Comptroller of Public Accounts - Local Sales and Use Tax
⁽¹⁾ 1.00% City sales tax; 0.5% to be used by the City to reduce property taxes.

Top 10 Taxpayers and Their 2022 Valuations

Name	Nature of Property	Total Taxable 2022 Valuation	% of 2022 Total Taxable Assessed Valuation
Zylstra Holdings at Boerne LLC	Apartment Complex	\$ 30,773,790	1.09%
CT 17 Herff Apartments LP	Apartment Complex	25,830,000	0.91%
Albany Engineered Composites	Manufacturing	24,760,731	0.88%
VBM Acquisitions LLC	Automobile Dealership	18,193,010	0.64%
Boerne Hotel LTD	Hotel	13,836,490	0.49%
HEB Grocery Company LP	Commercial Real Estate	13,043,350	0.46%
Wal-Mart Real Estate Business Trust	Commercial Real Estate	12,875,190	0.46%
HBA Motors LLC	Car Dealership	12,500,000	0.44%
Tusculum LLC	Brewery	11,589,540	0.41%
Jet Specialty	Distribution Center	<u>10,716,240</u>	<u>0.38%</u>
Total		\$174,118,341	6.16%

Source: Kendall County Appraisal District

Taxpayers by Classification

<u>Classification</u>	<u>2022 Assessed Valuation</u>	<u>Percent Of Total</u>	<u>2021 Assessed Valuation</u>	<u>Percent Of Total</u>	<u>2020 Assessed Valuation</u>	<u>Percent Of Total</u>
Single Family Residential	\$2,081,849,789	65.80%	\$1,656,516,880	66.10%	\$1,452,613,196	63.51%
Multi-Family Residential	134,558,902	4.25%	101,141,811	4.04%	87,984,441	3.85%
Vacant Lots	80,397,895	2.54%	57,081,550	2.28%	56,933,410	2.49%
Rural Real Property (Taxable)	47,642,930	1.50%	35,509,610	1.41%	33,686,860	1.47%
Commercial & Industrial Real	562,950,838	17.79%	428,342,670	17.09%	426,175,771	18.63%
Oil, Gas, Minerals	-0-	0.00%	-0-	0.00%	-0-	0.00%
Utilities	9,237,760	0.29%	9,222,860	0.37%	9,031,810	0.39%
Commercial Personal	104,278,630	3.30%	106,221,030	4.24%	107,736,490	4.71%
Industrial Personal	52,366,110	1.65%	38,877,540	1.55%	38,261,930	1.67%
Mobile Homes	193,180	0.01%	174,960	0.01%	174,960	0.01%
Residential Inventory	31,173,190	0.99%	29,549,000	1.18%	32,212,200	1.41%
Special Inventory	<u>59,486,520</u>	<u>1.88%</u>	<u>43,319,580</u>	<u>1.73%</u>	<u>42,577,850</u>	<u>1.86%</u>
Total Appraised Valuation	\$3,164,135,744	100.00%	\$2,505,957,491	100.00%	\$2,287,388,918	100.00%
Less Exemptions & Exclusions	<u>336,397,807</u>		<u>141,383,147</u>		<u>114,028,316</u>	
Net Taxable Assessed Valuation	<u>\$2,827,737,937</u>		<u>\$2,364,574,344</u>		<u>\$2,173,360,602</u>	

Source: Kendall County Appraisal District.

Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes

Expenditures of the various taxing bodies overlapping the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. The following statement of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of direct and overlapping extended debt of these various taxing bodies:

<u>Political Subdivision</u>	<u>Gross Debt</u>		<u>Percent Overlapping</u>	<u>Amount Overlapping</u>
	<u>Amount</u>	<u>As Of</u>		
Boerne ISD	\$377,925,232	08/01/2023	26.77%	\$101,170,585
Kendall County	43,235,000	08/01/2023	34.95%	<u>15,068,693</u>
Total Estimated Overlapping Debt				\$160,474,278
Boerne, City of	47,040,000 ⁽¹⁾	08/08/2023	100.00%	<u>47,040,000</u> ⁽¹⁾
Total Direct and Estimated Overlapping Debt				\$207,514,278
Ratio Total Direct and Estimated Overlapping Debt to 2022 Net Taxable Assessed Valuation				7.33%
Total Direct and Estimated Overlapping Debt Per Capita (21,062)				\$9,852.54

⁽¹⁾ Excludes the City's self-supporting debt.

ESTIMATED INTEREST & SINKING FUND MANAGEMENT INDEX 2022/23*

Interest and Sinking Fund Balance at 9-30-2022	\$ 692,501
Estimated Income from \$0.0604 I&S Tax Collected Using 2022 Taxable	
Assessed Valuation of \$2,827,737,937 at 95% Collections	1,622,556
Estimated Interest and Other Income	<u>1,281,000</u>
Estimated Total Funds Available	3,596,057
2022/2023 Debt Service Requirement	<u>3,051,391</u>
Estimated Interest and Sinking Fund Balance at 9-30-2023	\$ 544,666

* Unaudited.

CONSOLIDATED DEBT SERVICE REQUIREMENTS

FISCAL YEAR	CURRENTLY OUTSTANDING DEBT SERVICE REQUIREMENTS	THE BONDS AT ACTUAL RATES				GRAND TOTAL OF ALL DEBT SERVICE	LESS SELF SUPPORTING UTILITY SYSTEM	NET GENERAL OBLIGATION DEBT SERVICE
		PRINCIPAL DUE 3/1	INTEREST DUE 3/1	INTEREST DUE 9/1	TOTAL			
2023	\$ 5,917,516.04					\$ 5,917,516.04	\$ (2,866,125.00)	\$ 3,051,391.04
2024	5,839,713.42	\$ 1,465,000	\$ 413,587.22	\$ 350,525.00	\$ 2,229,112.22	8,068,825.64	(2,866,725.00)	5,202,100.64
2025	5,813,943.84	145,000	350,525.00	347,625.00	843,150.00	6,657,093.84	(2,863,975.00)	3,793,118.84
2026	5,789,747.19	145,000	347,625.00	344,725.00	837,350.00	6,627,097.19	(2,863,175.00)	3,763,922.19
2027	5,152,707.19	150,000	344,725.00	341,725.00	836,450.00	5,989,157.19	(2,246,950.00)	3,742,207.19
2028	5,124,924.99	285,000	341,725.00	336,025.00	962,750.00	6,087,674.99	(2,241,675.00)	3,845,999.99
2029	5,089,799.99	355,000	336,025.00	328,925.00	1,019,950.00	6,109,749.99	(2,243,500.00)	3,866,249.99
2030	5,064,774.99	435,000	328,925.00	320,225.00	1,084,150.00	6,148,924.99	(2,245,775.00)	3,903,149.99
2031	5,033,775.00	525,000	320,225.00	307,100.00	1,152,325.00	6,186,100.00	(2,239,775.00)	3,946,325.00
2032	5,021,250.00	630,000	307,100.00	291,350.00	1,228,450.00	6,249,700.00	(2,245,250.00)	4,004,450.00
2033	4,990,250.00	740,000	291,350.00	272,850.00	1,304,200.00	6,294,450.00	(2,241,975.00)	4,052,475.00
2034	3,261,975.00	815,000	272,850.00	252,475.00	1,340,325.00	4,602,300.00	(2,244,825.00)	2,357,475.00
2035	3,212,500.00	945,000	252,475.00	228,850.00	1,426,325.00	4,638,825.00	(2,197,125.00)	2,441,700.00
2036	3,221,562.50	1,090,000	228,850.00	201,600.00	1,520,450.00	4,742,012.50	(2,204,062.50)	2,537,950.00
2037	3,221,700.00	1,240,000	201,600.00	176,800.00	1,618,400.00	4,840,100.00	(2,203,000.00)	2,637,100.00
2038	3,224,000.00	1,400,000	176,800.00	148,800.00	1,725,600.00	4,949,600.00	(2,204,500.00)	2,745,100.00
2039	3,222,950.00	1,575,000	148,800.00	117,300.00	1,841,100.00	5,064,050.00	(2,208,000.00)	2,856,050.00
2040	3,218,250.00	1,725,000	117,300.00	82,800.00	1,925,100.00	5,143,350.00	(2,203,200.00)	2,940,150.00
2041		1,960,000	82,800.00	43,600.00	2,086,400.00	2,086,400.00		2,086,400.00
2042		2,180,000	43,600.00	-	2,223,600.00	2,223,600.00		2,223,600.00
	\$81,421,340.15	\$17,805,000	\$4,906,887.22	\$4,493,300.00	\$27,205,187.22	\$108,626,527.37	\$(42,629,612.50)	\$65,996,914.87

ESTIMATED INTEREST & SINKING FUND MANAGEMENT INDEX 2023/24*

Estimated Interest and Sinking Fund Balance at 9-30-2023	\$ 544,666
Estimated Income from \$0.1184 I&S Tax Collected Using 2024	
Estimated Taxable Assessed Valuation of \$3,365,640,792 at 95% Collections	3,865,371
Other Revenue	<u>1,226,000</u>
Estimated Total Funds Available	5,810,037
2023/2024 Debt Service Requirement	<u>5,202,101</u>
Estimated Interest and Sinking Fund Balance at 9-30-2024	\$ 607,936

* Unaudited.

**COMPARATIVE CONDENSED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN GENERAL FUND BALANCE**

The following statements reflect the historical operations of the City. Such summary has been prepared for inclusion herein based upon information obtained from the City's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended September 30				
	2022	2021	2020	2019	2018
Revenues:					
Ad Valorem Taxes	\$ 5,778,224	\$ 5,155,762	\$ 4,611,110	\$ 3,834,218	\$ 2,576,942
Sales Tax	10,119,996	9,577,288	8,432,288	7,912,673	7,021,498
Licenses and Permits	1,776,284	1,606,570	1,152,585	1,278,906	1,139,600
Fines	245,383	194,532	216,500	301,768	286,082
Rents	-	-	-	-	-
Street Rental Fee/Franchise Fees	3,136,495	2,758,083	2,599,006	2,765,491	2,764,266
Grants	4,908	19,613	934,689	13,227	30,407
Contributions and Donations	2,917,801	2,605,181	2,700,856	2,513,703	2,192,834
Interest Earned and Misc.	909,549	920,817	969,725	588,772	350,092
Total Revenues	\$24,888,640	\$22,837,846	\$21,616,759	\$19,208,758	\$16,361,721
Expenditures:					
Administrative	3,910,928	3,554,671	\$ 3,472,048	\$ 3,286,710	\$ 2,305,107
Streets	1,832,161	1,732,168	1,575,084	1,723,818	1,506,474
Fire Department	3,009,188	2,613,003	2,524,074	2,299,311	2,084,996
Law Enforcement	5,874,004	5,894,501	5,461,126	5,287,152	4,734,298
Municipal Court	336,158	322,491	324,636	316,067	304,736
Code Enforcement	508,304	467,561	469,100	435,304	415,520
Planning	916,111	848,249	735,236	753,936	517,045
Animal Control	362,745	375,517	347,976	318,438	286,174
Communications/Information Tech.	2,609,765	2,537,622	2,206,462	1,959,702	1,849,535
Debt Service	191,824	-	-	-	-
Capital Outlay	1,121,073	656,364	672,014	1,079,610	786,556
Total Expenditures	20,672,261	19,002,147	\$17,787,756	\$17,460,048	\$14,790,441
Excess of Revenues Over (Under) Expenditures	4,216,379	3,845,699	3,829,003	1,748,710	1,571,280
Total Other Financing Sources (Uses)	(6,475,237)	(2,150,795)	(1,779,513)	(665,882)	(1,085,257)
Excess (Deficiency) of Revenues Other Sources Over (Under) Expenditures and Other Uses	(2,258,858)	1,694,904	2,049,490	1,082,828	486,023
Fund Balance - October 1	16,093,176	14,398,272	12,348,782	11,265,954	10,779,931
Change in Fund Balance					
Fund Balance - September 30	\$13,834,318	\$16,093,176	\$14,398,272	\$12,348,782	\$11,265,954

The City anticipates the ending General Fund balance for fiscal year end 2023 to be approximately \$15,000,000.

Source: City's Comprehensive Annual Financial Reports.

**Condensed Debt Service Fund
Comparative Statements of Revenues and Expenditures**

	Fiscal Year Ended September 30				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Fund Balance - Beginning of Year (October 1)	\$ 621,486	\$ 701,236	\$ 782,309	\$ 778,973	\$ 791,089
Total Revenue	1,820,565	1,741,891	1,718,293	1,943,866	1,876,572
Total Expenditures	<u>3,363,130</u>	<u>3,211,070</u>	<u>3,037,751</u>	<u>3,256,394</u>	<u>3,239,760</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,542,565)	(1,469,179)	(1,319,458)	(1,312,528)	(1,363,188)
Transfer from other Funds	<u>1,613,580</u>	<u>1,389,429</u>	<u>1,238,385</u>	<u>1,315,864</u>	<u>1,351,072</u>
Fund Balance - End of Year (September 30)	\$ 692,501	\$ 621,486	\$ 701,236	\$ 782,309	\$ 778,973

Source: City's Comprehensive Annual Financial Reports

APPENDIX B

**GENERAL INFORMATION REGARDING
THE CITY OF BOERNE, TEXAS AND ITS ECONOMY**

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This Appendix contains a brief discussion of certain economic and demographic characteristics of Kendall County and the City of Boerne. Information in this Appendix has been obtained from the sources noted. They are believed to be reliable, although no investigation has been made to verify the accuracy of such information. Much of the information was obtained from the Texas Almanac, the Municipal Advisory Council of Texas, Kendall County, and the City of Boerne.

CITY AND COUNTY ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

Location

Kendall County, Texas (the "County"), organized in 1862, contains 662.9 square miles and is located in south central Texas.

The City of Boerne, Texas (the "City") is the county seat of Kendall County and a commercial center. The City is located in south central Texas, approximately 30 miles north of downtown San Antonio on Interstate Highway 10 (U.S. Highway 87). The City of Fair Oaks Ranch (2010 census population - 5,986, 2020 population - 9,833), partially located in Kendall, Bexar and Comal counties, is the only other incorporated city in Kendall County. The township of Comfort (2010 census population - 2,363; 2020 population - 3,717;) lies to the north of Boerne.

Population

<u>Census Report</u>	<u>City of Boerne</u>	<u>Kendall County</u>
1970	2,432	6,964
1980	3,229	10,635
1990	4,274	14,589
2000	6,178	23,743
2010	10,471	33,410
2020	17,850	44,279
2023 Est.	21,062	48,973

Economy

The area economy is diversified by light manufacturing, agribusiness, tourism, and outdoor recreation. Principal manufacturing industries include aerospace, oil field hydraulic motors, medical devices and pharmaceuticals, hunting equipment, food processing and aquatic filtration systems. Approximately 10% of the area workforce support these manufacturing businesses. Agricultural and ranching businesses in the area include cattle, sheep, goats, hay and other grains. Tourism is a primary economic generator in the City due to the close proximity to San Antonio, the nation's 7th largest city, and the availability of hunting, fishing, shopping, sports and recreation activities.

A new addition to the City's economic landscape is a twenty-four hour emergency facility, the Boerne Methodist Emergency Center, and medical professional building. On the horizon is the construction of a new higher education campus within 5 miles of the City estimated to provide 200-300 additional jobs for City area residents. Construction of commercial buildings and residential units, single and multifamily, continues to bring new residents to the City. Being only 30 miles from the San Antonio metropolitan area affords many Boerne residents the opportunity to work at major businesses such as the nationally recognized South Texas Medical Center and related medical research facilities, financial and insurance companies such as USAA, and local and federal government agencies

Major Employers in the Greater Boerne Area

<u>Name</u>	<u>Type of Property</u>	<u>Employment</u>
Boerne Independent School District	Public School	1,665
H E Butt Grocery Store	Grocery Store	506
Kendall County	Public Entity	310
City of Boerne	Public Entity	265
WalMart Super Center	Discount Store	231
Toyota of Boerne	Automobile Sales	225
Mission Pharmacal	Manufacturing	222
Albany Engineered Composites	Manufacturing	200
O. W. Lee	Manufacturing	190

Source: Boerne Kendall County Economic Development Corporation.

Labor Force Statistics - Kendall County

Annual Average	Annual Average				
	2022	2021	2020	2019	2018
Civilian Labor Force	23,745	22,972	22,123	22,132	21,497
Total Employed	<u>23,004</u>	<u>22,077</u>	<u>21,007</u>	<u>21,533</u>	<u>20,863</u>
Total Unemployed	741	895	1,116	599	628
% Unemployed	3.1%	3.9%	5.0%	2.7%	2.9%
% Unemployed (Texas)	3.9%	5.6%	7.6%	3.5%	3.9%
% Unemployed (United States)	3.6%	5.3%	8.1%	3.7%	3.9%

Source: US Department of Labor - Bureau of Labor Statistics

Employment and Wages by Industry - Kendall County

	Number of Employees				
	4th Quarter	4th Quarter	4th Quarter	4th Quarter	4th Quarter
	2022	2021	2020	2019	2018
Natural Resources and Mining	260	226	203	270	174
Construction	2,444	2,403	2,100	2,315	2,051
Manufacturing	1,226	1,224	1,058	1,134	1,064
Trade, Transportation and Utilities	4,545	4,111	3,832	3,849	3,735
Information	115	104	100	108	123
Financial Activities	1,181	1,007	992	1,072	1,182
Professional and Business Services	1,878	1,868	1,666	1,766	1,767
Education and Health Services	2,302	2,100	1,982	2,275	2,054
Leisure and Hospitality	2,264	2,116	1,983	2,116	1,849
Other Services	779	697	590	656	627
Non-classifiable	6	30	20	15	12
State Government	53	50	49	47	49
Local Government	2,389	2,302	2,212	2,195	1,848
Federal Government	<u>158</u>	<u>147</u>	<u>134</u>	<u>119</u>	<u>88</u>
Total Employment	19,600	18,383	16,922	17,938	16,623
Total Wages	\$296,040,818	\$294,009,536	\$246,675,316	\$238,482,814	\$219,240,632

Source: Texas Workforce Commission - Labor Market and Career Information Department.

Transportation

Interstate Highway 10 runs through Boerne, carrying heavy traffic from San Antonio to points east to Houston, and points west to El Paso. State Highway 46 runs east to west connecting Boerne with Bandera and New Braunfels. Other adequate state and county roads give access to the City and the surrounding area. San Antonio International Airport is about 35 miles from Boerne on interstate routes. In addition, an airport with a 3400-foot hard surface strip, hangers, fuel, maintenance, storage, instruction and rental facilities is located five miles southwest of Boerne.

Agriculture

Agriculture contributes an important source of income to the area. The *Texas Almanac* reports that most income is derived from cattle, sheep, Angora goats, swine, and poultry; some wheat, oats, hay, and other grains.

Educational Facilities

In addition to public schools afforded within the County, higher educational facilities located nearby include The University of Texas at San Antonio, located just off Interstate Highway 10 on Loop 1604 approximately 17 miles from Boerne with an enrollment of almost 30,000 students making it the third largest university in the University of Texas system. Other colleges located nearby are San Antonio College, St. Philips College, Northwest Vista College, University of Incarnate Word, Trinity University, Palo Alto College, all in San Antonio, and Schreiner University in Kerrville, 20 miles northwest of Boerne.

Recreation

Boerne has 11 public parks, and a public swimming pool. Other facilities include softball and soccer fields, 8 lighted tennis courts, and general recreation areas in the Boerne City Park. Boerne Lake supports fishing, sail boating and lakeside parks. Guadalupe River State Park, located 12 miles east of Boerne, provides for canoeing, tube floating and other whitewater sports. Cascade Caverns, 5 miles southeast of Boerne, offers camp sites and cave visits.

Six Flags Fiesta Texas Theme Park opened in March 1992. The 200-acre park, located in San Antonio off Loop 1604 and Interstate Highway 10 approximately 17 miles south of Boerne, highlights Texas culture and music.

Community Service

The newly constructed Boerne Methodist Emergency Center is a 24/7 freestanding, full service emergency center with 15 treatment rooms. Also, there are plans for Boerne Methodist Hospital, a 50-bed hospital with continued growth up to a 150-bed hospital, to be built next to the Emergency Center.

The South Texas Medical Center is located about 30 miles from Boerne on Fredericksburg Road just off Interstate Highway 10. In addition to numerous clinics and other facilities, major hospitals include University Hospital, Southwest Methodist Hospital, St. Luke's Lutheran Hospital, Audie Murphy Veterans Hospital, and the University of Texas Health Science Center, including its medical, dental and nursing schools. Hotel and motel facilities are available to the Boerne area. Over 400 total hotel/motel rooms are available. Additionally, others are easily accessible in nearby San Antonio. Boerne has a library, radio station and two weekly newspapers. A San Antonio newspaper, numerous radio stations, five commercial television stations and cable television serve the Boerne area. Churches representing most religious denominations are available in the Boerne area. Those not represented generally are available in nearby San Antonio. Annual celebrations include Kendall County Fair and Berges Fest (Hill Country Festival).

Other Growth Indices

Year	City of Boerne, Texas Utility Connections			
	Electric	Water	Gas	Sewer
2011	4,807	4,612	1,386	4,403
2012	4,909	4,780	1,440	4,548
2013	4,984	4,947	1,508	4,696
2014	5,074	5,136	1,587	4,862
2015	5,202	5,390	1,587	5,056
2016	5,301	5,638	1,867	5,302
2017	5,394	5,943	2,088	5,465
2018	5,498	6,209	2,376	5,797
2019	5,628	6,680	2,699	6,047
2020	5,940	7,115	3,027	6,342
2021	6,194	7,598	3,290	6,715
2022	6,247	7,916	3,626	7,045
2023	6,550	8,076	3,837	7,239

Source: City of Boerne Finance Office.

Annexation

Total acreage annexed:	2014	136.351 acres
	2015	39.611 acres
	2016	166.816 acres
	2017	56.695 acres
	2018	34.740 acres
	2019	197.656 acres
	2020	8.869 acres
	2021	17.090 acres
	2022	48.561 acres
	2023	4.310 acres

The citizens of the City voted on and approved the City of Boerne Home Rule Charter in late 1995 thus becoming a Home Rule City under Texas law. In the late 1990's, the City unilaterally annexed properties that were receiving water service from the City that had been encapsulated. The City also made several strategic annexations to secure areas that the City anticipated would be developed for commercial purposes in the future. Since those original annexations, most annexations have been at the request of property owners whose land was contiguous to the City limits. The City has a policy of not providing water and wastewater treatment service to those areas that are not in the City limits. The Electric System service area is determined by a Certificate of Convenience and Necessity issued by the Public Utility Commission of Texas. This service area is not likely to change.

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APPENDIX C

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the City of Boerne Comprehensive Annual Financial Report (the "Report") for the fiscal year ended September 30, 2022.

The information presented represents only a part of the Report and does not purport to be a complete statement of the City's financial condition. Reference is made to the complete Annual Audit Report for additional information.

