

**ANNUAL  
FINANCIAL REPORT**

**CITY OF BUDA, TEXAS**

**For the fiscal year ended  
September 30, 2016**





**CITY OF BUDA, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
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**FINANCIAL SECTION**



## **Report of Independent Auditors**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Buda, Texas (the “City”) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

### **Management’s Responsibility for the Financial Statements**

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

### **Auditor’s Responsibility**

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

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

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

## Opinions

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

## Other Matters

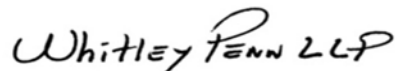
### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on pages 56 through 57, and pension system supplementary information on pages 58 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Houston, Texas  
April 18, 2017



**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Buda (the "City"), 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, 2016.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$83.9 million (*net position*). Of this amount, \$15.7 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1.7 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$58.8 million, an increase of \$45.4 million over the prior year. Approximately 7% of this total amount, \$4.0 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

**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 comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City'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 the four 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 only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The government-wide financial statements include the City itself (known as the *primary government*), but also the legally separate Buda 4B Development Corporation and the Dupre Government Corporation. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15 through 17 of this report.

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Projects Fund, and Debt Service Fund which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 18 through 21 of this report.

**Proprietary Funds**

The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise funds to account for its water, wastewater, and sanitation activities.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, and sanitation funds that are considered to be major funds of the City.

**CITY OF BUDA, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

**Proprietary Funds (continued)**

The basic proprietary fund financial statements can be found on pages 22 through 24 of this report.

**Combining Component Unit Financial Statements**

The City's two discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information presented in the form of combining statements immediately following the fund financial statements of the primary government.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 53 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 56 through 59 of the City's Annual Financial Report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found beginning on page 62 of the City's Annual Financial Report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$83.9 million (net position). At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

By far, the largest portion of the City's net position, 79%, reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. 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.

An additional portion of the City's net position, 2.2%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$15.7 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$1.7 million during the current fiscal year, demonstrating the ability of the City's revenues to keep pace with annual expenses.

**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-wide Financial Analysis (continued)**

The following table provides a summary of the City's net position at September 30, 2016 and 2015:

**CONDENSED SCHEDULE OF NET POSITION**

*September 30, 2016*

*Amounts in (000's)*

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 59,910	\$ 14,191	\$ 12,715	\$ 12,518	\$ 72,625	\$ 26,709
Capital assets	61,332	59,909	35,979	34,015	97,311	93,924
<b>Total Assets</b>	<u>121,242</u>	<u>74,100</u>	<u>48,694</u>	<u>46,533</u>	<u>169,936</u>	<u>120,633</u>
<b>Deferred outflows of resources</b>	<u>1,907</u>	<u>334</u>	<u>672</u>	<u>353</u>	<u>2,579</u>	<u>687</u>
Current liabilities	1,349	2,876	1,275	2,415	2,624	5,291
Long-term liabilities	70,797	20,040	15,155	13,830	85,952	33,870
<b>Total Liabilities</b>	<u>72,146</u>	<u>22,916</u>	<u>16,430</u>	<u>16,245</u>	<u>88,576</u>	<u>39,161</u>
<b>Deferred inflows of resources</b>	<u>61</u>		<u>14</u>		<u>75</u>	
<b>Net position:</b>						
Net investment in capital assets	44,681	48,708	21,623	19,817	66,304	68,525
Restricted	1,829	1,436		4,009	1,829	5,445
Unrestricted	4,431	1,374	11,300	6,815	15,731	8,189
<b>Total Net Position</b>	<u>\$ 50,941</u>	<u>\$ 51,518</u>	<u>\$ 32,923</u>	<u>\$ 30,641</u>	<u>\$ 83,864</u>	<u>\$ 82,159</u>

The City's current and other assets of \$72.6 million at September 30, 2016, is an increase of \$45.9 million over the previous fiscal year. This is primarily due to the increase in cash and cash equivalents received from the issuance of general obligation bonds and certificates of obligation in fiscal year 2016. The City's long-term liabilities of \$85.9 million at September 30, 2016, is an increase of \$52.1 million due to the issuance of general obligation bonds and certificates of obligation in fiscal year 2016 and an increase in the City's net pension liability.

Net position consists of three components, net investment in capital assets, restricted net position, and unrestricted net position. The first and largest portion of net position, \$66.0 million which reflects the City's investment in capital assets, less any related debt used to acquire or construct those assets that are still outstanding. Compared to last year, the City's net investment in capital assets increased by \$2.4 million. The City uses the capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second portion consists of restricted net position totaling \$2.1 million at September 30, 2016, or 2.5% of overall total net position. Restricted net position represents resources that are subject to external restrictions on how they may be used. Restricted net position decreased by \$3.4 million compared to September 30, 2015.