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CITY OF BOERNE
Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2022



Prepared by the City of Boerne Finance Department
Boerne, Texas



INTRODUCTORY SECTION

- Letter of Transmittal
- GFOA Certificate of Achievement
- Organizational Chart
- City Officials



February 28, 2023

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

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Boerne, Texas (the City) for the fiscal year ended September 30, 2022. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

This report is published to provide our citizens, our bondholders, the City Council, City staff, and other interested parties with detailed information concerning the financial condition and activities of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

This report consists of management's representations concerning the finances of the City of Boerne. To provide a reasonable basis for making these representations, and assurance that the financial statements will be free from material misstatement, City management has established a comprehensive internal control framework designed both to protect the government's assets and to compile sufficient reliable information to prepare the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

ABIP, PC, a firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2022 are free of material misstatement. The independent auditor concluded it was a reasonable to render an unmodified opinion and that the City's financial statements for the fiscal year ended September 30, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative overview and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Government

The City of Boerne, Texas, incorporated in 1909, is located in the south-central part of the state approximately 31 miles northwest of the San Antonio metroplex. The City acts as the service center for the neighboring community, providing retail, recreation, and food service to the surrounding population. Additionally, the City serves as the County Seat for Kendall County. The City of Boerne currently occupies a land area of 11.89 square miles and has an estimated population of 21,062 as of September 2022. The City has the power, by state statute, to extend its corporate limits by annexation, which it has done periodically when requested by property owners in the areas adjacent to the City and approved by City Council.

The City of Boerne is a home rule city and has operated under the Council-Manager form of government since 1995. Under this governance plan, the elected Mayor and City Council appoint a full-time professional City Manager responsible for the day-to-day administration of City government. The Mayor and City Council represent the legislative branch of the government and are responsible for setting City policy and allocating resources. The City Manager and staff represent the executive branch of the government and are tasked with recommending policy and implementing the City Council's direction. The City Council is elected on a non-partisan basis from five districts, while the Mayor is elected at-large. Council members and the Mayor serve two-year staggered terms, with three council members elected every year.

The City provides a broad range of services, including public safety, highway maintenance, recreational activities, and cultural events. The City also provides electric, water, wastewater, reclaimed water, stormwater control, natural gas, and solid waste and recycling collection services to its citizens. The City is financially accountable for the Boerne Public Facility Corporation (BPFC). Therefore, the BPFC is reported within the City's financial statements. Additional information regarding the BPFC can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. Per the City's Home Rule Charter, the City Manager is required to prepare and submit the proposed budget to the City Council at least sixty days prior to the beginning of each fiscal year. The accompanying budget message from the City Manager details the budget in fiscal terms and describes how the proposed budget relates to the City's work programs, organizational goals, and community priorities. The City Council is required to hold public hearings and to adopt a final budget by passage of a budget ordinance no later than September 30, the close of the City's fiscal year. The legal level of budgetary control over spending is at the department level within the General Fund and at the individual fund appropriation in all other funds. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the required supplementary information section of this report. For all other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary section of this report.

Economic Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy – Overview

Boerne is a community that offers exceptional housing, top ranked schools, and a budding business culture, all of which are strong factors in the success of the City's economy. The City enjoys a favorable economic environment due partially to its close proximity to the city of San Antonio, the nation's seventh largest city and a top tourist destination in Texas. In recent years, Boerne's economy has benefitted from an influx of tourists to the area and the migration of population to the state of Texas as a whole. Although Boerne does not have any major large manufacturers or industries within City boundaries, it does have the benefit of being strategically located between San Antonio and the very popular and beautiful Texas Hill Country along Interstate Highway 10 (IH-10). As a result, Boerne is a favorite destination for visiting tourists from all parts of Texas and all over the country. A study recently completed by the University of Texas Planet 2050 Project in cooperation with the Boerne-Kendall County Economic Development Corporation identified new opportunities for the area in seeking to bring small corporate headquarters, light manufacturing, medical, and cyber technology enterprises to Boerne.

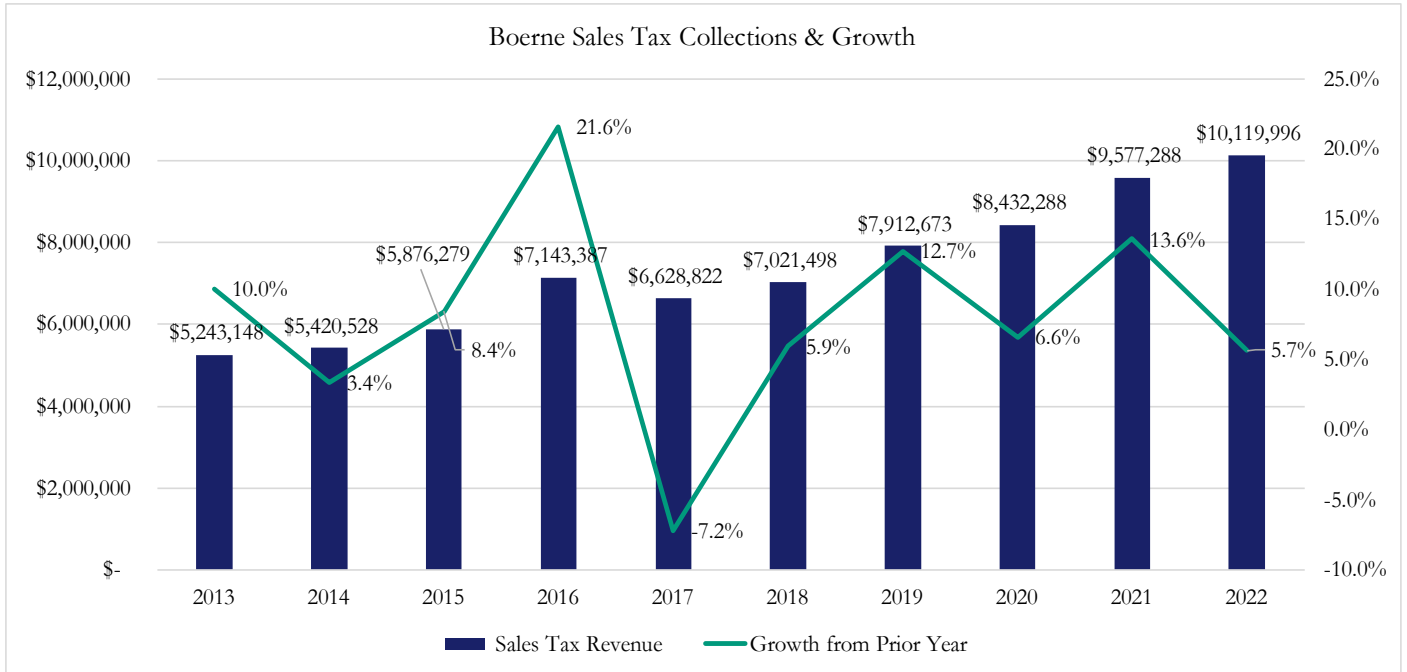
Data from the U.S. Census Bureau's most recent American Community Survey (2021) shows Boerne's median household income is \$79,692, which is noticeably higher than the \$67,321 median income for the state of Texas. According to the same survey, Boerne's residents are well-educated with 45.6% of adults aged 25 and older having a bachelor's degree or higher level of education, compared to 31.5% for Texas. The unemployment rate for the Boerne and Kendall County area as of September 30, 2022, was 3.00%, lower than the 3.80% rate for the state of Texas and the 3.80% rate for the overall U.S.

Federal and State investment in local infrastructure also plays a key role in the projected growth and economic vibrancy in the area. The City of Boerne and the Texas Department of Transportation (TxDOT) have worked proactively to address mobility along IH-10. The recent IH-10 Kendall extension represents the largest investment by TxDOT in Boerne and southern Kendall County mobility since the Interstate was constructed in the 1960s. TxDOT has also invested in the area with an expansion of Highway 46 in Boerne, which was completed in the summer of 2020. Increased mobility in the region acts as a catalyst that increases business expansion, grows tourism, and attracts commuters who adore Boerne's Hill Country charm as a place of choice to work, live, and play.

The City's economic outlook remains positive due to the overall improvement in the economy and continued residential and commercial growth. This is evidenced by local economic indicators such as a significant increase in tax appraisal values, the increase in residential building permits, and continued sales tax growth. Additionally, the City's population has seen sustained growth over the last ten years in conjunction with the new residential developments within the City. Anticipated growth is expected to continue within the Boerne-Kendall County region for years to come.

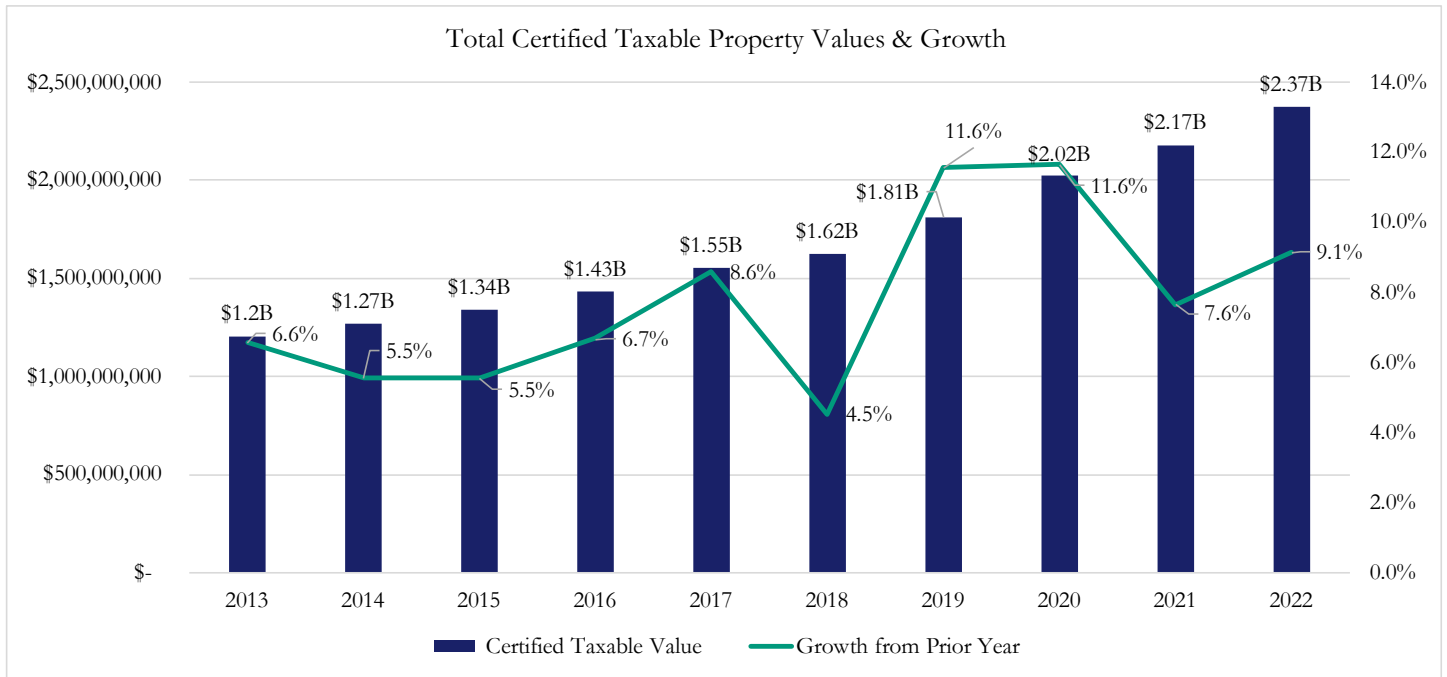
Local Economy – Sales Tax Activity

Sales taxes represent the single largest source of revenue to the City’s General Fund. As illustrated by the chart below, the City’s sales tax collections have experienced varying levels of growth over the last ten years. With the exception of fiscal year 2017, sales tax revenues have risen each year, eclipsing \$10 million in fiscal year 2022. Like many cities in Texas, the City has seen record-breaking sales tax collections for the last two fiscal years due to built-up demand for various services and commodities as well as inflationary pressures on prices.

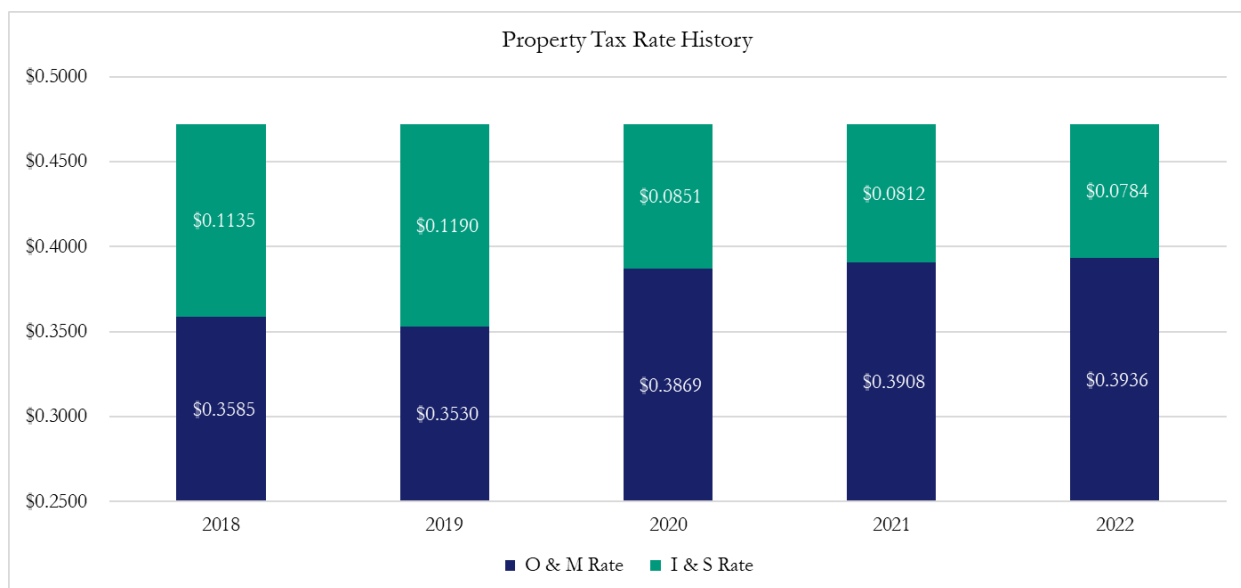


Local Economy – Property Tax Values and Rates

The second major revenue source for the City is property taxes (ad valorem taxes). The City’s sustained population growth over the last ten years has had a direct impact on the total commercial, industrial, and residential property values.



Growth in property tax, sales tax, and other revenue sources has allowed the City to maintain its tax rate at a total rate of **\$0.4720 per \$100 of assessed valuation** for the last five fiscal years, despite increased demand for services due to City growth, as evidenced in the graph below.



Long-Term Financial Planning

The City develops a Rolling Ten Year Plan as part of its long-term financial planning process. The Rolling Ten Year Plan (“the Plan”) is an organizational document that brings together and highlights key components, recommendations, and implementation priorities of all the major planning documents for the City of Boerne. The Plan summarizes each of the individual documents and provides one source for elected officials and the community to access key highlights and recommendations from each plan. Additionally, the Plan serves as a historical reminder of all the projects that have been completed to document the City’s progress with achieving its financial and organizational goals. A copy of the Rolling Ten Year Plan can be obtained on the City’s website.

Financial Policies

Fiscal policies establish the framework for managing the City’s financial resources and safeguarding the City’s assets in compliance with relevant regulatory mandates, industry standards, and best practices. Maintaining healthy reserves in the General Fund, as well as other City funds, is a critical component of the City’s sound financial management practices.

The City’s fund balance reserve policy requires maintaining a minimum of six (6) months of operating expenditures within the fund balance of the General Fund and a minimum of three (3) months of operating expenditures in reserve for each of the City’s Special Revenue funds. For the Utility funds, the City’s policy requires a minimum of six (6) months of operating expenditures to be held in reserve. This policy allows the City to better weather economic downturns and strategically handle contingencies and unforeseen emergencies. As of September 30, 2022, the required reserves were fully funded for each fund, except for the Gas utility fund. The Gas utility fund is a relatively young utility, and the reserve levels are still being established. The City expects to achieve the required reserve level within five years.

Major Initiatives

Acknowledging the need for continuous reinvestment in City infrastructure as well as to address important community needs, the City Council called a \$36 million quality of life bond program which was approved by the voters in November 2022. The program includes \$23 million to fund improvements to the City’s existing roadways, turn lanes, intersections, and traffic signals and an additional \$13 million for funding the development and improvement of the City’s parks, trails, and open spaces. The bond program will begin with issuances as early as fiscal year 2023.

Key initiatives during the fiscal year ended September 30, 2022 included:

- *American Rescue Plan Funding* – The United States Congress passed the American Rescue Plan Act (“ARPA”) on March 11, 2021. Under the Coronavirus State and Local Fiscal Recovery Funds component of the bill, the City was allocated \$4.52 million. The City received 50 percent of the allocation in August 2021, with the remainder being disbursed in September 2022. In the current year, the City met all criteria for revenue recognition of its full allocation under the Revenue Replacement allowable use category of the bill.
- *Electric Feeder Reconductoring Project* – For several years, the Electric Department has been performing the necessary tasks to complete the construction of four feeder circuits extending from each electric substation and to tie the circuits together to balance overall system load and enhance redundancy. The purpose of the project is to provide feeder capacity extending out of each substation and to allow for greater system reliability. The multi-year project was completed in the current fiscal year at a total cost of over \$2 million, providing alternate electrical flow paths throughout the City as well as supplying critical capacity for times of peak demand or outages.
- *Land Acquisition* – The City acquired ten acres of land off Ammann Road for approximately \$2 million. The City purchased the property for the eventual construction of a water tank and pump station to assist in serving the expected future Water customers in the fast-growing eastern region of the City off Highway 46.
- *Mobility Enhancements* – Consistent with one of the top goals in the City’s Rolling Ten Year Plan, four sidewalk projects were initiated and completed during the fiscal year to enhance citizen and visitor mobility throughout the City. The project areas were focused primarily in the central area of the City near downtown as well as the neighborhoods adjacent to Boerne High School with the ultimate aim of reducing congestion, accommodating anticipated travel demand, and providing quality of life amenities. As of September 30, 2022, two sites were completed at a total cost of \$611,575 over the last three fiscal years, with the two remaining sites having completed the design phase with an anticipated construction completion in the following fiscal year.
- *Street Maintenance and Improvements* – In the current year the City implemented a comprehensive street maintenance plan based on a pavement condition index (PCI) analysis performed by staff. The PCI analysis involves a visual survey of the number and types of distresses in a selected area of pavement, resulting in a pavement health classification ranging from Good (best) to Serious (worst). In fiscal year 2022, the City completed street maintenance activities (i.e., patching) covering a total of 875 square yards on seven streets at a total cost of \$199,750 and street preservation activities (i.e., chip seal and slurry seal) covering approximately 8.7 total lane miles of streets at a total cost of \$281,687. The street maintenance plan includes annual funding requirements to maintain and preserve the City’s streets over the next ten years to minimize the number of street failures and increase the City-wide PCI rating from Satisfactory to Good.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Boerne for its annual comprehensive financial report (ACFR) for the fiscal year ended September 30, 2021. This was the thirty-fifth consecutive year that the City of Boerne has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department with oversight from the City Manager's Office. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. We would also like to express our appreciation to the Mayor and City Council for their leadership and support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Ben Thatcher
City Manager

Kristy Stark
Assistant City Manager

Danny Zincke
Assistant City Manager

Sarah Buckelew, CPA
Finance Director

Samuel W. Singery, CPA
Assistant Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Boerne
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2021


Christopher P. Morrill

Executive Director/CEO


Citizens of Boerne




Tim Handren
Mayor




Ty Wolosin
District 1



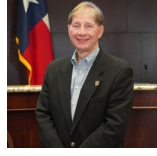
Nina Woolard
District 2




Quinten Scott
District 3



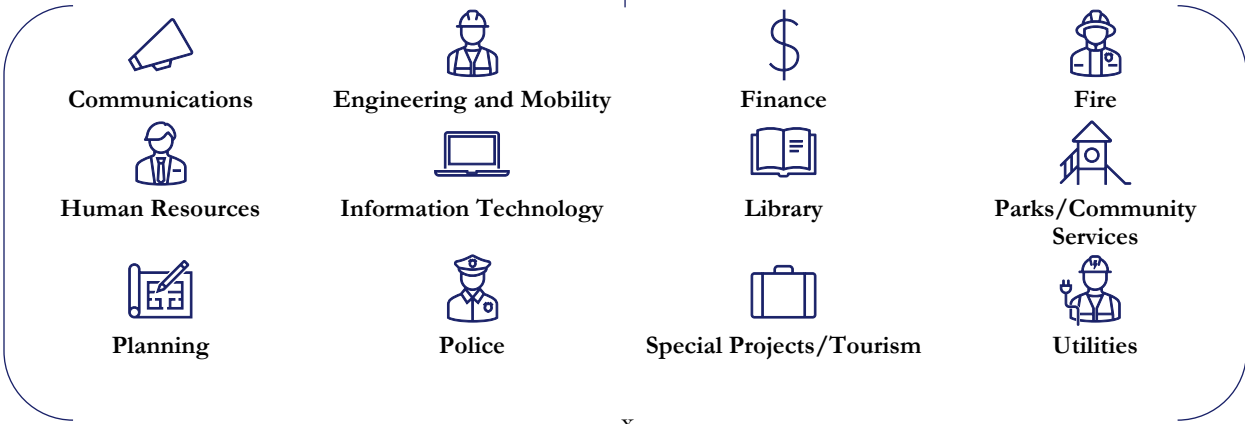
Bryce Boddie
District 4



Joseph Macaluso
District 5



Ben Thatcher
City Manager



CITY OF BOERNE, TEXAS
CITY OFFICIALS
SEPTEMBER 30, 2022

LEGISLATIVE OFFICIALS

Tim Handren..... Mayor*

Ty Wolosin..... Member of City Council – District 1, Mayor Pro Tem*

Nina Woolard..... Member of City Council – District 2*

Quinten Scott..... Member of City Council – District 3*

Bryce Boddie..... Member of City Council – District 4*

Joseph Macaluso..... Member of City Council – District 5*

ADMINISTRATIVE OFFICERS

Ben Thatcher..... City Manager

Kristy Stark..... Assistant City Manager

Danny Zincke Assistant City Manager

Nick Montagno..... Assistant to the City Manager

DEPARTMENT HEADS

William “Mick” McKamie..... City Attorney

Lori Carroll..... City Secretary

Chris Shadrock..... Communications Director

Jeff Carroll..... Engineering and Mobility Director

Sarah Buckelew, CPA Finance Director

Ray Hacker Fire Chief

Susan Finch Human Resources Director

Mike Raute..... Information Technology Director

Kelly Skovbjerg..... Library Director

Laura Haning Planning Director

Steve Perez Police Chief

Paul Barwick..... Special Projects Director

Michael Mann, PE..... Utilities Director

Larry Woods..... Visit Boerne Director

*Elected Official



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Boerne, Texas (the City) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund, Schedule of Changes in the Net Pension Liability and TMRS Related Ratios, Schedule of Contributions and Notes to Schedule of Contributions – Net Pension Liability, Schedule of Changes in the Other Postemployment Benefits Liability and TMRS Related Ratios – SDBF, Schedule of Contributions and Notes to Schedule of Contributions – SDBF and Schedule of Changes in the Other Postemployment Benefits Liability – Retiree Health Insurance, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas
February 28, 2023

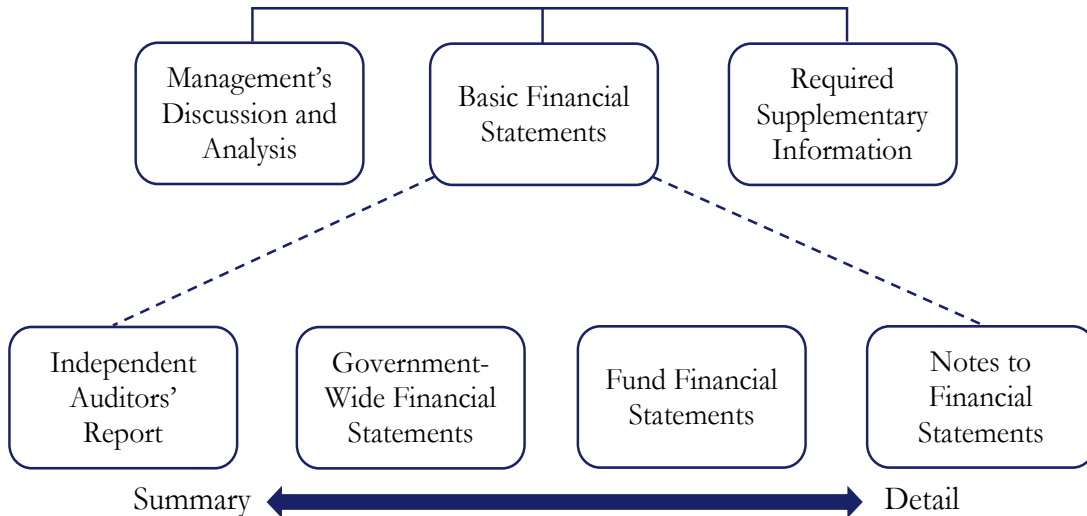
City of Boerne
Management’s Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

As management of the City of Boerne (City), Texas, we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City’s financial statements, which follow this discussion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The graphic below summarizes the various components of the annual financial report.