The third portion consists of unrestricted net position totaling \$15.7 million of total net position. Unrestricted net position may be used to meet the City's ongoing obligation to its citizens and creditors. Unrestricted net position decreased by \$7.5 million compared to September 30, 2015. The City's combined net position was \$83.9 million as of September 30, 2016. Of the \$83.9 million combined net position, approximately \$51.0 million was in the governmental activities, and approximately \$32.9 million was in the business-type activities. The City's total net position increased by \$1.7 million when compared to the prior year.

**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-wide Financial Analysis (continued)**

The following table summarizes the changes in net position for the City for the year ended September 30, 2016 and 2015.

**CONDENSED SCHEDULE OF CHANGES IN NET POSITION**

*For the Year Ended September 30, 2016*

*Amounts in (000's)*

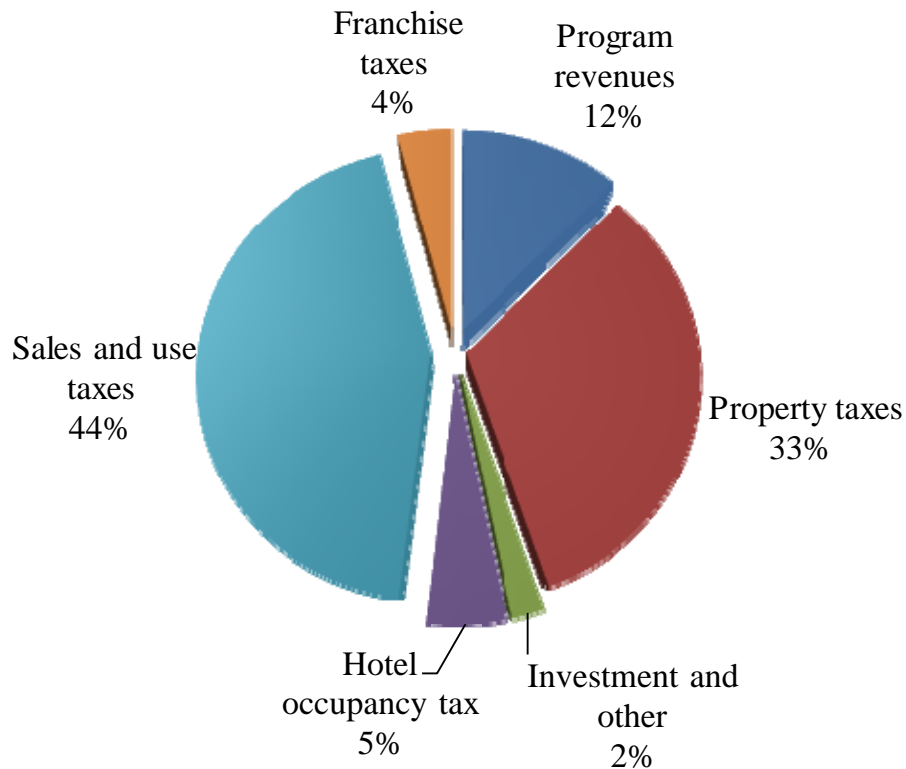
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenue:						
Charges for services	\$ 1,421	\$ 1,351	\$ 8,058	\$ 7,110	\$ 9,479	\$ 8,461
Operating grants and contributions	191	467	7	42	198	509
General revenues:						
Property taxes	4,240	3,208			4,240	3,208
Sales and use taxes	5,761	5,273			5,761	5,273
Hotel occupancy tax	647	636			647	636
Franchise taxes	535	507			535	507
Impact fees			1,146	1,485	1,146	1,485
Unrestricted investment earnings	90	51	10	10	100	61
Miscellaneous	172	219	10	8	182	227
<b>Total Revenues</b>	<b>13,058</b>	<b>11,712</b>	<b>9,230</b>	<b>8,655</b>	<b>22,288</b>	<b>20,367</b>
Expenses:						
Administration	1,535	1,495			1,535	1,495
Finance	543	469			543	469
Streets & Drainage	866	509			866	509
Engineering and Planning	2,080	1,162			2,080	1,162
Fleet Maintenance	135	108			135	108
Parks and Recreation	1,322	646			1,322	646
Library	405	407			405	407
Economic Development	155	195			155	195
Public Safety	1,336	1,559			1,336	1,559
Municipal Court	110	126			110	126
Animal Control	72	77			72	77
Information Technology	343	162			343	162
Depreciation	2,151	2,159			2,151	2,159
Interest on long-term debt	1,176	691			1,176	691
Water			2,659	2,545	2,659	2,545
Wastewater			2,489	3,579	2,489	3,579
Sanitation			1,253	1,173	1,253	1,173
<b>Total Expenses</b>	<b>12,229</b>	<b>9,765</b>	<b>6,402</b>	<b>7,297</b>	<b>18,631</b>	<b>17,062</b>
Increase in net position before transfers	828	1,947	2,828	1,358	3,657	3,305
Transfers	546	(110)	(546)	110		
TIRZ-1 sales tax payment	(1,951)	(1,812)			(1,951)	(1,812)
Change in net position	(577)	25	2,282	1,468	1,706	1,493
<b>Net Position - Beginning</b>	<b>51,518</b>	<b>51,493</b>	<b>30,641</b>	<b>29,173</b>	<b>82,159</b>	<b>80,666</b>
<b>Net Position - Ending</b>	<b>\$ 50,941</b>	<b>\$ 51,518</b>	<b>\$ 32,923</b>	<b>\$ 30,641</b>	<b>\$ 83,865</b>	<b>\$ 82,159</b>