COMPONENTS OF THE FINANCIAL SECTION OF THE ANNUAL REPORT



Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Boerne
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, economic development and assistance, and culture and recreation. The business-type activities of the City include electric, water, wastewater, gas, solid waste, and stormwater operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also one legally separate entity, the Boerne Public Facility Corporation (BPFC), for which the City is financially accountable. Although legally separate, the BPFC is included in the financial statements as a blended component unit because it has substantially the same governing body as the City and the City manages the BPFC in essentially the same manner as it manages its own activities. The government-wide financial statements immediately follow this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains various individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Debt Service Fund, Capital Projects Fund, and American Rescue Plan Act Fund, which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

City of Boerne
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

The basic governmental fund financial statements immediately follow the government-wide financial statements.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers—either outside customers or internal units or departments of the City. *Proprietary funds* provide the same type of information as shown in the *government-wide financial statements*, only in more detail. The City maintains two types of *proprietary funds*: *Enterprise funds*, which are used to report the same functions presented as *business-type activities* in the *government-wide financial statements* and the *Internal Service Fund*, which is used to report activities that provide supplies and services for certain City programs and activities. The City's major *Enterprise funds* include the Electric Fund, Water Fund, Wastewater Fund, and Gas Fund. The remaining funds are combined into a single, aggregated presentation. Individual fund data for these funds is provided in the form of *combining statements* elsewhere in this report. During the current year, the City discontinued the *Internal Service Fund* and moved the corresponding services to be included within the General Fund in future years.

The basic proprietary fund financial statements immediately follow the basic governmental fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. *Fiduciary funds* are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for *fiduciary funds* is like that used for *proprietary funds*. The City has one *fiduciary fund*, the PID Custodial Fund. The basic fiduciary fund financial statements immediately follow the basic proprietary fund financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements immediately follow the basic fiduciary fund financial statements.

Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents required supplementary information which includes budgetary comparison statements for the General Fund and all governmental funds with a legally adopted budget to demonstrate compliance with the annual budget as adopted (original) and amended (final), as well as information concerning the City's annual required contribution to the defined benefit pension plan and other post-employment benefit plans. Required supplementary information immediately follows the notes to the financial statements. The combining statements and schedules referred to earlier in connection with other governmental funds and enterprise funds for non-major Special Revenue Funds, Permanent Funds, and Enterprise Funds immediately follow the required supplementary information.

City of Boerne
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$189.29 million. Of this amount, \$57.74 million (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$32.61 million, due primarily to capital contributions from residential developers for electric, water, sewer, natural gas, and street/sidewalk infrastructure, revenue from the American Rescue Plan Act, and increased ad valorem and sales tax revenues.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33.41 million.
- At the end of the current fiscal year, the total assigned fund balance for the General Fund was \$13.42 million, or approximately 65 percent of total General Fund expenditures.
- The City's total general obligation debt decreased by approximately \$5.78 million during the current fiscal year. The decrease is due to scheduled principal retirements in addition to the refunding of the City's 2014 General Obligation bonds and 2017 Tax Notes.

Government-wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. The following table presents a summarization of the City's assets, deferred outflows, liabilities, deferred inflows, and net position for its governmental and business-type activities, with comparative data from the previous year:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 35,336,853	\$ 31,641,077	\$ 67,514,312	\$ 59,736,064	\$ 102,851,165	\$ 91,377,141
Capital assets, net	80,935,005	77,581,674	98,886,711	85,386,417	179,821,716	162,968,091
Total assets	116,271,858	109,222,751	166,401,023	145,122,481	282,672,881	254,345,232
Deferred outflows of resources	4,265,027	3,830,424	2,342,922	2,610,983	6,607,949	6,441,407
Liabilities						
Other liabilities	4,933,782	6,367,623	5,548,220	5,025,584	10,482,002	11,393,207
Long-term liabilities	47,521,590	50,954,647	36,532,108	39,656,379	84,053,698	90,611,026
Total liabilities	52,455,372	57,322,270	42,080,328	44,681,963	94,535,700	102,004,233
Deferred inflows of resources	4,105,636	1,421,243	1,350,045	685,777	5,455,681	2,107,020
Net Position						
Net investment in capital assets	45,659,140	41,214,772	66,324,567	51,525,350	111,983,707	92,740,122
Restricted	3,610,795	2,115,222	15,956,484	14,348,870	19,567,279	16,464,092
Unrestricted	14,705,942	10,979,668	43,032,521	36,491,504	57,738,463	47,471,172
Total net position	\$ 63,975,877	\$ 54,309,662	\$ 125,313,572	\$ 102,365,724	\$ 189,289,449	\$ 156,675,386

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Net Position

Net position may serve over time as a useful indicator of a government's financial condition. In the case of the City, as of September 30, 2022, assets and deferred outflows exceeded liabilities and deferred inflows by \$189.29 million. Approximately \$111.98 million of the City's net position reflects its net investment in capital assets (e.g., land, buildings and plant, infrastructure, machinery, vehicles, and construction in progress; less any related outstanding debt used to acquire those assets). The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$19.57 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$57.74 million is unrestricted net position and may be used to meet the City's ongoing obligations to citizens or creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The major components of the changes in net position are explained in more detail on the following pages.

City of Boerne
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During the fiscal year ended September 30, 2022, the net position of the City increased by \$32.61 million to \$189.29 million, as summarized in the following condensed statement of activities:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for services	\$ 5,350,780	\$ 4,770,277	\$ 42,934,237	\$ 39,301,091	\$ 48,285,017	\$ 44,071,368
Operating grants and contributions	5,677,645	974,183	-	-	5,677,645	974,183
Capital grants and contributions	5,520,721	1,909,485	12,997,889	4,374,051	18,518,610	6,283,536
General Revenues:						
Property taxes	10,907,162	10,078,721	-	-	10,907,162	10,078,721
Sales taxes	10,119,996	9,577,288	-	-	10,119,996	9,577,288
Franchise taxes	3,136,495	2,768,083	-	-	3,136,495	2,768,083
Other taxes	1,123,631	925,792	-	-	1,123,631	925,792
Investment earnings	151,568	79,660	326,367	142,297	477,935	221,957
Other revenues	1,001,306	1,097,107	23,750	13,533	1,025,056	1,110,640
Total revenues	42,989,304	32,180,596	56,282,243	43,830,972	99,271,547	76,011,568
Expenses						
General government	6,706,056	6,338,343	-	-	6,706,056	6,338,343
Public safety	12,453,125	11,789,354	-	-	12,453,125	11,789,354
Highways and streets	4,476,566	4,021,755	-	-	4,476,566	4,021,755
Economic development	1,086,012	857,597	-	-	1,086,012	857,597
Culture and recreation	5,087,280	4,674,240	-	-	5,087,280	4,674,240
Interest on long-term debt	1,074,130	1,039,565	-	-	1,074,130	1,039,565
Electric	-	-	13,465,955	14,141,570	13,465,955	14,141,570
Water	-	-	8,042,811	7,429,111	8,042,811	7,429,111
Wastewater	-	-	8,774,835	8,529,651	8,774,835	8,529,651
Gas	-	-	4,354,303	3,146,598	4,354,303	3,146,598
Solid Waste	-	-	1,120,874	1,036,328	1,120,874	1,036,328
Stormwater	-	-	15,537	150	15,537	150
Total expenses	30,883,169	28,720,854	35,774,315	34,283,408	66,657,484	63,004,262
Increase (decrease) in net position before transfers	12,106,135	3,459,742	20,507,928	9,547,564	32,614,063	13,007,306
Transfers	(2,439,920)	1,657,043	2,439,920	(1,657,043)	-	-
Change in net position	9,666,215	5,116,785	22,947,848	7,890,521	32,614,063	13,007,306
Net Position - beginning	54,309,662	49,192,877	102,365,724	94,475,203	156,675,386	143,668,080
Net Position - ending	\$ 63,975,877	\$ 54,309,662	\$ 125,313,572	\$ 102,365,724	\$ 189,289,449	\$ 156,675,386

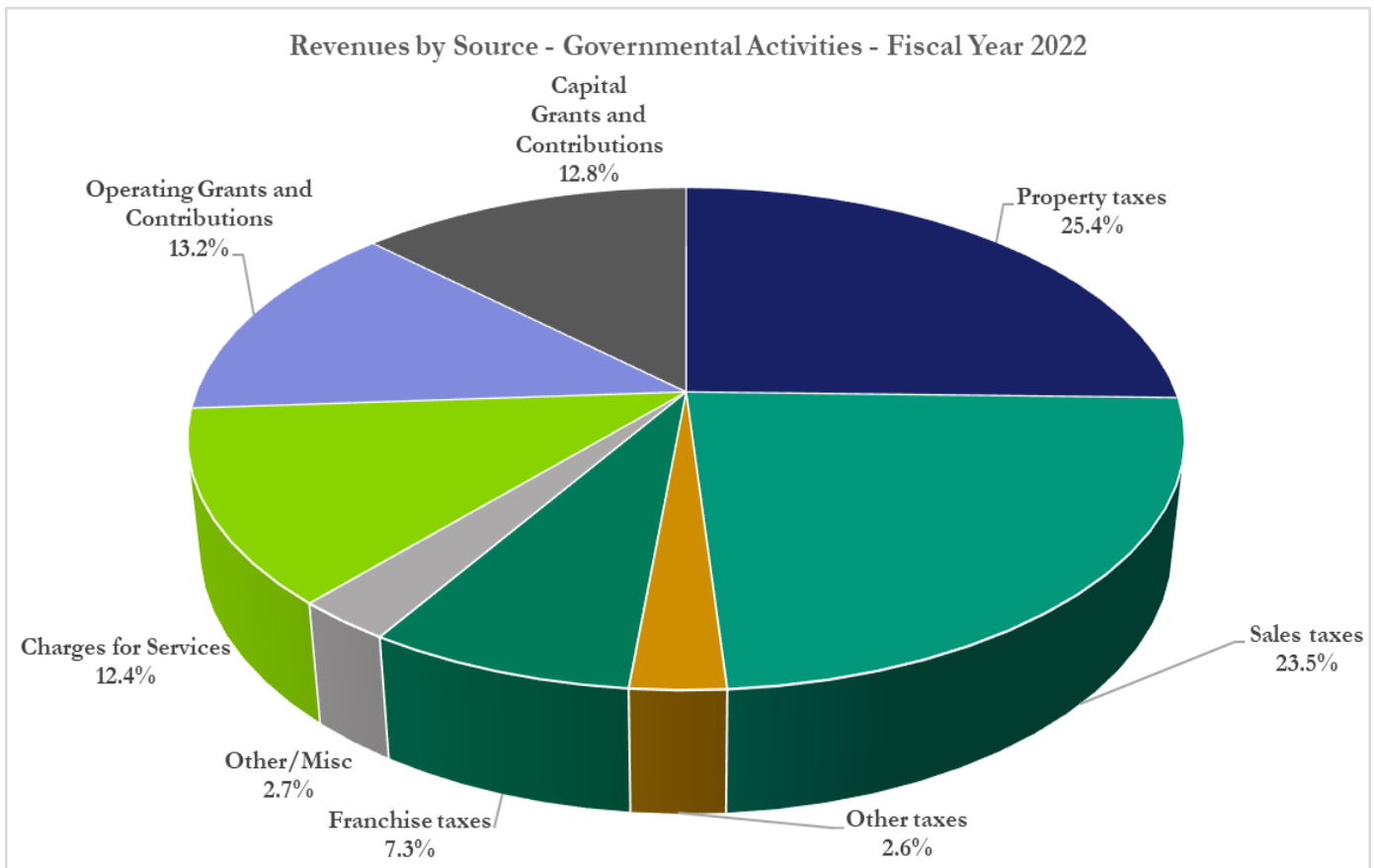
City of Boerne
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Changes in Net Position – Governmental Activities

Revenues related to the City's Governmental activities totaled \$42.99 million for the fiscal year ended September 30, 2022, an increase of \$10.81 million, or 34 percent, from the prior year. The primary causes for the overall increase were:

- Capital grants and contributions from developers for street, curb, and sidewalk infrastructure in various residential subdivisions within the City increased by \$3.61 million from the prior year as residential development activity remained strong.
- Operating grants and contributions increased \$4.70 million, the majority of which relates to \$4.52 million received in conjunction with the Coronavirus State and Local Fiscal Recovery Funds component of the American Rescue Plan Act. During the current year, the City met all criteria for revenue recognition of its full \$4.52 million allocation under the bill.
- Ad valorem Taxes increased by \$0.83 million from the prior year as the market values of homes and commercial properties continued to increase consistent with statewide and national trends.
- Sales taxes increased by \$0.54 million as consumer demand for goods and services remained strong in the current year.

The chart below illustrates the City's governmental activities revenues by source:

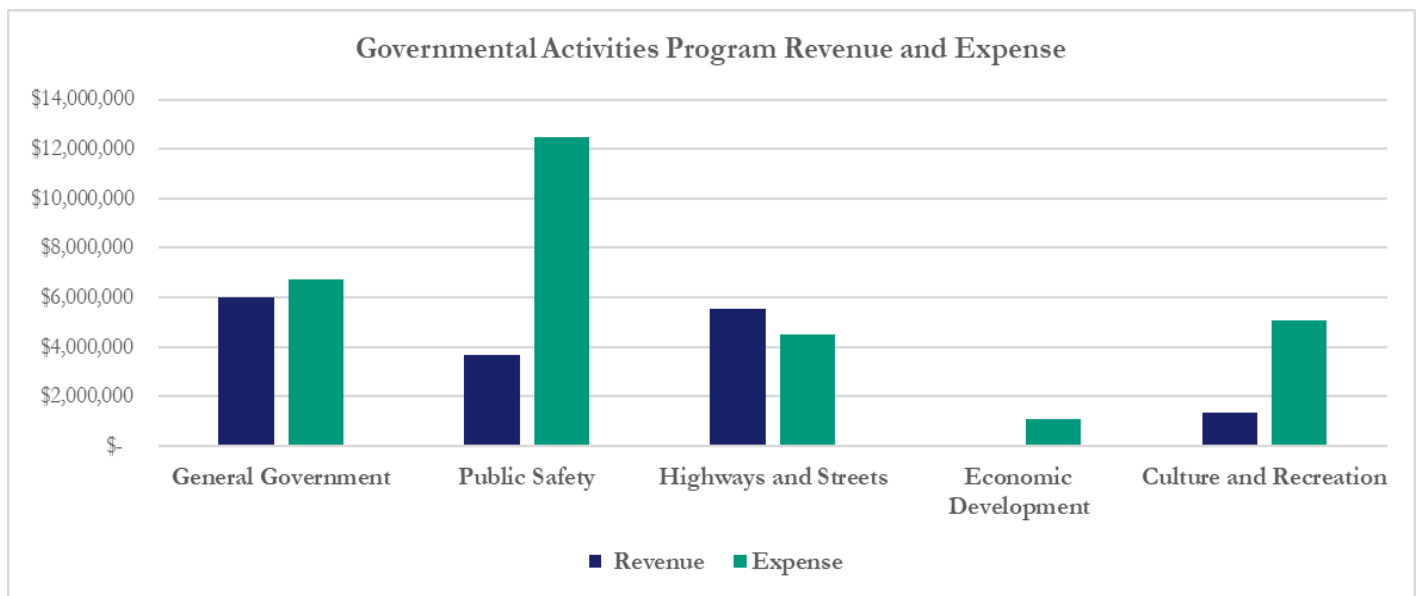


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Expenses related to the City’s Governmental activities totaled \$30.88 million for the fiscal year ended September 30, 2022, an increase of \$2.16 million, or 8 percent, from the prior year. The primary causes for the overall increase were:

- Expenses for public safety increased by \$0.66 million due to increased personnel costs as well as increased supplies and materials expenses—particularly fuel—as the price of goods and materials rose sharply with strong inflationary pressures during the year.
- Expenses for highways and streets increased by \$0.45 million due to the implementation of the City’s comprehensive street maintenance program in the current year, along with additional leases of vehicles and equipment during the year.
- Culture and recreation expenses increased by \$0.41 million due to additional park and library programs in the current year.

The following chart depicts governmental activity program revenues relative to program expenses:



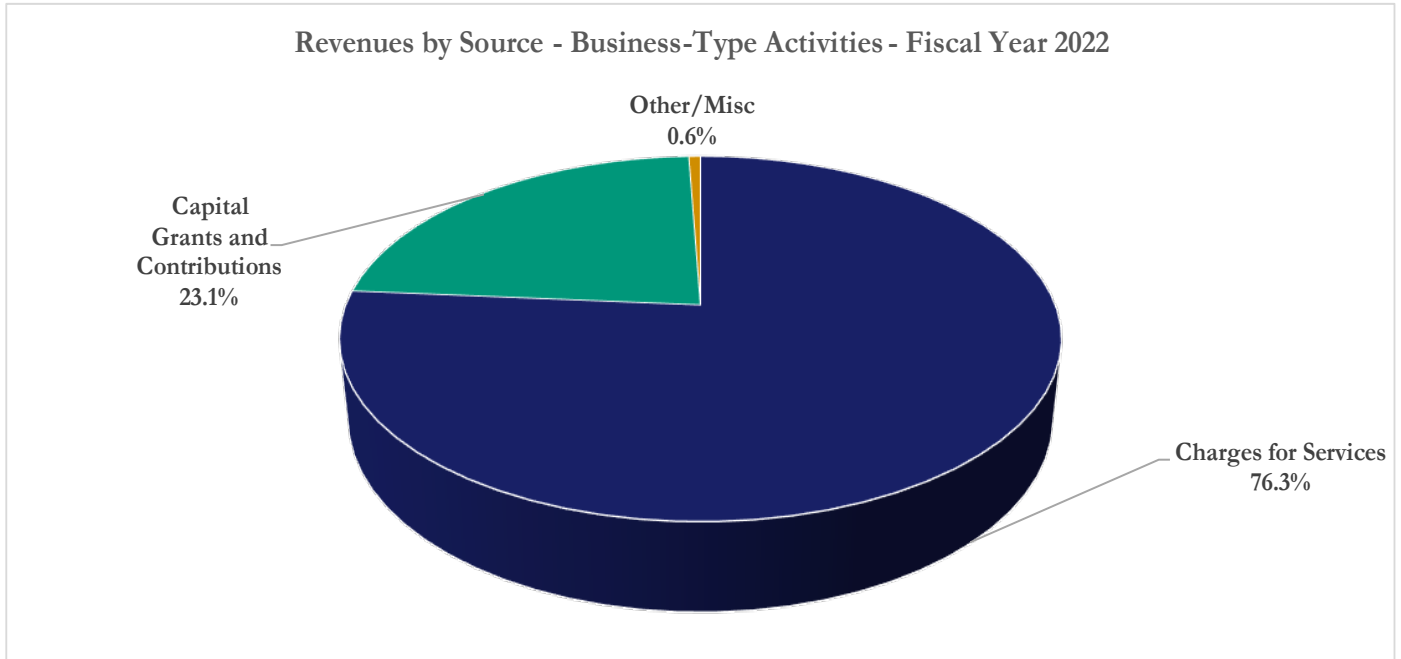
Changes in Net Position – Business-Type Activities

Revenues related to the City’s Business-Type activities totaled \$56.28 million for the fiscal year ended September 30, 2022, an increase of \$12.45 million, or 28 percent, from the prior year. The primary causes for the overall increase were:

- Capital grants and contributions from developers for electric, water, sewer, and natural gas infrastructure in various residential subdivisions within the City increased by \$8.62 million from the prior year as residential development activity remained strong.
- Charges for services in the City’s utility funds increased by \$3.63 million primarily as a result of a dry and hot summer with near-record breaking temperatures that drove increased customer demand, particularly in the Electric and Water funds.

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Revenues for the City's business-type activities are presented in the following chart:

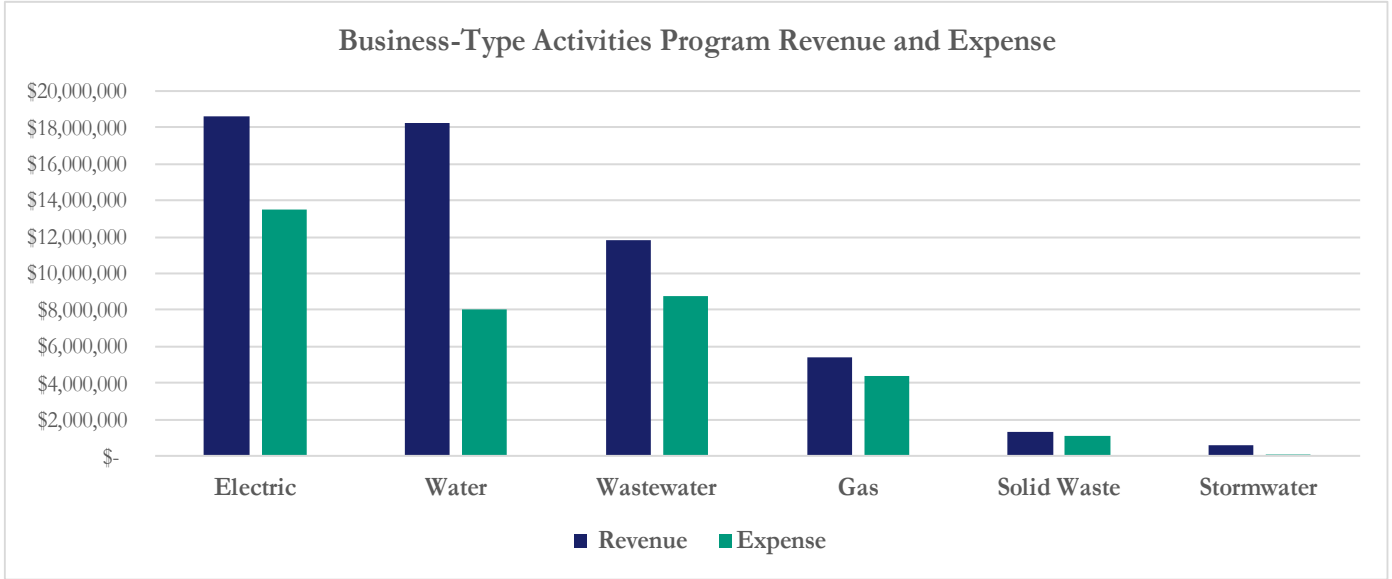


Expenses related to the City's Business-Type activities totaled \$35.77 million for the fiscal year ended September 30, 2022, an increase of \$1.49 million, or 4 percent, from the prior year. The primary cause for the overall increase was:

- Total operating costs for the Gas fund increased by \$1.21 million from the prior year, primarily the result of skyrocketing natural gas prices due to volatile conditions in the natural gas supply market. The average Henry Hub natural gas spot price during the fiscal year rose approximately \$2.88 from \$3.35 per million Btu in the prior year to \$6.23 per million Btu in the current year.

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The following chart depicts business-type activity program revenues relative to program expenses:



Fund Financial Analysis

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, assigned and unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2022, the City's governmental funds reported total combined ending fund balances of \$33.41 million, an increase of \$5.95 million from the prior year. Approximately 87 percent of the City's governmental funds' fund balances, or \$29.06 million, constitutes assigned fund balance, which is available for spending at the government's discretion. An additional \$4.35 million is either nonspendable or restricted for purposes imposed by creditors, grantors, contributors, laws, or regulations of other governments or through enabling legislation.

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General Fund Financial Highlights

The General Fund is the chief operating fund of the City. At September 30, 2022, assigned fund balance of the General Fund was \$13.42 million, while total fund balance was \$13.83 million. As a measure of the General Fund's liquidity, it is useful to compare assigned fund balance to total fund expenditures. Assigned fund balance represents 65 percent of the total General Fund expenditures. All of the assigned fund balances have been designated for specified purposes.

The fund balance of the General Fund decreased by \$2.26 million during the current fiscal year, primarily due to a one-time transfer to the Capital Projects Fund for future infrastructure and capital projects within the City. The General Fund also experienced increased property and sales tax revenues, which continued to grow as a result of higher assessed valuations and increased consumer spending in addition to upward inflationary pressures on the prices of retail goods, building materials, and other business inputs.

	<u>2022</u>	<u>2021</u>
REVENUES		
Ad valorem taxes	\$ 5,778,224	\$ 5,155,762
Sales tax	10,119,996	9,577,288
Franchise taxes	3,136,495	2,768,083
Licenses and permits	1,776,284	1,606,570
Fines	245,383	194,532
Grants	4,908	19,613
Contributions and donations	2,917,801	2,605,181
Miscellaneous	827,775	846,972
Investment earnings	81,774	73,845
Total revenues	<u>24,888,640</u>	<u>22,847,846</u>
EXPENDITURES		
Current:		
General government	6,110,561	5,503,472
Public safety	11,416,642	11,110,143
Highways and streets	1,832,161	1,732,168
Debt service:		
Principal retirement	189,407	-
Interest	2,417	-
Capital outlay	1,121,073	656,364
Total expenditures	<u>20,672,261</u>	<u>19,002,147</u>
Excess of revenues over expenditures	<u>4,216,379</u>	<u>3,845,699</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	5,535,292	30,000
Transfers out	(12,605,275)	(2,557,995)
Sale of capital assets	83,287	1,680
Lease proceeds	511,459	375,520
Total other financing sources (uses)	<u>(6,475,237)</u>	<u>(2,150,795)</u>
Net change in fund balance	<u>\$ (2,258,858)</u>	<u>\$ 1,694,904</u>

City of Boerne
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General Fund revenues, including transfers, for the fiscal year ended September 30, 2022, increased by \$7.76 million, or approximately 33 percent, over the prior year. The overall increase was due to the following factors:

- Ad valorem taxes increased by \$0.62 million, or 12 percent, over the prior year primarily due to an average increase in assessed taxable property values of approximately 9 percent as the market values of homes and commercial properties continued to increase consistent with statewide and national trends.
- Sales tax increased by \$0.54 million, or approximately 6 percent, from the prior year as factors such as built-up demand for various services and commodities and inflationary pressures lead to record collections for the fourth consecutive year, with sales tax collections exceeding \$10 million for the first time in the City's history.
- Franchise tax revenues increased by \$0.37 million, or 13 percent, from the prior year primarily due to the franchise taxes received from the City's six utility funds, which experienced revenue growth due to increased customer counts and customer utility usage.
- License and permit revenues increased \$0.17 million, or 11 percent, over the prior year as a result of ongoing residential and commercial construction activity.
- Contributions and donations increased by \$0.31 million, or 12 percent, from the prior year primarily due to an increase in the City's interlocal agreement to provide public safety and utility communications services to regional partners.
- Transfers In increased by \$5.51 million due to transfers from the American Rescue Plan Act (ARPA) Fund and Internal Service Fund. Approximately \$4.52 million was transferred from the ARPA Fund as the City met all criteria for revenue recognition of its full allocation under the Revenue Replacement allowable use category of the bill. An additional \$0.98 million was transferred to the General Fund as a result of discontinuing the Internal Service Fund and moving the corresponding services to be included within the General Fund in future years.
- Proceeds from leases increased by \$0.14 million from the prior year as a result of the City's implementation of GASB Statement No. 87, *Leases*, in the current year. For further details, see Note 7 in the Notes to the Financial Statements.

General Fund expenditures, including transfers, for the fiscal year ended September 30, 2022, increased by \$11.72 million, or approximately 54 percent, over the prior year. The overall increase was due to the following factors:

- General government expenditures increased by \$0.61 million, or 11 percent, from the prior year due to increased professional services costs associated with comprehensive updates of the City's transportation plan and rebranding initiative in addition to equipment and implementation costs for a new City-wide telecommunications system, all of which were identified as major projects and initiatives in the current year budget.
- Capital Outlay expenditures and principal and interest payments on lease obligations increased by \$0.46 million and \$0.19 million, respectively, from the prior year primarily as a result of the City's implementation of GASB Statement No. 87, *Leases*, in the current year. For further details, see Note 7 in the Notes to the Financial Statements.

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- Transfers Out increased by \$10.05 million from the prior year due to three large transfers during the year. First, a \$4.52 million transfer to the Stormwater utility fund to be used for two drainage projects to enhance safety and mobility within the City. Second, a \$1.96 million transfer to the Capital Projects Fund to provide the initial funds for the City's portion of the Alamo Area Metropolitan Planning Organization project to improve traffic flow at the intersection of Old San Antonio Road and Cascade Caverns Road in the southern region of the City. Finally, the General Fund transferred an additional \$4.03 million to the Capital Projects Fund for future infrastructure investments throughout the City as the City's population continues to grow along with the demand for City services.

General Fund Budgetary Highlights

The General Fund budget and actual analysis can be found on the following page. During the year, the City's adopted General Fund revenue and expenditure budgets were amended by a \$0.13 million decrease and a \$0.42 million increase, respectively. Major expenditure budget adjustments included \$0.41 million for the purchase of a parking lot to be used for public parking in the downtown area of the City. All amendments to original budgeted appropriations were authorized by City Council or the City Manager in compliance with the City's Home Rule Charter. Major differences between the amended budget and actual results are discussed in further detail on the following pages.

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	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	Amounts on GAAP Basis	Budgetary Basis	Amounts on Budget Basis	Final Budget Positive (Negative)
REVENUES						
Ad valorem taxes	\$ 5,774,320	\$ 5,635,364	\$ 5,778,224	\$ -	\$ 5,778,224	\$ 142,860
Sales tax	8,700,000	8,700,000	10,119,996	-	10,119,996	1,419,996
Franchise taxes	2,760,235	2,760,235	3,136,495	-	3,136,495	376,260
Licenses and permits	1,349,000	1,349,000	1,776,284	-	1,776,284	427,284
Fines	223,300	223,300	245,383	-	245,383	22,083
Grants	5,000	9,908	4,908	-	4,908	(5,000)
Contributions and donations	2,912,229	2,912,229	2,917,801	-	2,917,801	5,572
Miscellaneous	370,000	375,880	827,775	-	827,775	451,895
Investment earnings	50,000	50,000	81,774	-	81,774	31,774
Total revenues	<u>22,144,084</u>	<u>22,015,916</u>	<u>24,888,640</u>	<u>-</u>	<u>24,888,640</u>	<u>2,872,724</u>
EXPENDITURES						
Current:						
General government						
Administration	4,018,028	4,023,608	3,910,928	-	3,910,928	112,680
Planning	1,087,393	1,087,393	916,111	-	916,111	171,282
Information technology	1,176,377	1,176,377	1,283,522	-	1,283,522	(107,145)
Public safety						
Law enforcement	6,037,153	6,041,506	5,874,004	-	5,874,004	167,502
Municipal court	377,933	377,933	336,158	-	336,158	41,775
Animal control	402,618	402,618	362,745	-	362,745	39,873
Fire department	2,909,510	2,910,064	3,009,188	-	3,009,188	(99,124)
Dispatch	1,477,670	1,477,670	1,326,243	-	1,326,243	151,427
Code enforcement	575,262	575,262	508,304	-	508,304	66,958
Highways and Streets						
Streets	2,112,949	2,112,949	1,832,161	-	1,832,161	280,788
Debt service:						
Principal retirement	-	-	189,407	(189,407)	-	-
Interest	-	-	2,417	(2,417)	-	-
Capital outlay	924,600	1,337,078	1,121,073	(319,635)	801,438	535,640
Total expenditures	<u>21,099,493</u>	<u>21,522,458</u>	<u>20,672,261</u>	<u>(511,459)</u>	<u>20,160,802</u>	<u>1,361,656</u>
Excess (deficiency) of revenues over expenditures	<u>1,044,591</u>	<u>493,458</u>	<u>4,216,379</u>	<u>511,459</u>	<u>4,727,838</u>	<u>4,234,380</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	30,000	4,553,935	5,535,292	-	5,535,292	981,357
Transfers out	(1,450,692)	(12,682,814)	(12,605,275)	-	(12,605,275)	77,539
Sale of capital assets	10,000	10,000	83,287	-	83,287	73,287
Lease proceeds	-	-	511,459	(511,459)	-	-
Total other financing sources (uses)	<u>(1,410,692)</u>	<u>(8,118,879)</u>	<u>(6,475,237)</u>	<u>(511,459)</u>	<u>(6,986,696)</u>	<u>1,132,183</u>
CHANGE IN FUND BALANCE	<u>\$ (366,101)</u>	<u>\$ (7,625,421)</u>	<u>(2,258,858)</u>	<u>\$ -</u>	<u>\$ (2,258,858)</u>	<u>\$ 5,366,563</u>
FUND BALANCE						
Beginning of year			16,093,176			
End of year			<u>\$ 13,834,318</u>			

Revenues, including transfers in, were \$3.85 million higher than budgetary estimates as a result of the following:

- Ad valorem taxes exceeded budget by \$0.14 million due to better-than-expected collections during the year. The City's budgeted collection rate was 99 percent whereas the actual collection rate was 99.62 percent.

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- Sales tax was \$1.42 million greater than budget as a result of continued strong consumer demand for goods and services.
- Franchise taxes exceeded budget by \$0.37 million as a result of the revenue performance of the City's utility funds, which experienced revenue growth due to increased customer counts and customer utility usage. In the current fiscal year, the Electric fund added 53 new customers and experienced a 6.80 percent increase in power sold; the Water fund added 415 new customers, including 97 new Reclaimed Water customers, and saw a 13 percent increase in usage; the Wastewater fund added 282 new customers with an overall increase in usage of 5 percent; and the Gas fund added 336 new customers and experienced an increase of less than 1 percent in overall usage.
- Revenues from licenses and permits exceeded budget by \$0.43 million as both residential and commercial construction activity were greater than expected.
- Miscellaneous revenues were \$0.45 million greater than budget due to reimbursements from various state and local agencies for mutual aid provided by the City's public safety function, particularly the fire department, in response to several state emergencies during the year.
- Transfers in were \$0.98 million greater than budgeted due to the final transfer from the Internal Service Fund. The City discontinued the fund during the year and moved the corresponding services to the General Fund.

Expenditures, including transfers out, were \$1.44 million, or 5 percent, lower than budgetary estimates as a result of the following:

- Personnel savings of \$0.15 million in Dispatch due to vacant positions during the year.
- Savings of \$0.17 million in Planning related to underruns in expenditures for professional services and software maintenance.
- Savings of approximately \$0.98 million related to capital projects and equipment that went unspent due to availability and supply chain issues.

Other Major Governmental Fund Financial Highlights

The *Debt Service Fund* is used for all financial resources that are restricted, committed, or assigned for the payment of principal and interest of long-term obligations of the City's governmental funds. Current year revenues (including transfers and issuances of new debt) totaled \$28.92 million and current year expenditures (including one-time principal payments for the refunding of existing debt) totaled \$28.85 million, resulting in an increase in fund balance of \$0.07 million for the current year. At September 30, 2022, the fund balance was \$0.69 million, all of which was restricted for future principal and interest payments on the City's long-term debt obligations.

The *American Rescue Plan Act Fund* is used to account for all activity associated with the American Rescue Plan Act (ARPA), which was passed by the 117th United States Congress and signed into law on March 11, 2021. Current year revenues totaled \$4.52 million and current year expenditures (including transfers) also totaled \$4.52 million as the City met all relevant criteria for the recognition of its full allocation under the bill. The project funds were transferred to the General Fund. At September 30, 2022, there was no remaining fund balance in the American Rescue Plan Act Fund.

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The *Capital Projects Fund* is used to account for the acquisition and construction of major governmental capital facilities, sidewalks, road improvements, and other infrastructure projects. Current year revenues (including transfers) totaled \$7.48 million and current year expenditures, primarily for street and sidewalk projects, totaled \$1.17 million, resulting in an increase in fund balance of \$6.31 million for the current year. At September 30, 2022, the fund balance was \$10.50 million, all of which was assigned for future infrastructure investments to meet the increased demand for City services as the City's population continues to grow.

Proprietary Funds

As of September 30, 2022, the City's proprietary funds reported total combined ending net position of \$125.31 million, an increase of \$23.13 million from the prior year, driven primarily by capital contributions from developers for completed utility infrastructure totaling approximately \$13 million, a one-time transfer totaling \$4.52 million to the Stormwater fund to be utilized for future drainage projects, and strong operating results, particularly in the Electric and Water funds. Further details on the operating results for each major fund are discussed below. At September 30, 2022, approximately 53 percent of the City's proprietary funds' fund balances, or \$66.32 million, represents the funds' net investment in capital assets.

Major Fund Financial Highlights

The *Electric Fund* is used to account for the activities necessary to provide electric services to the residents of the City within the City's service territory. These activities include administration, billing and collections, distribution system operations and maintenance, transmission system operations and maintenance, new construction, and financing and related debt services. As of September 30, 2022, total net position was \$25.77 million, an increase of \$3.83 million from the prior year. The overall increase was due primarily to higher operating revenues as a result of much higher summer temperatures than average. The National Weather Service reported the summer of 2022 as one of the hottest summers in recorded history for the Boerne-San Antonio area. Consequently, customer demand for electric service to cool homes and businesses remained high throughout the months of May to August, resulting in a 6.80 percent increase in power sold for the year.

The *Water Fund* is used to account for the activities necessary to provide water services to the residents of the City within the City's service territory. These activities include administrative services, billing and collections, water production and distribution system operation and maintenance, new construction, and financing and related debt services. As of September 30, 2022, total net position was \$53.58 million, an increase of \$9.50 million from the prior year. The overall increase was also due in part to the hot and dry conditions discussed above. In addition to the hotter than average summer temperatures, severe drought conditions continued for throughout the Texas Hill Country, resulting in City rainfall totals nearly 20 inches below historical averages and creating increased demand for water. Additionally, capital contributions for the year totaled \$8.84 million, a \$6.77 million increase from the prior year, as the City accepted vital infrastructure improvements from several residential developers to continue to meet the robust housing demand throughout the City.

City of Boerne
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

The *Wastewater Fund* is used to account for the activities necessary to provide wastewater services to the residents of the City within the City's service territory. These activities include administrative services, billing and collections, wastewater production and distribution system operation and maintenance, new construction, and financing and related debt services. As of September 30, 2022, total net position was \$29.87 million, an increase of \$3.25 million from the prior year. The overall increase was due primarily to capital contributions for sanitary sewer infrastructure improvements, which totaled \$3.04 million in the current year.

The *Gas Fund* is used to account for the activities necessary to provide natural gas services to the residents of the City within the City's service territory. These activities include administrative services, billing and collections, distribution system operation and maintenance, new construction, and financing and related debt services. As of September 30, 2022, total net position was \$9.65 million, an increase of \$1.24 million from the prior year. The overall increase was due to capital contributions for natural gas infrastructure improvements, which totaled \$1.03 million in the current year.

Capital Assets

Capital assets, including the infrastructure of the City, are those assets that are used in the performance of the City's functions. At September 30, 2022, capital assets totaled \$80.94 million for governmental activities and \$98.89 million for business-type activities, net of accumulated depreciation on capital assets, which is recognized in the government-wide financial statements. The City's capital assets include land, buildings and plant, improvements other than buildings, machinery and equipment, and construction in progress. The net increase over the prior fiscal year in the City's capital assets was \$16.85 million, or approximately 10 percent.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 10,782,215	\$ 10,378,857	\$ 7,237,877	\$ 2,740,309	\$ 18,020,092	\$ 13,119,166
Buildings and plant	29,456,296	31,134,927	19,114,982	21,022,768	48,571,278	52,157,695
Improvements other than buildings	4,091,484	4,578,025	-	-	4,091,484	4,578,025
Machinery and equipment	1,838,725	1,781,874	1,826,072	1,230,097	3,664,797	3,011,971
Infrastructure	33,101,189	29,272,094	69,992,971	59,022,456	103,094,160	88,294,550
Construction in progress	901,529	435,897	601,228	1,370,787	1,502,757	1,806,684
Leased vehicles and equipment	763,567	-	113,581	-	877,148	-
Total capital assets, net	\$ 80,935,005	\$ 77,581,674	\$ 98,886,711	\$ 85,386,417	\$ 179,821,716	\$ 162,968,091

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

- Developer contributions for completed infrastructure such as electrical distribution systems, water/sewer mains, gas mains, and streets/curbs/sidewalks in various residential subdivisions throughout the City totaled approximately \$18.52 million in the current year.
- Approximately \$2 million from the Electric Fund to acquire land for the eventual construction of a water tank and pump station to assist in serving the expected future Water customers in the fast-growing eastern region of the City off Highway 46.

Additional information on the City's capital assets can be found under Note 5 in the Notes to the Financial Statements.

City of Boerne
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

Long-Term Liabilities

As of September 30, 2022, the City had \$61.72 million in long-term debt outstanding. The total debt is backed by the full faith and credit of the government, however, \$30.49 million is being paid for by the business-type activities. During the current year, total long-term debt decreased by \$5.78 million due to the refunding of the City's 2014 General Obligation bonds and 2017 Tax Notes as well as the annual debt service payments on the remaining debt.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 31,230,000	\$ 35,470,000	\$ 30,485,000	\$ 32,020,000	\$ 61,715,000	\$ 67,490,000
Total long-term debt	\$ 31,230,000	\$ 35,470,000	\$ 30,485,000	\$ 32,020,000	\$ 61,715,000	\$ 67,490,000

The City maintains an Aa2 credit rating from Moody's Investors Services, which exceeds a median rating of Aa3 for U.S. cities. This rating reflects the City's strong and stable operating reserves maintained by prudent financial management coupled with robust economic growth.

State statutes limit the amount of general obligation debt a governmental entity may issue to ten percent of its total assessed valuation. The current debt limitation for the City of Boerne is approximately \$236.46 million, which is significantly more than the City of Boerne's outstanding \$31.23 million in general obligation debt.

Additional information on the City's long-term liabilities can be found under Note 6 in the Notes to the Financial Statements.

City of Boerne
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2022

Economic Factors and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2023 budget appropriation, tax rates, and fees that will be charged for the City's governmental and business-type activities. Among these factors were the historic level of inflationary pressures faced by the City and nation as a whole, the ongoing investment in a strong culture to retain and attract new employees, and the City's focus on providing high quality public safety services.

As a result, the budget for fiscal year 2023 aims to address these challenges and opportunities through strategic investments in (1) targeted street, sidewalk, park, and utility infrastructure improvements to manage the City's growth pressures and demand for capital infrastructure investment, (2) the opening of three additional firefighter positions and two additional School Resource Officer positions to address the increased demand for City's services and need for strengthening school security, and (3) expanded employee benefits enhancements, including generous cost of living adjustments and merit increases, to solidify the City's status as an "employer of choice" in the area.

The fiscal year 2023 budget was prepared using an ad valorem tax rate of 45.10 cents per \$100 assessed valuation, comprised of a debt service rate of 5.90 cents and an operations and maintenance rate of 39.20 cents. This is a decrease of 2.10 cents from the fiscal year 2022 tax rate.

For the utility funds, no rate increases were factored into the adopted budget for fiscal year 2023, however, revenues were expected to increase as a result of the steady growth in new customer connections, particularly in the Water, Wastewater, and Gas funds.

Additional details regarding the City's budget and its overall Fiscal Year 2022-23 Adopted Budget can be found on the City's website. Questions or requests for information regarding the Adopted Budget should be directed to the Finance Department.