**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental Activities**

A significant portion of the City's revenue comes from taxes totaling \$11.2 million. Of this total, \$5.8 million was from sales taxes, which includes the component units Tax Increment Reinvestment Zone Funds ("TIRZ-1") sales tax payment of \$2.0 million and is not available for use by governmental activities operations. Charges for services include items such as building inspections, subdivision plat reviews, site development reviews, subdivision construction fees, as well as sanitation collections.

Revenue sources for governmental activities were distributed as follows:



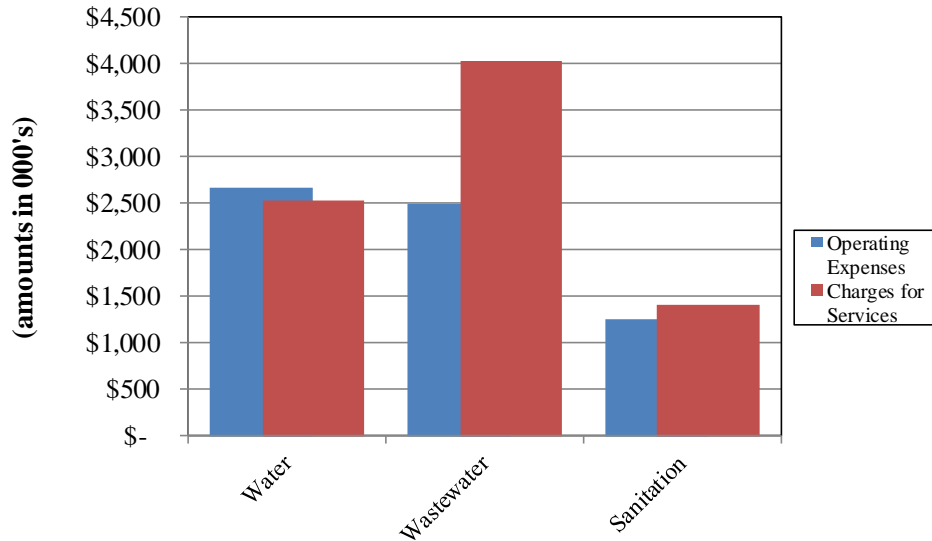
Expenditures in governmental activities include depreciation expense, which does not involve a current cash outlay. However, certain cash outlay for capital improvements and the principal portion of debt service are not reported here.

The City's total governmental revenues for the year ended September 30, 2016 increased by \$1.3 million. The increase in revenues is mainly the result of higher ad valorem and sales tax revenue over fiscal year 2015, as well as an offset by a decrease in operating grants and an increase in current period expenses. The City's total operating expenses had an increase of \$2.5 million. The increase in operating expenses is the result of a budgeted increase of new positions, a 4% cost of living pay increase, increases in healthcare premiums, and the implementation of a drainage maintenance program.

**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Business-type Activities**

Business-type activities increased the City's net position by approximately \$2.3 million. Operating revenues of the business-type activities increased by approximately \$948 thousand as a result of higher user fees and increased customers for water, wastewater, and sanitation services. A comparison between expenses relating to water and sewer operations and program revenues (charges for services) for fiscal years 2016 follows:



Revenue sources for business-type activities were almost entirely comprised of charges for water, wastewater, and sanitation services.