Requests for Information

This financial report is designed to provide a general overview of the City of Boerne's finances for all those with an interest in the government's finances and to show the City's accountability for the financial resources it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Boerne, Finance Director, 447 N. Main St., Boerne, Texas 78006.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Boerne
Statement of Net Position
September 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 29,090,894	\$ 40,844,224	\$ 69,935,118
Investments	3,315,227	2,233,549	5,548,776
Receivables, net	2,078,909	5,155,075	7,233,984
Inventories	-	1,620,504	1,620,504
Prepays	3,425	15,637	19,062
Restricted cash and cash equivalents	603,522	15,718,382	16,321,904
Restricted investments	244,876	1,926,941	2,171,817
Non-depreciable capital assets	11,683,744	7,839,105	19,522,849
Other capital assets, net	69,251,261	91,047,606	160,298,867
Total assets	116,271,858	166,401,023	282,672,881
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 365,852	\$ 1,057,024	\$ 1,422,876
Deferred outflows related to pension	3,058,554	1,008,671	4,067,225
Deferred outflows related to OPEB TMRS	133,056	43,880	176,936
Deferred outflows related to OPEB retiree	707,565	233,347	940,912
Total deferred outflows of resources	4,265,027	2,342,922	6,607,949

City of Boerne
Statement of Net Position (Continued)
September 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,885,128	\$ 3,537,753	\$ 5,422,881
Unearned revenue	31,415	-	31,415
Noncurrent liabilities:			
Due within one year:			
Compensated absences	391,050	132,123	523,173
Lease purchase agreements	148,016	81,104	229,120
Lease liabilities	272,314	34,485	306,799
Long-term debt	2,205,859	1,762,755	3,968,614
Due beyond one year:			
Compensated absences	912,449	308,285	1,220,734
Lease purchase agreements	274,998	173,297	448,295
Lease liabilities	491,333	78,084	569,417
Long-term debt	32,249,197	31,489,443	63,738,640
Net pension liability	9,543,527	3,147,333	12,690,860
Total OPEB liabilities OPEB TMRS	669,471	220,783	890,254
Total OPEB liabilities OPEB retiree	3,380,615	1,114,883	4,495,498
Total liabilities	52,455,372	42,080,328	94,535,700
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	\$ 3,287,924	\$ 1,084,316	\$ 4,372,240
Deferred inflows related to OPEB TMRS	17,776	5,862	23,638
Deferred inflows related to OPEB retiree	787,984	259,867	1,047,851
Deferred inflows related to leases	11,952	-	11,952
Total deferred inflows of resources	4,105,636	1,350,045	5,455,681
NET POSITION			
Net investment in capital assets	\$ 45,659,140	\$ 66,324,567	\$ 111,983,707
Restricted for:			
Capital improvements - impact fees	-	15,838,612	15,838,612
Cemetery	1,178,487	-	1,178,487
Debt service	692,501	117,872	810,373
Grants and donations	162,932	-	162,932
Law enforcement	209,065	-	209,065
Other purposes	760,888	-	760,888
Tourism	606,922	-	606,922
Unrestricted	14,705,942	43,032,521	57,738,463
Total net position	\$ 63,975,877	\$ 125,313,572	\$ 189,289,449

City of Boerne
Statement of Activities
For the Fiscal Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 6,706,056	\$ 739,173	\$ 5,281,855	\$ -	\$ 6,021,028
Public safety	12,453,125	3,637,914	9,534	2,908	3,650,356
Highways and streets	4,476,566	-	-	5,517,813	5,517,813
Economic development	1,086,012	-	-	-	-
Culture and recreation	5,087,280	973,693	386,256	-	1,359,949
Interest on long-term debt	1,074,130	-	-	-	-
Total governmental activities	<u>30,883,169</u>	<u>5,350,780</u>	<u>5,677,645</u>	<u>5,520,721</u>	<u>16,549,146</u>
Business-type activities:					
Electric	13,465,955	18,493,259	-	90,499	18,583,758
Water	8,042,811	9,369,373	-	8,841,677	18,211,050
Wastewater	8,774,835	8,773,874	-	3,037,149	11,811,023
Gas	4,354,303	4,394,173	-	1,028,564	5,422,737
Solid Waste	1,120,874	1,294,476	-	-	1,294,476
Stormwater	15,537	609,082	-	-	609,082
Total business-type activities	<u>35,774,315</u>	<u>42,934,237</u>	<u>-</u>	<u>12,997,889</u>	<u>55,932,126</u>
Total primary government	<u>\$ 66,657,484</u>	<u>\$ 48,285,017</u>	<u>\$ 5,677,645</u>	<u>\$ 18,518,610</u>	<u>\$ 72,481,272</u>

City of Boerne
Statement of Activities (Continued)
For the Fiscal Year Ended September 30, 2022

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (685,028)	\$ -	\$ (685,028)
Public safety	(8,802,769)	-	(8,802,769)
Highways and streets	1,041,247	-	1,041,247
Economic development	(1,086,012)	-	(1,086,012)
Culture and recreation	(3,727,331)	-	(3,727,331)
Interest on long-term debt	(1,074,130)	-	(1,074,130)
Total governmental activities	(14,334,023)	-	(14,334,023)
Business-type activities:			
Electric	-	5,117,803	5,117,803
Water	-	10,168,239	10,168,239
Wastewater	-	3,036,188	3,036,188
Gas	-	1,068,434	1,068,434
Solid Waste	-	173,602	173,602
Stormwater	-	593,545	593,545
Total business-type activities	-	20,157,811	20,157,811
Total primary government	\$ (14,334,023)	\$ 20,157,811	\$ 5,823,788
General revenues:			
Taxes:			
Property taxes	10,907,162	-	10,907,162
Sales taxes	10,119,996	-	10,119,996
Franchise taxes	3,136,495	-	3,136,495
Other taxes	1,123,631	-	1,123,631
Investment earnings	151,568	326,367	477,935
Miscellaneous	916,021	-	916,021
Gain on sale of assets	85,285	23,750	109,035
Transfers	(2,439,920)	2,439,920	-
Total general revenues and transfers	24,000,238	2,790,037	26,790,275
Change in net position	9,666,215	22,947,848	32,614,063
Net position - beginning	54,309,662	102,365,724	156,675,386
Net position - ending	\$ 63,975,877	\$ 125,313,572	\$ 189,289,449

GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Boerne
Balance Sheet
Governmental Funds
September 30, 2022

	Major Funds					Total Governmental Funds
	General Fund	Debt Service Fund	Capital Projects Fund	American Rescue Plan Act Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 9,938,008	\$ 684,510	\$ 10,755,996	\$ -	\$ 7,661,358	\$ 29,039,872
Investments	3,315,227	-	-	-	-	3,315,227
Receivables, net	1,890,283	28,526	-	-	160,100	2,078,909
Prepays	3,425	-	-	-	-	3,425
Restricted cash and cash equivalents	113,350	-	-	-	490,172	603,522
Restricted investments	-	-	-	-	244,876	244,876
Total assets	\$ 15,260,293	\$ 713,036	\$ 10,755,996	\$ -	\$ 8,556,506	\$ 35,285,831
LIABILITIES						
Accounts payable	\$ 1,174,875	\$ -	\$ 259,460	\$ -	\$ 18,861	\$ 1,453,196
Other payables	203,076	-	-	-	53,777	256,853
Deposits payable	-	-	-	-	30,057	30,057
Unearned revenue	5,454	-	-	-	25,961	31,415
Total liabilities	1,383,405	-	259,460	-	128,656	1,771,521
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	\$ 42,570	\$ 20,535	\$ -	\$ -	\$ 26,626	\$ 89,731
Lease related	-	-	-	-	11,952	11,952
Total deferred inflows of resources	42,570	20,535	-	-	38,578	101,683
FUND BALANCES						
Nonspendable	\$ 3,425	\$ -	\$ -	\$ -	\$ 735,188	\$ 738,613
Restricted	412,982	692,501	-	-	2,505,312	3,610,795
Assigned	13,417,911	-	10,496,536	-	5,148,772	29,063,219
Total fund balances	13,834,318	692,501	10,496,536	-	8,389,272	33,412,627
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,260,293	\$ 713,036	\$ 10,755,996	\$ -	\$ 8,556,506	\$ 35,285,831

City of Boerne
Reconciliation of the Governmental Balance Sheet
to the Government-Wide Statement of Net Position
September 30, 2022

Total Fund Balances - Total Governmental Funds		\$ 33,412,627
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets net of accumulated depreciation used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds.		
Cost of capital assets	141,921,452	
Accumulated depreciation	(61,750,014)	
Leased assets	1,006,067	
Accumulated amortization on leased assets	<u>(242,500)</u>	
		80,935,005
Deferred outflows (inflows) related to refunding charges, pension, and OPEB are not available resources and, therefore, are not reported in the funds.		
Deferred charge on refunding	365,852	
Deferred outflows (inflows) related to pension	(229,370)	
Deferred outflows (inflows) related to OPEB plans	<u>34,861</u>	
		171,343
Long-term liabilities, as listed below, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable	\$ (31,230,000)	
Bond premium	(3,225,056)	
Lease purchase agreements	(423,014)	
Lease liabilities	(763,647)	
Compensated absences	(1,303,499)	
Net pension liability	(9,543,527)	
Postemployment liabilities	<u>(4,050,086)</u>	
		(50,538,829)
Accrued interest payable for the current portion of interest due on various debt issues, including leases, has not been reported in the governmental funds.		
		(94,000)
Other long-term assets are not available resources and, therefore, are reported as unavailable revenue in the funds.		
Unavailable property tax revenue	<u>89,731</u>	
		89,731
Net Position of Governmental Activities		<u>\$ 63,975,877</u>

City of Boerne
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2022

	Major Funds					Total Governmental Funds
	General Fund	Debt Service Fund	Capital Projects Fund	American Rescue Plan Act Fund	Other Governmental Funds	
REVENUES						
Ad valorem taxes	\$ 5,778,224	\$ 1,812,675	\$ -	\$ -	\$ 3,353,424	\$ 10,944,323
Sales tax	10,119,996	-	-	-	-	10,119,996
Hotel/Motel tax	-	-	-	-	1,017,376	1,017,376
Charges for services	-	-	-	-	1,277,172	1,277,172
Franchise taxes	3,136,495	-	-	-	-	3,136,495
Licenses and permits	1,776,284	-	-	-	-	1,776,284
Fines	245,383	-	-	-	7,686	253,069
Grants	4,908	-	-	4,522,098	19,198	4,546,204
Contributions and donations	2,917,801	-	-	-	367,058	3,284,859
Miscellaneous	827,775	-	-	-	88,246	916,021
Investment earnings	81,774	7,890	27,749	1,732	32,423	151,568
Total revenues	24,888,640	1,820,565	27,749	4,523,830	6,162,583	37,423,367
EXPENDITURES						
Current:						
General government	6,110,561	-	-	-	82	6,110,643
Public safety	11,416,642	-	-	-	47,431	11,464,073
Highways and streets	1,832,161	-	207,893	-	-	2,040,054
Economic development	-	-	-	-	1,009,103	1,009,103
Culture and recreation	-	-	-	-	4,075,908	4,075,908
Debt service:						
Principal retirement	189,407	2,125,000	-	-	40,358	2,354,765
Interest	2,417	899,711	-	-	656	902,784
Administrative charges	-	338,419	-	-	-	338,419
Capital outlay	1,121,073	-	957,769	-	331,754	2,410,596
Total expenditures	20,672,261	3,363,130	1,165,662	-	5,505,292	30,706,345
Excess (deficiency) of revenues over (under) expenditures	4,216,379	(1,542,565)	(1,137,913)	4,523,830	657,291	6,717,022
OTHER FINANCING SOURCES (USES)						
Transfers in	5,535,292	1,276,108	7,450,202	-	1,688,012	15,949,614
Transfers out	(12,605,275)	-	-	(4,523,935)	(632,256)	(17,761,466)
Sale of capital assets	83,287	-	-	-	1,998	85,285
Lease proceeds	511,459	-	-	-	110,585	622,044
Issuance of debt	-	23,085,000	-	-	-	23,085,000
Bond premium	-	2,743,094	-	-	-	2,743,094
Payment to refunded bond escrow agent	-	(25,490,622)	-	-	-	(25,490,622)
Total other financing sources (uses)	(6,475,237)	1,613,580	7,450,202	(4,523,935)	1,168,339	(767,051)
Net change in fund balance	(2,258,858)	71,015	6,312,289	(105)	1,825,630	5,949,971
FUND BALANCES						
Beginning of year	16,093,176	621,486	4,184,247	105	6,563,642	27,462,656
End of year	<u>\$ 13,834,318</u>	<u>\$ 692,501</u>	<u>\$ 10,496,536</u>	<u>\$ -</u>	<u>\$ 8,389,272</u>	<u>\$ 33,412,627</u>

City of Boerne

Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position For the Fiscal Year Ended September 30, 2022

Net Change in Fund Balances - Total Governmental Funds		\$ 5,949,971
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current year, the City reported the following amounts for capital asset additions and depreciation:		
Capital asset additions	\$ 2,022,567	
Depreciation expense	(4,950,616)	
Leased assets	388,029	
Amortization expense	<u>(242,500)</u>	(2,782,520)
Donations of capital assets and capital contributions increase net position in the Statement of Activities, but do not appear in the governmental funds because they do not represent current financial resources		
		5,517,813
The issuance of long-term debt (i.e. bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds immediately report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Government-Wide Statement of Activities. The net effect of these differences in the treatment of long-term debt and related items is listed below:		
Principal payments on long-term debt	\$ 27,615,622	
Principal payments on lease purchase agreements	200,093	
Principal payments on lease liabilities	229,765	
Change in accrued interest payable, including leases	(14,051)	
Changes in pension and related items	298,827	
Changes in OPEB and related items	(516,384)	
Amortization of bond premium/discount	294,136	
Amortization of deferred gain/loss on refunding of long-term debt	(113,012)	
Lease proceeds	(622,044)	
Issuance of long-term debt	(23,085,000)	
Bond premium/discount	<u>(2,743,094)</u>	1,544,858
Some revenues and expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds		
Changes in compensated absences	(204,994)	
Changes in unavailable revenues	<u>(37,161)</u>	(242,155)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is partially reported with governmental activities.		
		<u>(321,752)</u>
Change in Net Position of Governmental Activities		<u>\$ 9,666,215</u>

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Boerne
Statement of Net Position
Proprietary Funds
September 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Major Funds		
	Electric	Water	Wastewater
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,770,366	\$ 7,896,033	\$ 13,233,476
Investments	1,576,243	657,306	-
Receivables, net	2,603,827	1,091,560	795,483
Inventories	1,192,856	242,364	19,246
Prepays	15,637	-	-
Restricted cash and cash equivalents			
Customer deposits	616,165	851,065	-
Debt service reserve	5,274	-	98,474
Total current assets	<u>18,780,368</u>	<u>10,738,328</u>	<u>14,146,679</u>
Noncurrent assets:			
Restricted cash and cash equivalents:			
Capital improvements	-	10,272,672	3,638,999
Restricted investments:			
Capital improvements	-	1,926,941	-
Non-depreciable capital assets	2,542,918	3,080,636	2,099,937
Other capital assets, net	7,717,718	30,442,202	42,560,930
Total noncurrent assets	<u>10,260,636</u>	<u>45,722,451</u>	<u>48,299,866</u>
Total assets	<u>29,041,004</u>	<u>56,460,779</u>	<u>62,446,545</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	10,648	-	1,017,608
Deferred outflows related to pension	321,310	290,806	239,153
Deferred outflows related to OPEB TMRS	13,978	12,651	10,404
Deferred outflows related to OPEB retiree	74,332	67,276	55,325
Total deferred outflows of resources	<u>420,268</u>	<u>370,733</u>	<u>1,322,490</u>

City of Boerne
Statement of Net Position (Continued)
Proprietary Funds
September 30, 2022

	Business-Type Activities			
	Enterprise Funds			Internal Service Funds
	Major Fund			
Gas	Other Enterprise Funds	Total Enterprise Funds		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 726,926	\$ 6,188,723	\$ 40,815,524	\$ 79,722
Investments	-	-	2,233,549	-
Receivables, net	419,069	245,136	5,155,075	-
Inventories	166,038	-	1,620,504	-
Prepays	-	-	15,637	-
Restricted cash and cash equivalents				
Customer deposits	221,609	-	1,688,839	-
Debt service reserve	14,124	-	117,872	-
Total current assets	1,547,766	6,433,859	51,647,000	79,722
Noncurrent assets:				
Restricted cash and cash equivalents:				
Capital improvements	-	-	13,911,671	-
Restricted investments:				
Capital improvements	-	-	1,926,941	-
Non-depreciable capital assets	44,269	71,345	7,839,105	-
Other capital assets, net	9,990,718	336,038	91,047,606	-
Total noncurrent assets	10,034,987	407,383	114,725,323	-
Total assets	11,582,753	6,841,242	166,372,323	79,722
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	28,768	-	1,057,024	-
Deferred outflows related to pension	157,402	-	1,008,671	-
Deferred outflows related to OPEB TMRS	6,847	-	43,880	-
Deferred outflows related to OPEB retiree	36,414	-	233,347	-
Total deferred outflows of resources	229,431	-	2,342,922	-

City of Boerne
Statement of Net Position (Continued)
Proprietary Funds
September 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Major Funds		
	Electric	Water	Wastewater
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 680,151	\$ 560,790	\$ 58,103
Other payables	124,492	1,657	10,349
Current portion of compensated absences	35,145	38,155	27,979
Current portion of lease purchase agreements	-	-	-
Current portion of lease liabilities	2,204	7,494	24,337
Current liabilities payable from restricted assets:			
Deposits payable	616,165	851,065	-
Current portion of revenue bonds payable	63,009	-	1,530,075
Accrued interest payable	833	9	104,433
Total current liabilities	1,521,999	1,459,170	1,755,276
Noncurrent liabilities:			
Compensated absences	82,006	89,026	65,283
Lease purchase agreements	-	-	-
Lease liabilities	2,421	17,456	56,725
Revenue bonds payable	228,918	-	30,639,566
Net pension liability	1,002,578	907,396	746,223
Total OPEB liabilities - OPEB TMRS	70,330	63,653	52,347
Total OPEB liabilities - retiree	355,144	321,428	264,335
Total noncurrent liabilities	1,741,397	1,398,959	31,824,479
Total liabilities	3,263,396	2,858,129	33,579,755
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	345,407	312,615	257,088
Deferred inflows related to OPEB TMRS	1,867	1,690	1,390
Deferred inflows related to OPEB retiree	82,781	74,921	61,613
Total deferred inflows of resources	430,055	389,226	320,091
NET POSITION			
Net investment in capital assets	9,974,732	33,497,888	13,427,772
Restricted for:			
Capital improvements - impact fees	-	12,199,613	3,638,999
Debt service	5,274	-	98,474
Unrestricted	15,787,815	7,886,656	12,703,944
Total net position	\$ 25,767,821	\$ 53,584,157	\$ 29,869,189

City of Boerne
Statement of Net Position (Continued)
Proprietary Funds
September 30, 2022

	Business-Type Activities			Internal Service Funds
	Enterprise Funds			
	Major Fund	Other Enterprise Funds	Total Enterprise Funds	
	Gas			
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 124,324	\$ 125,393	\$ 1,548,761	\$ 79,722
Other payables	11,450	15,986	163,934	-
Current portion of compensated absences	30,844	-	132,123	-
Current portion of lease purchase agreements	-	81,104	81,104	-
Current portion of lease liabilities	300	150	34,485	-
Current liabilities payable from restricted assets:				
Deposits payable	221,609	-	1,688,839	-
Current portion of revenue bonds payable	169,671	-	1,762,755	-
Accrued interest payable	2,244	-	107,519	-
Total current liabilities	560,442	222,633	5,519,520	79,722
Noncurrent liabilities:				
Compensated absences	71,970	-	308,285	-
Lease purchase agreements	-	173,297	173,297	-
Lease liabilities	988	494	78,084	-
Revenue bonds payable	620,959	-	31,489,443	-
Net pension liability	491,136	-	3,147,333	-
Total OPEB liabilities - OPEB TMRS	34,453	-	220,783	-
Total OPEB liabilities - retiree	173,976	-	1,114,883	-
Total noncurrent liabilities	1,393,482	173,791	36,532,108	-
Total liabilities	1,953,924	396,424	42,051,628	79,722
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	169,206	-	1,084,316	-
Deferred inflows related to OPEB TMRS	915	-	5,862	-
Deferred inflows related to OPEB retiree	40,552	-	259,867	-
Total deferred inflows of resources	210,673	-	1,350,045	-
NET POSITION				
Net investment in capital assets	9,271,837	152,338	66,324,567	-
Restricted for:				
Capital improvements - impact fees	-	-	15,838,612	-
Debt service	14,124	-	117,872	-
Unrestricted	361,626	6,292,480	43,032,521	-
Total net position	\$ 9,647,587	\$ 6,444,818	\$ 125,313,572	\$ -

City of Boerne
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Major Funds		
	Electric	Water	Wastewater
OPERATING REVENUES			
Charges for sales and services	\$ 17,959,851	\$ 7,286,646	\$ 6,175,429
Connection fees	-	-	20,067
Primary extensions	86,295	116,899	-
Capital recovery fees	-	1,685,470	1,147,515
Penalties	167,326	74,796	58,826
Other operating revenues	279,787	205,562	1,372,037
Total operating revenues	<u>18,493,259</u>	<u>9,369,373</u>	<u>8,773,874</u>
OPERATING EXPENSES			
Cost of fuel and water reservation	8,105,476	2,019,788	-
Personnel	1,313,814	1,864,162	1,432,805
City franchise tax	1,565,585	371,107	309,519
Administration	1,755,884	1,847,424	2,306,083
Depreciation and amortization	768,640	1,969,463	3,546,618
Other operating expenses	10,175	10,888	32,115
Total operating expenses	<u>13,519,574</u>	<u>8,082,832</u>	<u>7,627,140</u>
Operating income (loss)	<u>4,973,685</u>	<u>1,286,541</u>	<u>1,146,734</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	90,881	97,835	109,368
Interest expense	(13,488)	(98)	(1,185,152)
Bond costs	-	-	(400)
Gain on sale of capital assets	-	6,524	5,666
Total nonoperating revenues (expenses)	<u>77,393</u>	<u>104,261</u>	<u>(1,070,518)</u>
Income (loss) before capital contributions and transfers	5,051,078	1,390,802	76,216
Capital contributions	90,499	8,841,677	3,037,149
Transfers in	-	-	150,000
Transfers out	(1,315,863)	(727,863)	(10,575)
Change in net position	<u>3,825,714</u>	<u>9,504,616</u>	<u>3,252,790</u>
NET POSITION			
Beginning of year	<u>21,942,107</u>	<u>44,079,541</u>	<u>26,616,399</u>
End of year	<u>\$ 25,767,821</u>	<u>\$ 53,584,157</u>	<u>\$ 29,869,189</u>

City of Boerne
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Business-Type Activities			Internal Service Funds
	Enterprise Funds			
	Major Fund	Other Enterprise Funds	Total Enterprise Funds	
	Gas			
OPERATING REVENUES				
Charges for sales and services	\$ 3,892,957	\$ 1,893,054	\$ 37,207,937	\$ 4,141,303
Connection fees	412,623	-	432,690	-
Primary extensions	-	-	203,194	-
Capital recovery fees	-	-	2,832,985	-
Penalties	55,735	10,504	367,187	-
Other operating revenues	32,858	-	1,890,244	-
Total operating revenues	<u>4,394,173</u>	<u>1,903,558</u>	<u>42,934,237</u>	<u>4,141,303</u>
OPERATING EXPENSES				
Cost of fuel and water reservation	1,667,453	-	11,792,717	-
Personnel	1,095,661	-	5,706,442	2,488,746
City franchise tax	193,948	1,071,836	3,511,995	-
Administration	717,642	58,593	6,685,626	1,173,936
Depreciation and amortization	657,718	11,647	6,954,086	-
Other operating expenses	10,340	-	63,518	-
Total operating expenses	<u>4,342,762</u>	<u>1,142,076</u>	<u>34,714,384</u>	<u>3,662,682</u>
Operating income (loss)	<u>51,411</u>	<u>761,482</u>	<u>8,219,853</u>	<u>478,621</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	5,681	22,602	326,367	-
Interest expense	(33,095)	(3)	(1,231,836)	-
Bond costs	-	-	(400)	-
Gain on sale of capital assets	11,560	-	23,750	-
Total nonoperating revenues (expenses)	<u>(15,854)</u>	<u>22,599</u>	<u>(882,119)</u>	<u>-</u>
Income (loss) before capital contributions and transfers	35,557	784,081	7,337,734	478,621
Capital contributions	1,028,564	-	12,997,889	-
Transfers in	184,150	4,523,935	4,858,085	-
Transfers out	(10,575)	-	(2,064,876)	(981,357)
Change in net position	<u>1,237,696</u>	<u>5,308,016</u>	<u>23,128,832</u>	<u>(502,736)</u>
NET POSITION				
Beginning of year	<u>8,409,891</u>	<u>1,136,802</u>	<u>102,184,740</u>	<u>502,736</u>
End of year	<u>\$ 9,647,587</u>	<u>\$ 6,444,818</u>	<u>\$ 125,313,572</u>	<u>\$ -</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(180,984)	
Business-type activities change in net position			<u>\$ 22,947,848</u>	

City of Boerne
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Major Funds		
	Electric	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 18,656,908	\$ 9,494,957	\$ 8,717,633
Cash received from user departments	-	-	-
Payments to suppliers	(11,823,884)	(3,937,349)	(2,813,936)
Payments to employees	(2,051,782)	(1,828,352)	(1,523,799)
Net cash provided (used) by operating activities	<u>4,781,242</u>	<u>3,729,256</u>	<u>4,379,898</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	150,000
Transfers out	(1,315,863)	(727,863)	(10,575)
Net cash provided (used) by noncapital financing activities	<u>(1,315,863)</u>	<u>(727,863)</u>	<u>139,425</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(2,982,199)	(2,471,344)	(972,478)
Lease purchase agreements	(30,535)	-	-
Proceeds from sale of assets	-	6,524	5,666
Revenue bonds and certificates-principal	(55,774)	-	(1,325,846)
Revenue bonds and certificates-interest and fiscal charges	(13,185)	-	(1,290,834)
Lease liabilities-principal	4,625	24,950	81,062
Lease liabilities-interest and fiscal charges	(20)	(89)	(304)
Net cash provided (used) by capital and related financing activities	<u>(3,077,088)</u>	<u>(2,439,959)</u>	<u>(3,502,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net sale (purchase) of investments	2,882,249	2,897,391	249,241
Interest earned	109,663	118,953	112,352
Net cash provided (used) by investing activities	<u>2,991,912</u>	<u>3,016,344</u>	<u>361,593</u>
Net increase (decrease) in cash and cash equivalents	<u>3,380,203</u>	<u>3,577,778</u>	<u>1,378,182</u>
CASH AND CASH EQUIVALENTS			
Beginning of year	9,739,577	15,714,017	15,592,767
End of the year	<u>\$ 13,119,780</u>	<u>\$ 19,291,795</u>	<u>\$ 16,970,949</u>

City of Boerne
Statement of Cash Flows (Continued)
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Business-Type Activities			
	Enterprise Funds			
	Major Fund			
	Gas	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 4,297,988	\$ 1,817,609	\$ 42,985,095	\$ -
Cash received from user departments	-	-	-	4,141,303
Payments to suppliers	(2,577,425)	(1,095,687)	(22,248,281)	(1,193,563)
Payments to employees	(1,027,890)	-	(6,431,823)	(2,707,775)
Net cash provided (used) by operating activities	<u>692,673</u>	<u>721,922</u>	<u>14,304,991</u>	<u>239,965</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	184,150	4,523,935	4,858,085	-
Transfers out	(10,575)	-	(2,064,876)	(981,357)
Net cash provided (used) by noncapital financing activities	<u>173,575</u>	<u>4,523,935</u>	<u>2,793,209</u>	<u>(981,357)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(611,440)	(419,030)	(7,456,491)	-
Lease purchase agreements	-	254,401	223,866	-
Proceeds from sale of assets	11,560	-	23,750	-
Revenue bonds and certificates-principal	(153,380)	-	(1,535,000)	-
Revenue bonds and certificates-interest and fiscal charges	(32,298)	-	(1,336,317)	-
Lease liabilities-principal	1,288	644	112,569	-
Lease liabilities-interest and fiscal charges	(5)	(3)	(421)	-
Net cash provided (used) by capital and related financing activities	<u>(784,275)</u>	<u>(163,988)</u>	<u>(9,968,044)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net sale (purchase) of investments	-	-	6,028,881	-
Interest earned	5,681	22,602	369,251	-
Net cash provided (used) by investing activities	<u>5,681</u>	<u>22,602</u>	<u>6,398,132</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>87,654</u>	<u>5,104,471</u>	<u>13,528,288</u>	<u>(741,392)</u>
CASH AND CASH EQUIVALENTS				
Beginning of year	875,005	1,084,252	43,005,618	821,114
End of the year	<u>\$ 962,659</u>	<u>\$ 6,188,723</u>	<u>\$ 56,533,906</u>	<u>\$ 79,722</u>

City of Boerne
Statement of Cash Flows (Continued)
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Major Funds		
	Electric	Water	Wastewater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income	\$ 4,973,685	\$ 1,286,541	\$ 1,146,734
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	768,640	1,969,463	3,546,618
Changes in assets, liabilities, and deferred inflows/outflows of resources			
Accounts payable	(118,198)	306,514	(160,538)
Receivables	152,885	(178,001)	(56,241)
Inventory	(266,543)	5,344	(5,681)
Prepays	(2,023)	-	-
Customer deposits	10,764	303,585	-
Net pension liability	(660,860)	(45,597)	(135,161)
Net OPEB liabilities	(63,101)	64,655	24,618
Compensated absences	(14,007)	16,752	19,549
Net cash provided (used) by operating activities	<u>\$ 4,781,242</u>	<u>\$ 3,729,256</u>	<u>\$ 4,379,898</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributions of capital assets by developers	90,499	8,841,677	3,037,149
Total noncash investing, capital and financing activities	<u>90,499</u>	<u>8,841,677</u>	<u>3,037,149</u>

City of Boerne
Statement of Cash Flows (Continued)
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Business-Type Activities			
	Enterprise Funds			
	Major Fund	Other	Total	Internal
	Gas	Enterprise	Enterprise	Service
		Funds	Funds	Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income	\$ 51,410	761,482	\$ 8,219,852	\$ 478,621
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization expense	657,718	11,647	6,954,086	-
Changes in assets, liabilities, and deferred inflows/outflows of resources				
Accounts payable	36,621	34,742	99,141	(19,627)
Receivables	(127,756)	(85,949)	(295,062)	-
Inventory	(24,662)	-	(291,542)	-
Prepays	-	-	(2,023)	-
Customer deposits	31,571	-	345,920	-
Net pension liability	11,481	-	(830,137)	17,273
Net OPEB liabilities	45,991	-	72,163	(144,883)
Compensated absences	10,299	-	32,593	(91,419)
Net cash provided (used) by operating activities	\$ 692,673	\$ 721,922	\$ 14,304,991	\$ 239,965
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributions of capital assets by developers	1,028,564	-	12,997,889	-
Total noncash investing, capital and financing activities	1,028,564	-	12,997,889	-

FIDUCIARY FUND FINANCIAL STATEMENTS

City of Boerne
Statement of Fiduciary Net Position
Custodial Fund
September 30, 2022

	<u>PID Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 30,000
Total assets	<u>30,000</u>
NET POSITION	
Restricted for PID	\$ 30,000
Total net position	<u>\$ 30,000</u>

City of Boerne
Statement of Fiduciary Revenues, Expenses, and Changes in Net Position
Custodial Fund
For the Fiscal Year Ended September 30, 2022

	PID Custodial Fund
ADDITIONS	
Contributions	\$ 30,000
Total additions	30,000
DEDUCTIONS	
Contract services	-
Total deductions	-
Change in net position	30,000
NET POSITION	
Beginning of year	-
End of year	\$ 30,000

NOTES TO THE FINANCIAL STATEMENTS

City of Boerne
Index of Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

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City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Boerne, Texas (City) have been prepared in conformity with Generally Accepted Accounting Principles of the United States of America (U.S. GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards in the United States. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City of Boerne is a municipal corporation governed by an elected mayor and five-member council. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, community and economic development (planning, building, and zoning), public utilities (electric, water, wastewater, gas, solid waste, and stormwater), and general administrative services.

Component Units

The financial statements present the City and its component units, entities for which the City is considered to be financially accountable in accordance with generally accepted accounting principles. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government. Based on the criteria above, the City has one blended component unit. The City has no component units that meet the criteria for discrete presentation. The blended component unit is described in further detail below.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Blended Component Unit

Boerne Public Facility Corporation (BPFC)

On August 22, 2017, the City Council authorized the creation of the Boerne Public Facility Corporation (BPFC). The BPFC is a nonprofit public corporation organized exclusively for the purpose of assisting the City in financing, refinancing, or providing public facilities within the City. Although legally separate from the City, the City Council holds the continuing authority to appoint the voting majority of the BPFC Board of Directors, which is comprised wholly of the Mayor and members of the City Council. Furthermore, the City Council possesses the ability to significantly influence the programs, projects, activities, or level of services performed by the BPFC. As the City and the BPFC have substantially the same governing body and the activities of the BPFC are managed in essentially the same manner as the primary government, the City is able to impose its will on the BPFC. Therefore, the BPFC is considered to be an integral part of the primary government and has been included in the financial statements as a blended component unit. There are no separate financial statements issued for the BPFC.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, consisting of the Statement of Net Position and the Statement of Activities, report information on all the nonfiduciary activities of the City and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu-of taxes, payments for use of rights-of-way, and other charges between the City's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The Statement of Net Position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment 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 among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary, and fiduciary financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the *economic resources measurement focus*, all assets (current and long-term), deferred outflows of resources, liabilities (current and long-term), and deferred inflows of resources are reported. Under the *accrual basis of accounting*, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

In addition to assets, the Statement of Net Position will generally report a separate section for deferred outflows of resources, which represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will generally report a separate section for deferred inflows of resources, which represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (e.g., the governmental and internal service funds) are eliminated so only the net amount is included as internal balances in the governmental activities column. Balances between the governmental activities and the business-type activities are presented as internal balances and eliminated in the total primary government column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so only the net amount is included as transfers in the governmental activities column. Transfers between governmental activities and the business-type activities are eliminated in the total primary government column.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the *current financial resources measurement focus*, generally only current assets and current liabilities are reported in the governmental funds.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursements under state and federal grants are accrued if received within 180 days of the end of the fiscal period to enable the matching of revenue with applicable expenditures. Expenditures generally are recorded when a liability is incurred, under accrual accounting. However, expenditures for debt service and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, sales taxes, franchise taxes, hotel occupancy taxes, license fees, charges for services, amounts due from other governments, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other revenue items such as fines and permits are considered to be measurable and available only when the government receives cash and are therefore not susceptible to accrual.

The City reports the following major governmental funds:

General Fund – This is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Debt Service Fund – This fund accounts for all financial resources that are restricted, committed, or assigned for the payment of principal and interest of long-term obligations of governmental funds.

Capital Projects Fund – This fund accounts for the acquisition and construction of major governmental capital facilities, sidewalks, road improvements, and other infrastructure projects.

American Rescue Plan Act Fund – This fund is used to account for all activity associated with the American Rescue Plan Act (ARPA), which was passed by the 117th United States Congress and signed into law on March 11, 2021. Under the provisions of the Act, the City was awarded approximately \$4.52 million, distributed in two payments in August 2021 and September 2022. The City met all necessary recognition criteria in the current year and the full allocation was transferred to the General Fund under the Revenue Replacement allowable use category of the bill. Although the American Rescue Plan Act Fund does not meet the quantitative criteria for major fund presentation, management has elected to present this fund as a major fund for the benefit of the users of the financial statements.

The City reports the following major proprietary funds:

Electric Fund – This fund accounts for the activities necessary to provide electric services to the residents of the City within the City’s service territory. These activities include administration, billing and collections, distribution system operations and maintenance, transmission system operations and maintenance, new construction, and financing and related debt services.

Water Fund – This fund accounts for the activities necessary to provide water services to the residents of the City within the City’s service territory. These activities include administrative services, billing and collections, water production and distribution system operation and maintenance, new construction, and financing and related debt services.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Wastewater Fund – This fund accounts for the activities necessary to provide wastewater services to the residents of the City within the City’s service territory. These activities include administrative services, billing and collections, wastewater production and distribution system operation and maintenance, new construction, and financing and related debt services.

Gas Fund – This fund accounts for the activities necessary to provide gas services to the residents of the City within the City’s service territory. These activities include administrative services, billing and collections, distribution system operation and maintenance, new construction, and financing and related debt services.

The City reports the following fiduciary fund:

Public Improvement District (PID) Custodial Fund – This fund accounts for the activities of the Ranches at Creekside PID, which was created in November 2021 to support residential development within the Ranches at Creekside subdivision along Highway 46 in Boerne. As of September 30, 2022, the PID had not sold bonds.

The City reports the following permanent fund type:

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

Additionally, the government reports the following fund types:

Governmental Funds

Special Revenue Funds account for proceeds of specific revenue sources that are legally restricted or otherwise committed or assigned for specific purposes.

Proprietary Funds

The Internal Service Fund accounts for operations that provide services to other departments of the City on a cost reimbursement basis. In the current year, the City discontinued the Internal Service Fund and moved the corresponding services to be included within the General Fund in future years.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash, Cash Equivalents, and Investments

The City values its cash and investments in accordance with the provisions of Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, which requires governmental entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year, and may result in negative investment income in the accompanying financial statements. Investment income is allocated to the various funds based on each fund's average month-end cash balance and includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

For purposes of the statement of cash flows, amounts reported as cash and cash equivalents, include amounts on deposit in the City pool and any short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Investments are made in accordance with the City's Investment Policy, which is approved by the City Council on an annual basis in accordance with state law. The Policy is applicable to all City funds and permits investment in obligations of the U.S. Government or its agencies, repurchase agreements, commercial paper, banker's acceptances, certificates of deposit, public funds investment pools, and money market mutual funds. The policy states that the Finance Director, as the City's chief financial officer, is responsible for overall management of the City's investment program and is designated as the City's Investment Officer with the ultimate responsibility and authority for investment transactions.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable bond covenants. Customer deposit accounts are used to report deposits paid by customers on utility accounts that could be refunded to the customer. The revenue bond covenant account has a current and a non-current portion. The current portion is used to segregate resources accumulated for debt service payments over the next twelve months. The noncurrent portion is used to report resources set aside to make up potential future deficiencies in the current portion. Currently the enterprise funds have no outstanding revenue bonds, and therefore there are no bond covenant requirements. Capital contribution accounts are used to account for impact fees paid that will be used for either debt service on bonds or future capital projects.

Certain resources in the governmental funds are classified as restricted. The cemetery has an endowment fund that is restricted in use for care of the cemetery. The Hotel/Motel Fund is restricted to the promotion of tourism within the City. The Public Facility Corporation Fund is restricted for the financing, refinancing, or provision of public facilities within the City.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds” (e.g., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Governmental-Wide Financial Statements as “internal balances.”

An allowance for doubtful accounts has been established to estimate losses that are likely to exist. Losses are charged against the allowance when management believes the collectability of a receivable is in question. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

G. Inventory

Inventories are valued at cost using the first-in, first-out (FIFO) method. Inventory balances represent expendable supplies held for consumption. Inventory is reported under the consumption method whereby expenditures are reported at the time inventory is used. Any inventories in governmental funds are reported at cost and are offset with nonspendable fund balance to show that inventories do not constitute available spendable resources.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Prepaid Items

Certain payments to vendors for costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements using the consumption method. Prepaid items in governmental funds are reported as a nonspendable component of fund balance to indicate that they are not spendable for appropriation and are not expendable financial resources.

I. Capital Assets

Capital assets, which include land, buildings and improvements, machinery, vehicles, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable activity columns in the accompanying government-wide Statement of Net Position and the proprietary funds Statement of Net Position. Capital assets are defined by the government as land, buildings and improvements, machinery, vehicles, or equipment assets with an initial individual cost of more than \$5,000 and a useful life of at least two years. Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Donated capital assets, donated works of art, and similar items are recorded at their acquisition value at the date of the contribution. Infrastructure that was acquired prior to the implementation of GASB Statement No. 34 is included and reported in the government-wide financial statements in this report. The City used back trending (estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year) for the purpose of estimating historical cost for the initial reporting of these assets. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization thresholds are met.

Major outlays for capital assets and improvements are capitalized as construction in progress as projects are constructed.

With the exception of land, capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the financial statements of the proprietary funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position.

The ranges of lives used for depreciation purposes for each capital asset class are:

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

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Deferred Outflows and Deferred Inflows of Resources

When applicable, the statement of net position and the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net assets) that apply to future periods and that, therefore will not be recognized as an expense or expenditure until that time. Conversely, deferred inflows of resources represent inflows of resources (acquisition of net assets) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time.

K. Compensated Absences

Employees are credited with vacation at rates of ten (10) to twenty-two (22) days per year, depending upon length of service. Carryover of unused vacation time from one year to the next is allowed up to a maximum of thirty (30) days. Classified employees in the fire department earn vacation at the rate of approximately thirteen (13) days to approximately twenty-eight (28) days per year, depending upon length of service. Upon termination, all employees are paid for any accrued vacation not taken.

Regular full-time and regular part-time employees who work at least 20 hours per week are entitled to paid sick leave. Regular full-time employees accrue sick leave at the rate of 96 hours (12 days) per year. Classified employees in the fire department accrue sick leave at the rate of 127 hours per year. Unused sick leave is canceled upon termination of employment, however, for employees retiring with at least ten (10) years of service with the City are entitled to a partial payment for unused sick leave based on years of service.

Employees who have met the overtime eligibility requirements in accordance with the Fair Labor Standards Act may choose to receive compensatory time off in lieu of overtime pay. The accrual of compensatory time is made at a rate of one and one-half times the number of eligible overtime hours and is limited to sixty (60) hours, unless otherwise specified by the employee's department. After accruing sixty (60) hours of compensatory time off, an employee will receive overtime pay for excess hours in the designated work week. Upon termination, non-exempt employees are paid for all accrued compensatory time, up to the sixty (60) hours maximum.

All vacation pay and applicable sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of the liability is estimated from prior year payments and adjusted for material expected variances. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For governmental funds, the General Fund is typically used to liquidate compensated absences.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Long-Term Debt

For the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or 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.

M. Leases

Lessee Treatment: The City is a lessee for several leases of machinery and equipment. The City recognizes lease liabilities and intangible right-to-use lease assets (lease assets) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more for machinery and equipment leases, and an initial, individual value of \$25,000 or more for property, plant, and infrastructure leases.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the asset's useful life or the lease term.

Key estimates and judgements related to leases include how the City determines 1) the discount rate it uses to discount the expected lease payments to present value, 2) the lease term, and 3) the lease payments. When estimating the discount rate, the City uses the interest rate charged by the lessor. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise, if applicable.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Leases (Continued)

Lessor Treatment: The City is a lessor in one noncancelable lease for the use the facilities at one of the City's parks. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the City determines 1) the discount rate it uses to discount the expected lease receipts to present value, 2) the lease term, and 3) the lease receipts. If specified, the City uses the interest rate identified in the contract as the discount rate. If no interest rate is specified, the City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS), and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, City specific information about its total OPEB liability in the TMRS Supplemental Death Benefits Fund (SDBF) and Retiree health insurance and additions to/deductions from the City's total OPEB liability have been determined on the same basis as they are reported by TMRS and Gabriel, Roeder, Smith & Company (GRS). For this purpose, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Information regarding the City's SDBF Total OPEB Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company (GRS). Information regarding the City's Retiree Health Insurance Total OPEB Liability is obtained through a separate report prepared for the City by GRS. Both reports are prepared in compliance with GASB 75.

P. Fund Balances

In the fund financial statements, governmental fund balance is made up of the following components:

Nonspendable Fund Balance includes amounts that cannot be spent because they are either not spendable in physical form (such as inventory or prepaid items) or that are legally or contractually required to be maintained intact (such as endowments).

Restricted Fund Balance includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.

Committed Fund Balance includes amounts that can only be used for specific purposes due to formal action of the City Council through adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned Fund Balance includes amounts that are constrained by an intent to be used for a specific purpose but are neither restricted nor committed. Assigned fund balances do not require City Council formal action. The City's Fiscal and Budget Policy authorizes the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Fund Balances (Continued)

The City's fund balance reserve policy requires maintaining a minimum of six (6) months of operating expenditures within the fund balance of the General Fund and a minimum of three (3) months of operating expenditures in reserve for each of the City's Special Revenue funds. For the Utility funds, the City's policy requires a minimum of six (6) months of operating expenditures to be held in reserve. This policy allows the City to better weather economic downturns and strategically handle contingencies and unforeseen emergencies. The General Fund operating reserve is included in assigned fund balance and totaled \$11,443,101 at September 30, 2022.

Unassigned Fund Balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, the unassigned classification reports a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City considers restricted fund balances to have been spent when an expenditure is incurred for the purposes for which both unrestricted and restricted fund balance is available. The City considers unrestricted fund balances to have been spent when an expenditure is incurred for the purposes for which amounts in any of the unrestricted classifications of fund balance could be used. When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally, unassigned fund balance.

Q. Net Position

In the governmental-wide financial statement and proprietary fund financial statements, net positions are classified as follows:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position is all resources that do not meet the definition of "net investment in capital assets" or "restricted net position."

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Net Position (Continued)

When both restricted and unrestricted resources are available for use, the City’s policy is to use restricted resources first, and then unrestricted resources as they are needed.

R. Property Taxes

In accordance with Texas law, property taxes are levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Taxes are payable upon receipt of the tax bill and are due the following February 1 to avoid penalty and interest charges. The tax rate to finance general governmental services, including debt service, was 47.20 cents per \$100 of assessed valuation for the year ended September 30, 2022.

The Kendall County Appraisal District (“Appraisal District”) is responsible for the recording and appraisal of property for all taxing units in Kendall County, including the City. The Appraisal District is required to assess property at 100 percent of its appraised value. The Appraisal District also bills and collects the property taxes for the City.

S. Unearned Revenue

Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

T. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in all governmental funds. Amounts encumbered at the end of the current fiscal year that are not included in restricted or committed fund balance shall be considered assigned and will be reported by function. Encumbrances are not included in reported expenditures. These encumbrances are not separately classified in the financial statements and are summarized at September 30, 2022 as follows:

	Amount
General Fund	\$ 99,685
Capital Projects Fund	1,605,673
Other governmental funds	16,457
Total	\$ 1,721,815

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

U. Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Specifically, the City has made certain estimates and assumptions related to the collectability of its receivables, the depreciation of its capital assets and infrastructure networks, and the ultimate outcome of claims and judgments. Actual results could differ from those estimates.