**Financial Analysis of the Government's Funds**

As noted earlier, the City used 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, 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.

At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$58.8 million, an increase of approximately \$45.4 million from the prior year. Key elements of this increase are as follows:

- Total other financing sources of \$49.8 million as a result of the issuance of bonds, certificates of obligation, and their related premiums.

**CITY OF BUDA, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

**Governmental Funds (continued)**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance was \$4.1 million. Total fund balance increased by \$264 thousand from fiscal year 2015. The key element of this increase is as follows:

- Sales and use tax revenue of \$5.7 million, which increased by \$488 thousand as a result of increased commercial growth and consumer spending in the City.

At the close of the current fiscal year, the City's debt service fund reported a fund balance of \$1.1 million, an increase of \$318 thousand from the prior year. The increase is due to higher assessed values and an increase in the debt service tax rate.

At the close of the current fiscal year, the City's capital projects fund reported a fund balance of \$52.4 million, an increase of \$44.8 million from the prior year. The increase is due to the issuance of \$41.2 million in bonds, issuance of \$3.7 million in certificates of obligations, and the premium proceeds of \$5.0 million.

**Proprietary Funds**

The City maintains one type of proprietary fund. Proprietary funds are used to report the same type of information found in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, and sanitation services.

The operating income (loss) from the Water, Wastewater, and Sanitation Funds at the end of the 2016 fiscal year was \$(275) thousand, \$2.3 million, and \$248 thousand, respectively.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget primarily relate to a decrease in fees and charges for services.

Actual revenues were greater than budgeted revenues by \$197 thousand primarily as a result of an increase in fees and charges for services.

Expenditures exceeded appropriations, creating a negative variance to budget of \$1.1 million.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of fiscal year 2016, the City's governmental activities and business-type activities had invested \$61.3 million and \$36.0 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of \$1.4 million, or 2% over the end of last fiscal year for the governmental activities' capital assets and a change of \$2.0 million or 6% for the business-type activities.



**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Capital Asset and Debt Administration (continued)**

**Capital Assets (continued)**

The following table shows the balances at September 30, 2016 and 2015 (in \$000's):

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 9,213	\$ 8,114	\$ 193	\$ 193	\$ 9,406	\$ 8,307
Construction in progress	3,843	1,912	6,607	4,908	10,450	6,820
Buildings and improvements	21,332	21,332	154	154	21,486	21,486
Infrastructure	47,645	47,645	34,614	33,394	82,259	81,039
Machinery and equipment	7,196	6,652	6,573	6,249	13,769	12,901
Less accumulated depreciation	(27,896)	(25,745)	(12,163)	(10,884)	(40,060)	(36,629)
<b>Total</b>	<b>\$ 61,332</b>	<b>\$ 59,909</b>	<b>\$ 35,980</b>	<b>\$ 34,015</b>	<b>\$ 97,312</b>	<b>\$ 93,924</b>

Additional information on the City's capital assets can be found in Note 4 to the basic financial statements of this report.

**Long-term Liabilities**

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$86.0 million. This is an increase from the prior year due to the issuance of new debt during the year. The entire amount of bonded debt is backed by the full faith and credit of the City. A schedule of long-term debt at September 30, 2016 and 2015, follows (in \$000's):

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Bonds payable						
General obligation bonds	\$ 50,925	\$ 11,285	\$ 3,940	\$ 4,305	\$ 54,865	\$ 15,590
Certificates of obligation	12,385	9,240	10,850	4,305	23,235	13,545
Bond issuance premiums	5,399	376			5,399	376
Capital leases	296			32	296	32
Compensated absences	298	264	36	34	334	299
Net pension liability	1,494	895	329	196	1,823	1,091
<b>Total</b>	<b>\$ 70,797</b>	<b>\$ 22,060</b>	<b>\$ 15,155</b>	<b>\$ 8,872</b>	<b>\$ 85,952</b>	<b>\$ 30,932</b>

Additional information on the City's long-term debt can be found in Note 5 to the basic financial statements of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following economic factors currently affect the City of Buda, Texas and were considered in developing the Fiscal Year 2017 budget.

The unemployment rate for the City of Buda as of September 2016 was 3.6%, while the Austin-Round Rock-San Marcos rate was 3.5%. The rate for Texas was 4.7%, and the U.S unemployment rate was 4.9% as of September 2016.