V. Implementation of New GASB Pronouncements

Effective October 1, 2021, the City adopted the provisions of GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The effective date of GASB Statement No. 87 (as amended by GASB Statement No. 95) is for fiscal years beginning after June 15, 2021. Implementation of this Statement resulted in restatement of the beginning balances of lease assets (Note 5) and lease liabilities (Note 6) at October 1, 2021. There was no impact to beginning net position or beginning fund balance as a result of implementation.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 2 – Cash, Cash Equivalents, and Investments

State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a fair value of not less than the principal amount of the deposits. The City’s deposits were insured up to \$250,000 or collateralized as required by State statutes at September 30, 2022. At year-end, the carrying amount of the City’s demand deposits was a balance of \$2,677,943 and the bank balance was \$3,852,871. The collateral is held in the City’s name by the City’s agent. Cash and investments, as of September 30, 2022, consist of the following:

	Fair Value	Investments Weighted Average Maturity (WAM) days
Cash and Cash Equivalents		
Cash on hand	\$ 2,806	N/A
Cash in bank	2,677,943	N/A
TexPool	56,192,819	23
Texas Range	7,551,403	24
Texas Class	19,809,822	71
TexStar	22,229	26
Total Cash and Cash Equivalents	86,257,022	
Investments		
Certificates of deposit	4,006,869	266
Municipal bonds	2,740,211	128
Federal agency securities	973,513	451
Total Investments	7,720,593	
Total cash and investments	\$ 93,977,615	

A. Investments Authorized by Texas Statutes and the City’s Investment Policy

State statutes, city policies, and city resolutions authorize the City’s investments. The Finance Director is authorized by the City Council to invest all available funds consistent with the City’s Investment Policy. The City is authorized to invest in United States obligations or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies and instrumentalities, other obligations backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, obligations of states, agencies, counties, cities, and other political subdivisions of any State having an investment rating of not less than “A” or its equivalent, fully collateralized repurchase agreements, certificates of deposit issued by a depository institution that has its main office or branch office in the State of Texas, money market mutual funds regulated by the Securities and Exchange Commission with a dollar weighted average portfolio maturity of 90 days or less, and local government investment pools continuously rated no lower than “AAA” or “AAA-m” or at an equivalent rating by at least one nationally recognized rating service.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

A. Investments Authorized by Texas Statutes and the City’s Investment Policy (Continued)

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

The City utilizes the Texas Short Term Asset Reserve Program (TexSTAR). JPMorgan Fleming Asset Management Inc. and First Southwest Asset Management, Inc. serve as co-administrators under an agreement with the TexSTAR board of directors to provide investment and participant services for this Pool. JPMorgan Chase Bank or its subsidiary JP Morgan Investor Services Co. provides the custodial, transfer, agency, fund accounting, and depository services for this Pool.

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

The City is invested in Texas Cooperative Liquid Assets Securities System (Texas CLASS) Trust. Texas CLASS was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code, or other laws of the State of Texas governing the investment of funds of a participant or funds under its control. Texas CLASS is administered by Public Trust Advisors, LLC with Wells Fargo Bank Texas, NA as the Custodian and is supervised by a Board of Trustees who are elected by the participants.

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. One of the ways that the City manages its exposure to interest rate risk is by limiting the weighted average maturity of its invested operating funds and debt service funds to less than 12 months. Similarly, bond proceeds are limited to less than 24 months of weighted average maturity. In addition, investments of debt reserves, contingency reserves and other reserves may exceed 24 months of weighted average maturity but are limited to 60 months with approval of the City Manager or Assistant City Manager.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

C. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. In compliance with the City’s Investment Policy and the Texas Public Funds Investment Act, the City manages credit risk through portfolio diversification by limiting investments to avoid over concentration in securities from a specific issuer; limiting investments in securities with high credit risk; and investing in securities with varying maturities. Deposits with the investment pools are recorded at amortized cost or fair value per share of the pool’s underlying investments, as applicable. The investment pools have as one of their objectives the maintenance of a stable net asset value of \$1.00. The City’s Investment Policy requires that the net asset value of the pools also be \$1.00 and be rated no lower than “AAA” or “AAA-m” or no lower than investment grade with a weighted average maturity no greater than 90 days. As of September 30, 2022, the ratings of the various investment pools were:

Pool	Rating	Rating Agency
TexPool	AAA-m	Standard & Poor's
Texas Range	AAA-m	Standard & Poor's
Texas Class	AAA-m	Standard & Poor's
TexStar	AAA-m	Standard & Poor's

D. Concentration of Credit Risk

The City is required to disclose investments in any one issuer that represent 5 percent or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The City’s investment policy does not specifically address the concentration of credit risk, as this is accomplished through diversity of its holdings. At September 30, 2022, the City had no investments that exceeded 5 percent of total investments.

E. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

E. Custodial Credit Risk (Continued)

The Public Funds Investment Act, Texas Government Code 105 (depository law), and the City's Investment Policy require that all securities purchased be delivered delivery versus payment to the custodian. Investments are then held in the City's name. Failure of the custodian would not affect ownership or access to the investments. These guarantees and requirements prevent any custodial credit risk for the City.

F. Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements), inputs are quoted price of similar assets in active markets (Level 2 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The City has the following fair value measurements for its investments as of September 30, 2022:

Investments measured by fair value level:	<u>September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 4,006,869	\$ -	\$ 4,006,869	\$ -
Municipal bonds	2,740,211	-	2,740,211	-
Federal agency securities	973,513	-	973,513	-
Total investments by fair value level	<u>7,720,593</u>	<u>\$ -</u>	<u>\$ 7,720,593</u>	<u>\$ -</u>
 Investments measured at amortized cost:				
Certificates of deposit	4,006,869			
External investment pool:				
TexPool	56,192,819			
Total investments measured at amortized cost	<u>60,199,688</u>			
 Investments measured at net asset value ("NAV"):				
External investment pools:				
Texas Range	7,551,403			
Texas Class	19,809,822			
TexStar	22,229			
Total investments measured at NAV	<u>27,383,454</u>			
 Total	 <u>\$ 91,296,866</u>			

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

F. Fair Value Measurements (Continued)

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

Investment Pools are measured at amortized costs or net asset value (NAV) and are exempt from fair value reporting. The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

Investments measured at NAV:	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Texas Range	\$ 7,551,403	N/A	Daily	N/A
Texas Class	19,809,822	N/A	Daily	N/A
TexStar	22,229	N/A	Daily	N/A
Total investments measured at NAV	\$ 27,383,454			

The TexPool investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonable foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The TexSTAR, Texas TERM, and Texas Class investment pools are external investment pools measured at NAV. Their strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to the pools. The pools all have a redemption notice period of one day and may redeem daily. Each investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity. The fair value of the investments in each pool have been determined using the NAV per share of investments.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 3 – Receivables

Receivables as of September 30, 2022, for the City’s governmental major funds, nonmajor and other funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Receivables	General	Debt Service	Non-Major Funds	Total
Property taxes	\$ 62,350	\$ 30,077	\$ 38,997	\$ 131,424
Sales taxes	1,694,463	-	-	1,694,463
Access line fees	2,829	-	-	2,829
Franchise taxes	76,697	-	-	76,697
Interest	10,071	-	140	10,211
Leases	-	-	12,105	12,105
Miscellaneous	53,226	2,961	114,707	170,894
Gross receivables	<u>1,899,636</u>	<u>33,038</u>	<u>165,949</u>	<u>2,098,623</u>
Less: Allowance for uncollectable accounts	(9,353)	(4,512)	(5,849)	(19,714)
Total receivables, net	<u>\$ 1,890,283</u>	<u>\$ 28,526</u>	<u>\$ 160,100</u>	<u>\$ 2,078,909</u>

Receivables as of September 30, 2022, for the City’s major and non-major enterprise funds, including unbilled charges for services rendered through year-end, are as follows:

Receivables	Electric	Water	Wastewater	Gas	Non-Major Funds	Total
Accounts	\$ 2,519,400	\$ 1,069,952	\$ 804,026	\$ 420,580	\$ 246,082	\$ 5,060,040
Interest	2,029	13,248	-	-	-	15,277
Miscellaneous	98,175	16,142	-	-	-	114,317
Gross receivables	<u>2,619,604</u>	<u>1,099,342</u>	<u>804,026</u>	<u>420,580</u>	<u>246,082</u>	<u>5,189,634</u>
Less: Allowance for uncollectable accounts	(15,777)	(7,782)	(8,543)	(1,511)	(946)	(34,559)
Total receivables	<u>\$ 2,603,827</u>	<u>\$ 1,091,560</u>	<u>\$ 795,483</u>	<u>\$ 419,069</u>	<u>\$ 245,136</u>	<u>\$ 5,155,075</u>

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 4 – Interfund Activity

A. Transfers

Interfund transfers during the year ended September 30, 2022, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Governmental Activities, net</u>	<u>Business-type Activities, net</u>
<i>Governmental Activities:</i>				
General Fund	\$ 5,535,292	\$ (12,605,275)	\$ (7,069,983)	\$ -
Debt Service Fund	1,276,108	-	1,276,108	-
Capital Projects Fund	7,450,202	-	7,450,202	-
American Rescue Plan Act Fund	-	(4,523,935)	(4,523,935)	-
Non-major Governmental Funds	1,688,012	(632,256)	1,055,756	-
Internal Service Fund	-	(628,068)	(628,068)	-
<i>Business-type Activities:</i>				
Electric Fund	-	(1,315,863)	-	(1,315,863)
Water Fund	-	(727,863)	-	(727,863)
Wastewater Fund	150,000	(10,575)	-	139,425
Gas Fund	184,150	(10,575)	-	173,575
Non-major Enterprise Funds	4,523,935	-	-	4,523,935
Internal Service Fund	-	(353,289)	-	(353,289)
Total Transfers	\$ 20,807,699	\$ (20,807,699)	\$ (2,439,920)	\$ 2,439,920

The City utilized transfers to: 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due; and 2) move unrestricted fund revenue to finance various programs that the City must account for in other funds in accordance with budgetary authorizations.

Note 5 – Capital Assets

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

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 5 – Capital Assets (Continued)

A. Governmental Activities

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance October 1, 2021, As Restated	Additions	Deletions	Transfers	Balance September 30, 2022
Capital assets, not being depreciated:					
Land	\$ 10,378,857	\$ 403,358	\$ -	\$ -	\$ 10,782,215
Construction in progress	435,897	906,073	-	(440,441)	901,529
Total capital assets, not being depreciated	<u>10,814,754</u>	<u>1,309,431</u>	<u>-</u>	<u>(440,441)</u>	<u>11,683,744</u>
Other capital assets:					
Buildings and plant	47,099,992	-	-	-	47,099,992
Improvements other than buildings	14,336,415	40,655	-	-	14,377,070
Infrastructure	51,865,078	5,717,556	-	440,441	58,023,075
Machinery and equipment	10,841,451	472,738	(606,051)	29,433	10,737,571
Right to use leased assets					
Machinery and equipment	618,038	388,029	-	-	1,006,067
Subtotal	<u>124,760,974</u>	<u>6,618,978</u>	<u>(606,051)</u>	<u>469,874</u>	<u>131,243,775</u>
Less accumulated depreciation for:					
Buildings and plant	(15,965,065)	(1,678,631)	-	-	(17,643,696)
Improvements other than buildings	(9,758,390)	(527,196)	-	-	(10,285,586)
Infrastructure	(22,592,984)	(2,328,902)	-	-	(24,921,886)
Machinery and equipment	(9,059,577)	(415,887)	606,051	(29,433)	(8,898,846)
Subtotal	<u>(57,376,016)</u>	<u>(4,950,616)</u>	<u>606,051</u>	<u>(29,433)</u>	<u>(61,750,014)</u>
Less accumulated amortization for:					
Right to use leased assets					
Machinery and equipment	-	(242,500)	-	-	(242,500)
Subtotal	<u>-</u>	<u>(242,500)</u>	<u>-</u>	<u>-</u>	<u>(242,500)</u>
Other capital assets, net	<u>67,384,958</u>	<u>1,425,862</u>	<u>-</u>	<u>440,441</u>	<u>69,251,261</u>
Total capital assets, net	<u>\$ 78,199,712</u>	<u>\$ 2,735,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,935,005</u>

Depreciation and amortization expense for the year ended September 30, 2022, was charged to the functions/programs of the governmental activities as follows:

Governmental activities:	
General government	\$ 779,575
Public safety	893,557
Highways and streets	2,483,020
Economic development	69,612
Culture and recreation	967,352
Total depreciation/amortization expense - governmental activities	<u>\$ 5,193,116</u>

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 5 – Capital Assets (Continued)

B. Business-Type Activities

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance October 1, 2021, As Restated	Additions	Deletions	Transfers	Balance September 30, 2022
Capital assets, not being depreciated:					
Land	\$ 2,740,309	\$ 4,497,568	\$ -	\$ -	\$ 7,237,877
Construction in progress	1,370,787	1,216,664	-	(1,986,223)	601,228
Total capital assets, not being depreciated	<u>4,111,096</u>	<u>5,714,232</u>	<u>-</u>	<u>(1,986,223)</u>	<u>7,839,105</u>
Other capital assets:					
Buildings and plant	41,635,815	19,965	-	-	41,655,780
Infrastructure	106,676,690	13,914,938	-	1,986,223	122,577,851
Machinery and equipment	5,756,256	665,683	(113,256)	(29,433)	6,279,250
Right to use leased assets					
Machinery and equipment	5,226	134,336	-	-	139,562
Subtotal	<u>154,073,987</u>	<u>14,734,922</u>	<u>(113,256)</u>	<u>1,956,790</u>	<u>170,652,443</u>
Less accumulated depreciation for:					
Buildings and plant	(20,613,047)	(1,927,751)	-	-	(22,540,798)
Infrastructure	(47,849,613)	(4,735,267)	-	-	(52,584,880)
Machinery and equipment	(4,330,780)	(265,087)	113,256	29,433	(4,453,178)
Subtotal	<u>(72,793,440)</u>	<u>(6,928,105)</u>	<u>113,256</u>	<u>29,433</u>	<u>(79,578,856)</u>
Less accumulated amortization for:					
Right to use leased assets					
Machinery and equipment	-	(25,981)	-	-	(25,981)
Subtotal	<u>-</u>	<u>(25,981)</u>	<u>-</u>	<u>-</u>	<u>(25,981)</u>
Other capital assets, net	<u>81,280,547</u>	<u>7,780,836</u>	<u>-</u>	<u>1,986,223</u>	<u>91,047,606</u>
Total capital assets, net	<u>\$ 85,391,643</u>	<u>\$ 13,495,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,886,711</u>

Depreciation and amortization expense for the year ended September 30, 2022, was charged to the functions/programs of the business-type activities as follows:

Business-type activities:	
Electric utility	\$ 768,640
Water utility	1,969,463
Wastewater utility	3,546,618
Gas utility	657,718
Solid Waste utility	83
Stormwater utility	11,564
Total depreciation/amortization expense - business-type activities	<u>\$ 6,954,086</u>

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 6 – Long-Term Liabilities

A. Summaries

For the year ended September 30, 2022, the City reported the following changes in long-term liabilities:

Governmental Activities	Balance			Balance September 30, 2022	Amounts due within one year
	October 1, 2021, As Restated	Incurred/ Issued	Matured/ Retired		
General obligation bonds	\$ 16,300,000	\$ 23,085,000	\$ 8,155,000	\$ 31,230,000	\$ 1,995,000
Bond premium	1,066,720	2,743,094	584,758	3,225,056	210,859
Tax notes	19,170,000	-	19,170,000	-	-
Lease purchase agreements	376,437	246,670	200,093	423,014	148,016
Lease liabilities (Note 7)	618,038	375,374	229,765	763,647	272,314
Compensated absences	1,157,013	899,209	752,723	1,303,499	391,050
Net pension liability (Note 8)	11,453,739	-	1,910,212	9,543,527	-
Total OPEB liability - TMRS SDBF (Note 9)	561,573	107,898	-	669,471	-
Total OPEB liability - retiree (Note 9)	3,567,240	-	186,625	3,380,615	-
Total governmental activities	\$ 54,270,760	\$ 27,457,245	\$ 31,189,176	\$ 50,538,829	\$ 3,017,239

Business-Type Activities	Balance			Balance September 30, 2022	Amounts due within one year
	October 1, 2021, As Restated	Incurred/ Issued	Matured/ Retired		
General obligation bonds	\$ 32,020,000	\$ -	\$ 1,535,000	\$ 30,485,000	\$ 1,590,000
Bond premium	2,939,952	-	172,754	2,767,198	172,755
Lease purchase agreements	30,535	346,928	123,062	254,401	81,104
Lease liabilities (Note 7)	5,226	133,461	26,118	112,569	34,485
Compensated absences	440,727	248,775	249,094	440,408	132,123
Net pension liability (Note 8)	4,625,260	-	1,477,927	3,147,333	-
Total OPEB liability - TMRS SDBF (Note 9)	245,501	-	24,718	220,783	-
Total OPEB liability - retiree (Note 9)	1,276,084	-	161,201	1,114,883	-
Total business-type activities	\$ 41,583,285	\$ 729,164	\$ 3,769,874	\$ 38,542,575	\$ 2,010,467

Long-term debt at September 30, 2022, includes the following individual issues (not including unamortized premiums or discounts):

General Obligation Bonds - Governmental Activities

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
2016 General Obligation refunding bonds	3.00 - 5.00	6/1/2016	3/1/2033	\$ 8,510,000	\$ 1,720,000	\$ 6,790,000
2019 General Obligation refunding bonds	2.11 - 2.40	4/23/2019	3/1/2027	2,720,000	1,365,000	1,355,000
2021 General Obligation refunding bonds	2.00 - 4.00	12/1/2021	3/1/2040	23,085,000	-	23,085,000
				<u>34,315,000</u>	<u>3,085,000</u>	<u>31,230,000</u>

General Obligation Bonds - Business-Type Activities

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
2016 General Obligation refunding bonds	3.00 - 5.00	6/1/2016	3/1/2034	\$ 11,435,000	\$ 5,230,000	\$ 6,205,000
2017 General Obligation refunding bonds	3.50 - 5.00	12/1/2017	3/1/2040	26,185,000	1,905,000	24,280,000
				<u>37,620,000</u>	<u>7,135,000</u>	<u>30,485,000</u>

Total General Obligation Bonds

	<u>\$ 71,935,000</u>	<u>\$ 10,220,000</u>	<u>\$ 61,715,000</u>
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City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 6 – Long-Term Liabilities (Continued)

A. Summaries (Continued)

The annual requirements to amortize debt outstanding as of September 30, 2022, are as follows:

Year Ended September 30,	General Obligation Bonds - Governmental Activities		
	Principal	Interest	Total
2023	\$ 1,995,000	\$ 1,056,391	\$ 3,051,391
2024	1,995,000	977,988	2,972,988
2025	2,050,000	899,969	2,949,969
2026	2,105,000	821,572	2,926,572
2027	2,165,000	740,757	2,905,757
2028-2032	11,740,000	2,378,550	14,118,550
2033-2037	6,220,000	597,000	6,817,000
2038-2040	2,960,000	89,500	3,049,500
	<u>\$ 31,230,000</u>	<u>\$ 7,561,727</u>	<u>\$ 38,791,727</u>

Year Ended September 30,	General Obligation Bonds - Business-Type Activities		
	Principal	Interest	Total
2023	\$ 1,590,000	\$ 1,276,125	\$ 2,866,125
2024	1,665,000	1,201,725	2,866,725
2025	1,735,000	1,128,975	2,863,975
2026	1,805,000	1,058,175	2,863,175
2027	1,255,000	991,950	2,246,950
2028-2032	7,230,000	3,985,975	11,215,975
2033-2037	8,970,000	2,120,988	11,090,988
2038-2040	6,235,000	380,700	6,615,700
	<u>\$ 30,485,000</u>	<u>\$ 12,144,613</u>	<u>\$ 42,629,613</u>

Year Ended September 30,	Lease Purchase Agreements - Governmental Activities		
	Principal	Interest	Total
2023	\$ 148,016	\$ 13,886	\$ 161,902
2024	135,247	9,182	144,429
2025	139,751	4,678	144,429
	<u>\$ 423,014</u>	<u>\$ 27,746</u>	<u>\$ 450,760</u>

Year Ended September 30,	Lease Purchase Agreements - Business-Type Activities		
	Principal	Interest	Total
2023	\$ 81,104	\$ 11,423	\$ 92,527
2024	84,746	7,781	92,527
2025	88,551	3,976	92,527
	<u>\$ 254,401</u>	<u>\$ 23,180</u>	<u>\$ 277,581</u>

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 6 – Long-Term Liabilities (Continued)

A. Summaries (Continued)

The City intends to retire all of its general long-term liabilities, plus interest, from the collection of ad valorem taxes. Long-term liabilities including lease purchase agreements, other lease liabilities, compensated absences, net pension liabilities, and other postemployment benefit obligations attributable to governmental activities will be liquidated primarily by the General Fund. Proprietary fund type long-term debt issued for Electric, Wastewater, and Gas projects will be repaid, plus interest, from the operating revenues of their respective funds.

B. General Obligation Bonds

The City issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. These types of bonds have been issued by the City for both governmental activities as well as business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue. General Obligation Bonds are direct obligations, for which the City has pledged the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. The City is required by bond covenants to create from ad valorem tax revenues a sinking fund sufficient to pay the current interest and principal installments as they become due. In addition to the sinking fund, there are a number of limitations and restrictions contained in the various general obligation bonds and certificate indentures. The City is in compliance with the significant limitations and restrictions as of September 30, 2022.

C. Arbitrage Compliance

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the City to rebate to the federal government excess arbitrage earnings from bond proceeds. As of September 30, 2022, the City did not have an arbitrage rebate liability.

D. Refunding

On December 15, 2021, the City issued \$23,085,000 in General Obligation Refunding Bonds, Series 2021 (the “2021 GO Refunding Bonds”) to fully refund principal in the amounts of \$6,820,000 of Series 2014 GO Refunding Bonds and \$18,380,000 of 2017 Tax Notes. The call date for the Series 2014 GO Refunding Bonds and 2017 Tax Notes was March 1, 2022. The 2021 GO Refunding Bonds consist of \$21,165,000 in serial bonds, which mature on March 1 each year from 2023 to 2036 and 2039 to 2040 in amounts ranging from \$880,000 to \$1,640,000, and \$1,920,000 in term bonds, which are due March 1, 2038. Interest is paid semi-annually on March 1 and September 1 at interest rates ranging from 2.00% to 4.00% per annum.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 6 – Long-Term Liabilities (Continued)

D. Refunding (Continued)

The aggregate debt service payments of the new debt are \$717,069 more than the old debt, however, due to a more favorable interest rate environment, the refunding resulted in an economic gain (the difference between the net present value of the old debt and new debt service payments) of approximately \$358,674.

E. Lease Purchase Agreements

The City has entered into multiple lease purchase agreements (direct borrowing) to purchase equipment for the police department, parks department, streets department, and stormwater utility. As these agreements transfer ownership of the underlying assets to the City at the end of the lease, they are reported as a financed purchases under GASB 87. The commitments for each lease are expected to be funded by the City's General Fund, Park Fund, and Stormwater Fund. The historical purchase price of the assets under the lease purchase agreements is approximately \$1.04 million and entirely classified as machinery and equipment.

F. Conduit Debt

The City has issued housing revenue bonds, Series 2018 to provide financial assistance to private-sector entities for the acquisition and construction of housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate principal amount payable as of September 30, 2022 could not be determined; however, the original issue amount totaled \$17 million.

Note 7 – Leases

For the fiscal year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 7 – Leases (Continued)

A. Lease Liabilities (City as Lessee) (Continued)

On October 1, 2021, the City entered into a 33-month lease as lessee for the use of printers and copiers. An initial lease liability was recorded in the amount of \$165,902. As of September 30, 2022, the value of the lease liability was \$105,922. The City is required to make monthly fixed payments of \$7,985. The lease has an interest rate of 0.3280%. The value of the right to use asset as of September 30, 2022 of \$165,902 with accumulated amortization of \$58,669 is included with leased machinery and equipment on the lease class activities table found below.