## **CITY OF BUDA, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

#### **Economic Factors and Next Year's Budgets and Rates (continued)**

The Fiscal Year 2017 budget for all expenditures total \$87,683,450. This budget is the City of Buda's largest annual budget ever and includes \$10,463,824 for the General Fund, \$7,999,971 for the Utility Funds, \$62,216,476 for Capital Improvement Funds, \$4,928,339 for Debt Service Funds, \$640,349 for Hotel/Motel Fund, and \$1,434,491 for other funds. Total expenditures include \$39,167,826 for the five 2014 bond propositions.

The City of Buda has continued to see an increase in sales tax revenue due to the growth of the local economy. Sales tax revenue collections were 6% higher in Fiscal Year 2016 than the previous year. Projected revenues for the city's portion of sales tax were based on a 3.9% increase over last year's budgeted sales tax, generating \$143,500 more in revenue. This increase was based on the growth of sales tax revenue received. The total sales taxes, including the City's portion and the EDC portion, are 56% of total General Fund revenues. Total property tax values increased by 18.5%, or \$218 million, going from \$1,179,403,173 in tax year 2015 to \$1,397,589,163 in tax year 2016. The increase in values included \$101,441,094 in new construction and improvements. Despite the Fiscal Year 2017 tax rate increase to \$0.3704 per \$100 value, the City of Buda still has one of the lowest property tax rates in the region. Property tax revenues account for 16% of total General Fund revenues. The debt/I&S portion of the tax rate is \$0.2511, a \$0.0213 increase from \$0.2298 the prior year. The maintenance and operation/M&O portion of the tax rate is \$0.1193, a \$0.0016 increase from \$0.1177 the prior year.

Fiscal Year 2017 revenues for the enterprise funds include a 29% increase in Sanitation over the prior year's budget and a 5% increase over the Fiscal Year 2016 projection. An increase in the water rate structure of 5% is included in the budget and the wastewater increase of 5% included. This is the first wastewater increase in three years.

The total capital improvement projects planned for the 2017 fiscal year is approximately \$62.2 million. The majority of the funding for capital projects is for the 2014 bond proposition projects. This includes \$22.6 million for Prop 1 – Municipal Facility, \$6.5 million for Prop 2 – Public Safety Facility, \$1.2 million for Prop 3 – Streets, \$1.9 for Prop 4 – Drainage, and \$7 million for Prop 5 – Parks and Trails. Also included in the Water Capital Improvement Fund is a total of \$23 million for the wastewater treatment facility expansion, and the addition of a 20" effluent force main.

The General Fund budget for Fiscal Year 2017 is structurally balanced and exceeds the required fund balance reserve policy of three and one-half months of operating costs by \$825 thousand. The City will continue to operate conservatively and will maintain a positive outlook on the growth of the economy.

#### **Requests for Information**

This report is designed to provide the City Council, citizens, customers, bond rating agencies, investors, and creditors with a general overview of the City's finances. If you have any questions about this report or need additional financial statement information, contact:

Finance Director  
City of Buda  
P.O. Box 1380  
Buda, Texas 78610  
(512) 312-0084  
[www.ci.buda.tx.us](http://www.ci.buda.tx.us)

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF BUDA, TEXAS**  
**STATEMENT OF NET POSITION**  
September 30, 2016

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 59,078,492	\$ 11,886,503	\$ 70,964,995	\$ 2,414,254
Receivables, net of allowance for uncollectibles:				
Property taxes	35,420		35,420	
Sales and use taxes	674,018		674,018	424,411
Customers	637	682,843	683,480	
Other	5,341		5,341	74,570
Internal balances	115,831	(115,831)		
Restricted cash and cash equivalents		261,830	261,830	1,295,266
Capital assets, not subject to depreciation	13,055,770	6,800,501	19,856,271	
Capital assets, net of depreciation	48,276,326	29,178,054	77,454,380	4,990
<b>Total Capital Assets</b>	61,332,096	35,978,555	97,310,651	4,990
<b>Total Assets</b>	121,241,835	48,693,900	169,935,735	4,236,811
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding		250,027	250,027	
Deferred outflows relating to pension activities	1,906,531	422,411	2,328,942	
<b>Total Deferred Outflows of Resources</b>	1,906,531	672,438	2,578,969	
<b>Liabilities</b>				
Accounts payable	911,114	688,260	1,599,374	163,549
Accrued expenses	171,273	28,170	199,443	
Accrued interest	266,479	77,214	343,693	9,855,711
Due to Cabela's, Inc.				69,608
Due to Dupre Local Government Corporation				41,496
Unearned revenue		264,100	264,100	
Customer deposits		217,359	217,359	
Long-term liabilities:				
Due within one year	1,442,834	940,000	2,382,834	175,000
Due in more than one year	67,859,711	13,886,022	81,745,733	32,345,000
Net pension liability	1,494,270	329,161	1,823,431	
<b>Total Liabilities</b>	72,145,681	16,430,286	88,575,967	42,650,364
<b>Deferred Inflows of Resources</b>				
Deferred inflows relating to pension activities	61,243	13,588	74,831	
<b>Total Deferred Inflows of Resources</b>	61,243	13,588	74,831	
<b>Net Position</b>				
Net investment in capital assets	44,681,076	21,623,198	66,304,274	4,990
Restricted for:				
Debt service	866,075		866,075	833,936
Public safety	50,192		50,192	
Tourism	912,694		912,694	
Unrestricted	4,431,405	11,299,266	15,730,671	(39,252,479)
<b>Total Net Position</b>	\$ 50,941,442	\$ 32,922,464	\$ 83,863,906	\$ (38,413,553)

See Notes To Basic Financial Statements.

**CITY OF BUDA, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental Activities:				
Administration	\$ 1,535,492	\$ 236,849	\$	\$
Finance	542,782			
Streets & Drainage	865,982			
Engineering and Planning	2,079,918	874,262	30,000	
Fleet Maintenance	135,312			
Parks and Recreation	1,321,618	100,108	144,688	
Library	405,296	5,870	16,286	
Economic Development	155,213			
Public Safety	1,335,725	4,312		
Municipal Court	110,247	197,661		
Animal Control	72,166	1,985		
Information Technology	342,973			
Depreciation	2,150,899			
Interest on long-term debt	1,175,564			
<b>Total governmental activities</b>	<b>12,229,187</b>	<b>1,421,047</b>	<b>190,974</b>	
Business-type activities:				
Water	2,659,009	2,535,692		
Wastewater	2,489,496	4,020,716	6,758	
Sanitation	1,253,493	1,501,565		
Total business-type activities	6,401,998	8,057,973	6,758	
<b>Total primary government</b>	<b>\$ 18,631,185</b>	<b>\$ 9,479,020</b>	<b>\$ 197,732</b>	<b>\$</b>
<b>Component Units</b>				
Buda 4B Development Corporation	\$ 881,743	\$	\$	\$
Dupre Local Government Corporation	1,745,110			
Total component units	\$ 2,626,853	\$	\$	\$

**General revenues:**

Taxes:

- Property taxes
- Sales and use taxes
- Hotel occupancy taxes
- Franchise taxes

- Impact fees
- Unrestricted investment earnings
- Miscellaneous
- Sales tax

**Net transfers**

**Total general revenues and transfers**

Change in net position

**Net Position - Beginning**

**Net Position - Ending**

See Notes to Basic Financial Statements.

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Governmental Activities</b>
\$ (1,298,643)	\$	\$ (1,298,643)	
(542,782)		(542,782)	
(865,982)		(865,982)	
(1,175,656)		(1,175,656)	
(135,312)		(135,312)	
(1,076,822)		(1,076,822)	
(383,140)		(383,140)	
(155,213)		(155,213)	
(1,331,413)		(1,331,413)	
87,414		87,414	
(70,181)		(70,181)	
(342,973)		(342,973)	
(2,150,899)		(2,150,899)	
(1,175,564)		(1,175,564)	
<u>(10,617,166)</u>		<u>(10,617,166)</u>	
	(123,317)	(123,317)	
	1,537,978	1,537,978	
	248,072	248,072	
	<u>1,662,733</u>	<u>1,662,733</u>	
<u>(10,617,166)</u>	<u>1,662,733</u>	<u>(8,954,433)</u>	
			\$ (881,743)
			<u>(1,745,110)</u>
			<u>(2,626,853)</u>
4,239,563		4,239,563	582,533
5,761,207		5,761,207	
647,022		647,022	118,436
535,319		535,319	
	1,146,178	1,146,178	
90,344	9,801	100,145	4,135
172,108	9,564	181,672	223
(1,951,121)		(1,951,121)	2,648,799
546,024	(546,024)		
<u>10,040,466</u>	<u>619,519</u>	<u>10,659,985</u>	<u>3,354,126</u>
(576,700)	2,282,252	1,705,552	727,273
<u>51,518,142</u>	<u>30,640,212</u>	<u>82,158,354</u>	<u>(39,140,826)</u>
<u>\$ 50,941,442</u>	<u>\$ 32,922,464</u>	<u>\$ 83,863,906</u>	<u>\$ (38,413,553)</u>

**CITY OF BUDA, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
*September 30, 2016*

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 3,550,282	\$ 1,107,697	\$ 53,025,196	\$ 1,395,316	\$ 59,078,491
Receivables, net of allowance for uncollectibles:					
Property taxes	10,562	24,857			35,419
Sales and use taxes	674,018				674,018
Customers	637				637
Other	5,341				5,341
Due from other funds	249,472				249,472
<b>Total Assets</b>	<u>\$ 4,490,312</u>	<u>\$ 1,132,554</u>	<u>\$ 53,025,196</u>	<u>\$ 1,395,316</u>	<u>\$ 60,043,378</u>
<b>Liabilities</b>					
Accounts payable	\$ 230,407	\$	\$ 671,753	\$ 8,952	\$ 911,112
Accrued expenses	165,368			5,905	171,273
Due to other funds				121,450	121,450
<b>Total Liabilities</b>	<u>395,775</u>		<u>671,753</u>	<u>136,307</u>	<u>1,203,835</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenues - property taxes	10,533	22,569			33,102
<b>Total Deferred Inflows of Resources</b>	<u>10,533</u>	<u>22,569</u>			<u>33,102</u>
<b>Fund Balances</b>					
Restricted:					
Debt service		1,109,985			1,109,985
Capital projects			52,353,443		52,353,443
Public safety				50,192	50,192
Tourism				912,694	912,694
Assigned:					
Parks				391,964	391,964
Library				25,609	25,609
Unassigned	4,084,004			(121,450)	3,962,554
<b>Total Fund Balances</b>	<u>4,084,004</u>	<u>1,109,985</u>	<u>52,353,443</u>	<u>1,259,009</u>	<u>58,806,441</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 4,490,312</u>	<u>\$ 1,132,554</u>	<u>\$ 53,025,196</u>	<u>\$ 1,395,316</u>	<u>\$ 60,043,378</u>

*See Notes to Basic Financial Statements.*



**CITY OF BUDA, TEXAS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**September 30, 2016**

Total fund balance, governmental funds \$ 58,806,441

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 61,332,096

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.  
Unavailable revenue 33,102

Long-term liabilities are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements, but are included in the governmental activities of the Statement of Net Position

Bonds payable, at maturity	(63,310,000)
Bond premiums	(5,398,571)
Capital leases	(295,892)
Accrued interest payable	(266,479)
Compensated absences	(298,082)

Net Pension Liability and related deferred outflows and inflows of resources due not represent current liabilities and are not reported in the fund financial statements, but are included in the governmental activities of the Statement of net position.

Deferred outflows - pension related items	1,906,531
Net Pension Liability	(1,494,270)
Deferred inflows - pension related items	(61,243)

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (12,191)

Net Position of Governmental Activities in the Statement of Net Position \$ 50,941,442

*See Notes to Basic Financial Statements.*

**CITY OF BUDA, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes:					
Property taxes	\$ 1,428,607	\$ 2,803,039	\$	\$	\$ 4,231,646
Sales and use taxes	5,761,207				5,761,207
Hotel occupancy taxes					
Franchise taxes	535,319			647,022	1,182,341
Fees and charges for services	1,410,919				1,410,919
Grant and contributions	30,000			10,060	40,060
Investment earnings	49,395		40,949	161,043	251,387
Miscellaneous	171,891			217	172,108
<b>Total Revenues</b>	<u>9,387,338</u>	<u>2,803,039</u>	<u>40,949</u>	<u>818,342</u>	<u>13,049,668</u>
<b>Expenditures</b>					
Current:					
Administration	1,621,675				1,621,675
Finance	624,354				624,354
Streets and Drainage	928,308				928,308
Engineering and Planning	1,289,108				1,289,108
Fleet Maintenance	146,154				146,154
Parks and Recreation	677,381			754,871	1,432,252
Library	451,649			20,041	471,690
Economic Development	193,556				193,556
Public Safety	1,603,769			1,575	1,605,344
Municipal Court	125,467			200	125,667
Animal Control	81,304				81,304
Information Technology	342,973				342,973
Capital outlay			4,483,718		4,483,718
Debt service:					
Principal	57,495	2,020,000			2,077,495
Interest and other charges	1,085	691,440	346,945		1,039,470
<b>Total Expenditures</b>	<u>8,144,278</u>	<u>2,711,440</u>	<u>4,830,663</u>	<u>776,687</u>	<u>16,463,068</u>
Revenues over (under) expenditures	<u>1,243,060</u>	<u>91,599</u>	<u>(4,789,714)</u>	<u>41,655</u>	<u>(3,413,400)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	634,370	226,641		40,332	901,343
Transfers out			(226,641)	(119,875)	(346,516)
Bonds issued			41,150,000		41,150,000
Premium on bonds issued			4,710,721		4,710,721
Certificates of obligation issued			3,655,000		3,655,000
Premium on certificates of obligation issued			327,959		327,959
Capital lease	338,000				338,000
TIRZ-1 sales tax payment	(1,951,121)				(1,951,121)
<b>Total Other Financing Sources (Uses)</b>	<u>(978,751)</u>	<u>226,641</u>	<u>49,617,039</u>	<u>(79,543)</u>	<u>48,785,386</u>
Net changes in fund balances	264,309	318,240	44,827,325	(37,888)	45,371,986
<b>Fund Balances - Beginning of Year</b>	<u>3,819,695</u>	<u>791,745</u>	<u>7,526,118</u>	<u>1,296,897</u>	<u>13,434,455</u>
<b>Fund Balances - End of Year</b>	<u>\$ 4,084,004</u>	<u>\$ 1,109,985</u>	<u>\$ 52,353,443</u>	<u>\$ 1,259,009</u>	<u>\$ 58,806,441</u>

See Notes to Basic Financial Statements.

**CITY OF BUDA, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2016*

Net change in fund balances - total governmental funds: \$ 45,371,986

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The capital asset expenditures are allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$3,573,778 exceeded depreciation of \$2,150,899 in the current period. 1,422,879

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 7,917

Governmental funds report the proceeds of bonds or certificates of obligation issued as an other financial source or an increase to fund balance. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities. (44,805,000)

Governmental funds report the proceeds of capital leases as an other financial source or an increase to fund balance. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities. (338,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 2,062,108

Governmental funds report the proceeds received from the issuance of long-term debt as an other financial source or an increase to fund balance. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities.  
Premium on issuance of bonds and certificates of obligation (5,038,680)  
Amortization of bond premiums 16,398

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:  
Changes in accrued interest (153,577)  
Changes in accrued compensated absences (33,963)

Pension contributions made during the year are treated as expenditures in the governmental funds but are treated as reduction in pension liability in government-wide financial statements. 422,556

Pension income does not represent a source of current resources and is not recognized in the fund financial statements. 488,676

Change in net position of governmental activities \$ (576,700)

*See Notes to Basic Financial Statements.*

**CITY OF BUDA, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2016

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Sanitation Fund</b>	<b>Internal Service Fund</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,885,470	\$ 10,001,033	\$	\$ 11,886,503
Receivables, net of allowance for uncollectibles	193,118	313,403	176,322	682,843
Restricted cash and cash equivalents		261,830		261,830
<b>Total Current Assets</b>	<b>2,078,588</b>	<b>10,576,266</b>	<b>176,322</b>	<b>12,831,176</b>
Non-current assets:				
Capital assets not being depreciated:				
Land	159,542	33,505		193,047
Construction in progress	1,328,510	5,278,944		6,607,454
Capital assets being depreciated:				
Infrastructure	10,729,063	23,885,377		34,614,440
Equipment and furniture	2,404,404	4,168,631		6,573,035
Buildings and improvements	64,268	89,727		153,995
Less accumulated depreciation	(4,899,415)	(7,264,001)		(12,163,416)
<b>Total Non-Current Assets</b>	<b>9,786,372</b>	<b>26,192,183</b>		<b>35,978,555</b>
<b>Total Assets</b>	<b>11,864,960</b>	<b>36,768,449</b>	<b>176,322</b>	<b>48,809,731</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding		250,027		250,027
Deferred outflows relating to pension activities	219,799	202,612		422,411
<b>Total Deferred Outflows of Resources</b>	<b>219,799</b>	<b>452,639</b>		<b>672,438</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	421,142	265,825	1,293	688,260
Accrued expenses	18,363	9,807		28,170
Accrued interest	4,837	72,377		77,214
Unearned revenue		264,100		264,100
Due to other funds			115,831	115,831
Customer deposits	211,907	5,452		217,359
<b>Total Current Liabilities</b>	<b>656,249</b>	<b>617,561</b>	<b>117,124</b>	<b>1,390,934</b>
Non-current liabilities:				
Due within one year	58,000	882,000		940,000
Due in more than one year	1,255,951	12,630,071		13,886,022
Net pension liability	153,028	176,133		329,161
<b>Total Non-Current Liabilities</b>	<b>1,466,979</b>	<b>13,688,204</b>		<b>15,155,183</b>
<b>Total Liabilities</b>	<b>2,123,228</b>	<b>14,305,765</b>	<b>117,124</b>	<b>16,546,117</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows relating to pension activities	7,152	6,436		13,588
<