On October 1, 2021, the City entered into a 32-month lease as lessee for the use of computer equipment. An initial lease liability was recorded in the amount of \$27,414. As of September 30, 2022, the value of the lease liability was \$13,715. The City is required to make annual fixed payments of \$13,759. The lease has an interest rate of 0.3280%. The value of the right to use asset as of September 30, 2022 of \$27,414 with accumulated amortization of \$27,414 is included with leased machinery and equipment on the lease class activities table found below.

On October 1, 2021, the City entered into a 50-month lease as lessee for the use of police equipment. An initial lease liability was recorded in the amount of \$117,137. As of September 30, 2022, the value of the lease liability was \$87,725. The City is required to make annual fixed payments of \$29,520. The lease has an interest rate of 0.4750%. The value of the right to use asset as of September 30, 2022 of \$117,137 with accumulated amortization of \$27,927 is included with leased machinery and equipment on the lease class activities table found below.

On March 14, 2022, the City entered into a 60-month lease as lessee for the use of office equipment. An initial lease liability was recorded in the amount of \$17,814. As of September 30, 2022, the value of the lease liability was \$15,155. The City is required to make quarterly fixed payments of \$905. The lease has an interest rate of 0.6860%. The value of the right to use asset as of September 30, 2022 of \$17,814 with accumulated amortization of \$1,950 is included with leased machinery and equipment on the lease class activities table found below.

Throughout the fiscal year, the City entered into twenty-one (21) leases as lessee for the use of vehicles with lease terms ranging from 43 months to 48 months. The total initial lease liability recorded was \$803,831, with individual amounts ranging from \$23,127 to \$60,031. As of September 30, 2022, the total value of the lease liabilities was \$653,699. The City is required to make monthly fixed payments in amounts ranging from \$519 to \$1,289 per month. The leases have interest rates ranging from 0.4750% to 2.2750%. The total value of the right to use assets as of September 30, 2022 of \$817,362 with total accumulated amortization of \$152,521 is included with leased machinery and equipment on the lease class activities table found below. The leases contain a guaranteed residual value payment in amounts ranging from \$841 to \$13,570.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 7 – Leases (Continued)

A. Lease Liabilities (City as Lessee) (Continued)

The lease assets and corresponding accumulated amortization by major asset class for the City’s governmental and business-type activities is shown below:

Asset Class	Governmental Activities	
	Lease Asset Value	Accumulated Amortization
Machinery and equipment	\$ 1,006,067	\$ 242,500
	\$ 1,006,067	\$ 242,500

Asset Class	Business-Type Activities	
	Lease Asset Value	Accumulated Amortization
Machinery and equipment	\$ 139,562	\$ 25,981
	\$ 139,562	\$ 25,981

The future principal and interest lease payments as of September 30, 2022, are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 272,314	\$ 5,825	\$ 278,139
2024	245,863	3,819	249,682
2025	194,234	1,959	196,193
2026	50,755	420	51,175
2027	481	1	482
	\$ 763,647	\$ 12,024	\$ 775,671

Year Ended September 30,	Business-Type Activities		
	Principal	Interest	Total
2023	\$ 34,485	\$ 498	\$ 34,983
2024	34,181	324	34,505
2025	32,918	153	33,071
2026	10,563	19	10,582
2027	422	1	423
	\$ 112,569	\$ 995	\$ 113,564

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 7 – Leases (Continued)

B. Lease Receivables (City as Lessor)

On October 1, 2021, the City entered into a 57 month lease as lessor for the use of the batting cages at Northup Park. An initial lease receivable was recorded in the amount of \$15,081. As of September 30, 2022, the value of the lease receivable was \$12,105. The lessee is required to make annual fixed payments of \$3,000. The lease has an interest rate of 0.6320%. The value of the deferred inflow of resources as of September 30, 2022 was \$11,952, and the City recognized lease revenue of \$3,129 during the fiscal year. The lessee has one extension option for 60 months as part of the lease agreement.

The future principal and interest lease payments due to the City as of September 30, 2022 are as follows:

<u>Year Ended</u> <u>September 30,</u>	Governmental Activities		
	Principal Receipts	Interest Receipts	Total
2023	\$ 2,923	\$ 77	\$ 3,000
2024	2,942	58	3,000
2025	2,961	39	3,000
2026	3,279	21	3,300
	\$ 12,105	\$ 195	\$ 12,300

Note 8 – Defined Benefit Pension Plan

A. Plan Description

The City of Boerne participates as one of the 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TRMS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.TMRS.com.

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

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 8 – Defined Benefit Pension Plan (Continued)

B. 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 member’s benefit is calculated based on the sum of the member’s contributions with interest, the City-financed monetary credits with interest, and the member’s age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the total member contributions and interest.

The plan provisions are adopted by the City Council within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. A summary of plan provisions for the City are as follows:

Employee deposit rate	7.0 percent
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years at any age 5 years at age 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI repeating

C. Employees Covered

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	264
Inactive employees or beneficiaries currently receiving benefits	110
Inactive employees entitled to but not yet receiving benefits	<u>126</u>
Total	<u><u>500</u></u>

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 8 – Defined Benefit Pension Plan (Continued)

D. Contributions

The contribution rates for members in TMRS are either 5%, 6%, or 7% of the member's total compensation, 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City of Boerne were required to contribute 7% of their annual compensation during the fiscal year. The required contribution rates for the City were 18.75% and 18.76% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$3,434,505. The City's contributions were in excess of actuarially determined contributions by \$13,221 for the year ended September 30, 2022.

E. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate, for males and females respectively, is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 8 – Defined Benefit Pension Plan (Continued)

F. Actuarial Assumptions (Continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates (APRs) is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	<u>100.00%</u>	

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 8 – Defined Benefit Pension Plan (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that member 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 plan members. 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.

H. Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2020	\$ 81,240,592	\$ 65,161,593	\$ 16,078,999
Changes for the year:			
Service cost	3,380,510	-	3,380,510
Interest	5,484,646	-	5,484,646
Difference between expected and actual experience	814,706	-	814,706
Contributions - employer	-	3,348,502	(3,348,502)
Contributions - employee	-	1,244,796	(1,244,796)
Net investment income	-	8,513,741	(8,513,741)
Benefit payments, including refunds of employee contributions	(3,353,661)	(3,353,661)	-
Administrative expenses	-	(39,305)	39,305
Other changes	-	267	(267)
Net changes	<u>6,326,201</u>	<u>9,714,340</u>	<u>(3,388,139)</u>
Balance at December 31, 2021	<u>\$ 87,566,793</u>	<u>\$ 74,875,933</u>	<u>\$ 12,690,860</u>

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 8 – Defined Benefit Pension Plan (Continued)

I. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1.0 percentage point lower (5.75 percent) or 1.0 percentage point higher (7.75 percent) than the current rate:

	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(5.75%)	Rate (6.75%)	(7.75%)
Net pension liability	\$ 25,770,633	\$ 12,690,860	\$ 2,000,459

J. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued TMRS financial report. That report may be obtained on the internet at www.TMRS.com.

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

For the year ended September 30, 2022, the City recognized pension expense of \$2,435,727.

At September 30, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,434,487	\$ -
Changes in assumptions	53,193	-
Net difference in projected and actual earnings on pension plan investments	-	4,372,240
Contributions made subsequent to the measurement date	2,579,545	-
Total	\$ 4,067,225	\$ 4,372,240

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 8 – Defined Benefit Pension Plan (Continued)

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

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,579,545 will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Plan Year</u> <u>December 31,</u>	<u>Net Deferred</u> <u>Outflows/(Inflows)</u>
2022	\$ (324,388)
2023	(1,412,963)
2024	(628,784)
2025	(629,581)
2026	111,156
Thereafter	-
Total	<u>\$ (2,884,560)</u>

Note 9 – Other Post-Employment Benefits (OPEB) Plans

A. Retiree Healthcare Plan

Plan Description

The City of Boerne makes available a single-employer group hospitalization and medical insurance for retirees who are:

1. Active employees currently participating in the health insurance program for a minimum of one (1) year; and
2. Eligible for retirement per the established criteria through the Texas Municipal Retirement System (age 60 with 5 or more years of service or any age with 20 or more years of service).

The coverage extends to the employee only and is optional to the employee who is retiring. The plan does not issue a separate set of financial statements.

Benefits Provided

The City provides one of two benefit plans to its retirees: the Pre-65 Retiree Plan or the Medicare Advantage Program for retirees age 65 and over.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 9 – Other Post-Employment Benefits (OPEB) Plans (Continued)

A. Retiree Healthcare Plan (Continued)

The Pre-65 Retiree Plan includes members from the City’s active employee pool plan. Retirees choose from and elect the same plans offered to active employees during open enrollment each year. The premiums for retirees are the same as for active employees which are established each year by the plan administrator. Participation in the Pre-65 Retiree plan is offered for five (5) years post-retirement or age sixty-five (65), whichever occurs first. Employees who retired before October 1, 2015 may participate in the Pre-65 Retiree plan for ten (10) years post-retirement or age sixty-five (65), whichever occurs first. The City provides a premium subsidy based on years of service for the retirees who are younger than 65. Subsidies are adjusted by the annual Cost of Living Adjustment, which is determined by the City Council during the budget process. Should an employee continue to remain in employment with the City of Boerne until after the age of 65 and then retire, the employee may qualify for a post-65 subsidy payable over their lifetime based on years of service with the City. Employees retiring before the age of 65 are not eligible for the post-65 subsidy.

For retirees over the age of 65, the City offers a subsidy for supplement Medicare coverage, provided the retiree has 20 years of service or more at the City. The retiree must show proof of insurance beyond Part A and Part B, or Part D of Medicare. Post 65 retirees will be subsidized based on the years of service, and the subsidies are adjusted by the annual Cost of Living Adjustment, which is determined by the City Council during the budget process.

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered

At the December 31, 2021, valuation and measurement date, the following employees were covered by the benefit terms:

Active members	252
Retirees and beneficiaries	<u>18</u>
Total	<u><u>270</u></u>

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 9 – Other Post-Employment Benefits (OPEB) Plans (Continued)

A. Retiree Healthcare Plan (Continued)

Contributions

The City contributes to the retiree health insurance at an amount approved by City Council contained in the Personnel Policy. The retiree medical contribution rate as of January 2022 is as follows:

City of Boerne Years of Service	Pre-65 Subsidy	Post-65 Subsidy
Less than 20 years	\$ -	\$ -
20 to 24 years	276.53	136.63
25 to 29 years	326.81	163.94
30 to 34 years	414.79	191.28
35 to 39 years	439.94	218.61
Over 40 years	471.35	245.92

City's direct pre-65 subsidies shown above do not apply after the employee reaches the age of 65, while post-65 subsidies may be provided over the retiree's lifetime. The City's contributions to the retiree health plan for the year ended September 30, 2022 were \$34,862 and were equal to the required contributions.

Total OPEB Liability

The City's total OPEB liability of \$4,495,498 was measured as of December 31, 2021 and was determined by an actuarial valuation as of the same date.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 9 – Other Post-Employment Benefits (OPEB) Plans (Continued)

A. Retiree Healthcare Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84% as of December 31, 2021
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS). For the OPEB valuation, the standard TMRS retirement rates were adjusted to reflect the impact of the City's retiree medical plan design.
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for the future mortality improvements.
Healthcare trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 13 years.
Participation rates	95% for retirees age 65 or older with at least 20 years of City service 100% for retirees between the ages of 50 and 64 with 30 years of City service 85% for retirees between the ages of 50 and 64 with 25 to 29 years of City service 75% for retirees between the ages of 50 and 64 with 20 to 24 years of City service 20% for retirees under age 50 with less than 20 years of City service.
Actuarial cost method	Individual entry-age normal

The discount rate changed from 2.00 percent as of December 31, 2020 to 1.84 percent as of December 31, 2021.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 9 – Other Post-Employment Benefits (OPEB) Plans (Continued)

A. Retiree Healthcare Plan (Continued)

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability recognized over the measurement period:

Balance at December 31, 2020	\$	4,843,324
Changes for the year:		
Service cost		361,870
Interest on total OPEB liability		99,594
Changes of benefit terms		-
Difference between expected and actual experience		(779,311)
Changes of assumptions		59,106
Benefit payments		(89,085)
Net changes		<u>(347,826)</u>
Balance at December 31, 2021	\$	<u>4,495,498</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.84 percent) or 1 percentage point higher (2.84 percent) than the current rate:

	<u>Discount Rate - 1%</u> <u>(0.84%)</u>	<u>Current Discount</u> <u>Rate (1.84%)</u>	<u>Discount Rate + 1%</u> <u>(2.84%)</u>
OPEB liability	\$ 5,276,033	\$ 4,495,498	\$ 3,868,516

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 9 – Other Post-Employment Benefits (OPEB) Plans (Continued)

A. Retiree Healthcare Plan (Continued)

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

The following presents the total OPEB liability of the City, calculated using the assumed healthcare trend rates described above, as well as what the City’s total OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1%</u>	Current Healthcare Cost Trend Rate Assumption	<u>1%</u>
	Decrease		Increase
OPEB liability	\$ 3,704,863	\$ 4,495,498	\$ 5,535,954

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$452,062 related to retiree healthcare.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 7,228	\$ 926,690
Changes in assumptions	872,165	121,161
Contributions made subsequent to the measurement date	61,519	-
Total	\$ 940,912	\$ 1,047,851

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 9 – Other Post-Employment Benefits (OPEB) Plans (Continued)

A. Retiree Healthcare Plan (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

The City reported \$61,519 as deferred outflows of resources related to the OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Net Deferred Outflows/(Inflows)</u>
2023	\$ (9,402)
2024	(9,402)
2025	(9,402)
2026	(9,402)
2027	(9,402)
Thereafter	(121,448)
Total	\$ (168,458)

B. Supplemental Death Benefits Fund (SDBF) Plan

Plan Description

The City also participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The City has elected, by ordinance, to participate in this program and provide group-term life insurance coverage for its active members and retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be a single-employer unfunded OPEB plan under paragraph 4, item (b) of GASB Statement No. 75. TMRS issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 9 – Other Post-Employment Benefits (OPEB) Plans (Continued)

B. Supplemental Death Benefits Fund (SDBF) Plan (Continued)

Benefits Provided

TMRS provides death benefits for active employees providing a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered other postemployment benefit (OPEB) and is a fixed amount of \$7,500.

Employees Covered

At the December 31, 2021, valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	264
Inactive employees currently receiving benefits	90
Inactive employees entitled to but not yet receiving benefits	<u>30</u>
Total	<u><u>384</u></u>

Contributions

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 contribution rate for the City was 0.17% for calendar years 2021 and 2022. The City's contributions to TMRS for the year ended September 30, 2022 were \$31,007 and were equal to the required contributions.

Total OPEB Liability

The City's total OPEB liability of \$890,254 was measured as of December 31, 2021 and was determined by an actuarial valuation as of the same date.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 9 – Other Post-Employment Benefits (OPEB) Plans (Continued)

B. Supplemental Death Benefits Fund (SDBF) Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 9 – Other Post-Employment Benefits (OPEB) Plans (Continued)

B. Supplemental Death Benefits Fund (SDBF) Plan (Continued)

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability recognized over the measurement period:

Balance at December 31, 2020	\$	807,074
Changes for the year:		
Service cost		51,570
Interest on total OPEB liability		16,550
Changes of benefit terms		-
Difference between expected and actual experience		(2,574)
Changes of assumptions		28,304
Benefit payments		(10,670)
Net changes		83,180
Balance at December 31, 2021	\$	890,254

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.84 percent) or 1 percentage point higher (2.84 percent) than the current rate:

	Discount Rate - 1% (0.84%)	Current Discount Rate (1.84%)	Discount Rate + 1% (2.84%)
OPEB liability	\$ 1,096,064	\$ 890,254	\$ 731,605

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 9 – Other Post-Employment Benefits (OPEB) Plans (Continued)

B. Supplemental Death Benefits Fund (SDBF) Plan (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$97,520 related to the SDBF.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 23,638
Changes in assumptions	167,347	-
Contributions made subsequent to the measurement date	9,589	-
Total	\$ 176,936	\$ 23,638

The City reported \$9,589 as deferred outflows of resources related to the OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan Year December 31,	Net Deferred Outflows/(Inflows)
2022	\$ 29,400
2023	29,400
2024	26,873
2025	26,956
2026	22,219
Thereafter	8,861
Total	\$ 143,709

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 9 – Other Post-Employment Benefits (OPEB) Plans (Continued)

C. Summary of OPEB Plans

Total OPEB Liabilities

Total OPEB Liabilities are reported in the accompanying statements of net position as follows:

	Total OPEB Liability
Retiree Healthcare Plan	\$ 4,495,498
Supplemental Death Benefits Fund (SDBF) Plan	890,254
Total	\$ 5,385,752

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

OPEB Expenses are reported in the accompanying financial statements as follows:

	Net OPEB Expense
Retiree Healthcare Plan	\$ 452,062
Supplemental Death Benefits Fund (SDBF) Plan	97,520
Total	\$ 549,582

Deferred Outflows of Resources are reported in the accompanying statements of net position as follows:

	Difference Between Expected and Actual Experience	Changes in Assumptions	Contributions Made Subsequent to the Measurement Date	Total OPEB Plans
Retiree Healthcare Plan	\$ 7,228	\$ 872,165	\$ 61,519	\$ 940,912
Supplemental Death Benefits Fund (SDBF) Plan	-	167,347	9,589	176,936
Total	\$ 7,228	\$ 1,039,512	\$ 71,108	\$ 1,117,848

Deferred Inflows of Resources are reported in the accompanying statements of net position as follows:

	Difference Between Expected and Actual Experience	Changes in Assumptions	Total OPEB Plans
Retiree Healthcare Plan	\$ 926,690	\$ 121,161	\$ 1,047,851
Supplemental Death Benefits Fund (SDBF) Plan	23,638	-	23,638
Total	\$ 950,328	\$ 121,161	\$ 1,071,489

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 10 – Fund Balance Classifications

Fund balances as of September 30, 2022, for the governmental funds were categorized as nonspendable, restricted, committed, assigned, or unassigned for the following purposes:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable					
Endowment funds	\$ -	\$ -	\$ -	\$ 735,188	\$ 735,188
Prepays	3,425	-	-	-	3,425
Total nonspendable	<u>3,425</u>	<u>-</u>	<u>-</u>	<u>735,188</u>	<u>738,613</u>
Restricted					
Capital Projects	-	-	-	-	-
Cemetery	-	-	-	1,178,487	1,178,487
Court security	77,693	-	-	-	77,693
Court technology	18,022	-	-	-	18,022
Debt service	-	692,501	-	-	692,501
Donations	143,936	-	-	-	143,936
Grants	18,996	-	-	-	18,996
Hotel/Motel - Tourism promotion	-	-	-	606,922	606,922
Law enforcement seized funds	113,350	-	-	-	113,350
PEG fees	40,985	-	-	-	40,985
Public Facility Corporation	-	-	-	719,903	719,903
Total restricted	<u>412,982</u>	<u>692,501</u>	<u>-</u>	<u>2,505,312</u>	<u>3,610,795</u>
Assigned					
Budget carryovers and continuing appropriations	99,685	-	-	-	99,685
Capital projects: Beautification	-	-	350,702	-	350,702
Capital projects: Parks	-	-	628,333	-	628,333
Capital projects: Other	-	-	4,108,013	-	4,108,013
Capital projects: Sidewalks	-	-	1,687,612	-	1,687,612
Capital projects: Streets	-	-	3,721,876	-	3,721,876
Economic development	-	-	-	1,605,192	1,605,192
Equipment replacement	1,711,321	-	-	-	1,711,321
Library	-	-	-	851,250	851,250
Operating reserve	11,443,101	-	-	-	11,443,101
Parks	-	-	-	2,692,330	2,692,330
Tree mitigation	163,804	-	-	-	163,804
Total assigned	<u>13,417,911</u>	<u>-</u>	<u>10,496,536</u>	<u>5,148,772</u>	<u>29,063,219</u>
Unassigned	-	-	-	-	-
Total fund balances	<u>13,834,318</u>	<u>692,501</u>	<u>10,496,536</u>	<u>8,389,272</u>	<u>33,412,627</u>

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 11 – Net Investment in Capital Assets

The Government-wide Statement of Net Position reports net investment in capital assets as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Total capital assets, net	\$ 80,935,005	\$ 98,886,711	\$ 179,821,716
Less related debt:			
General obligation bonds	(31,230,000)	(30,485,000)	(61,715,000)
Bond premium	(3,225,056)	(2,767,198)	(5,992,254)
Lease purchase agreements	(423,014)	(254,401)	(677,415)
Lease liabilities	(763,647)	(112,569)	(876,216)
Plus related deferred outflows of resources:			
Deferred charge on refunding	365,852	1,057,024	1,422,876
Net investment in capital assets	<u>45,659,140</u>	<u>66,324,567</u>	<u>111,983,707</u>

Note 12 – Tax Abatements and Economic Incentives

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

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 12 – Tax Abatements and Economic Incentives (Continued)

The City has two categories of economic development agreements:

- ***Tax abatements:*** Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer’s property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. Property taxes abated under this program were \$0 in fiscal year 2022.
- ***General economic development:*** The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property taxes, hotel taxes, or sales tax received by the City, may result in fee reductions such as utility charges or building inspection fees, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs, or other expenses. During fiscal year 2022, the City rebated \$588,427 in taxes and other economic incentives.

Note 13 – Risk Management and Contingent Liabilities

Risk Management

The City is exposed to various risks of loss relating to general liability, theft of, damage to, or destruction of City assets, errors and omissions, natural disasters, and personal risks which relate to workers’ compensation. The City participates in the Texas Municipal League (TML) Intergovernmental Risk Pool to provide for its worker’s compensation, general and auto liability, and property insurance coverage. These multi-employer accounts provide for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability for the City is generally limited to the contributed amounts. There have been no significant reductions in insurance coverage for these risks of loss since the prior year and there have been no settlements in excess of the insurance coverage for any of the past three fiscal years.

Contingent Liabilities

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the City, but which will only be resolved when one or more future events occur or fail to occur. The City’s management and its legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the City or unasserted claims that may result in such proceedings, the City’s legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

City of Boerne
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 13 – Risk Management and Contingent Liabilities (Continued)

Contingent Liabilities (Continued)

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

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

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

Note 14 – Ranches at Creekside Public Improvement District

On November 9, 2021, the City of Boerne City Council approved Resolution No. 2021-R75, authorizing the creation of the Ranches at Creekside Public Improvement District (PID). The Ranches at Creekside PID consists of approximately 195.79 acres located within the City limits. This district was created in accordance with Chapter 372.003 of the Texas Local Government Code, as amended.

Note 15 – Subsequent Events

Subsequent events have been evaluated through the date of the auditor's report, February 28, 2023, which is the date the financial statements were available to be issued.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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September 12, 2023

Norton Rose Fulbright US LLP
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FINAL

IN REGARD to the authorization and issuance of the “City of Boerne, Texas General Obligation Bonds, Series 2023” (the *Bonds*), dated August 15, 2023, in the aggregate principal amount of \$17,805,000, we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Boerne, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of March 1 in each of the years 2024 through 2042, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Bonds, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED UPON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the

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Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas in connection with the authorization and issuance of “CITY OF BOERNE, TEXAS GENERAL OBLIGATION BONDS, SERIES 2023”

terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer.

BASED UPON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Financial Advisory Services
Provided By:

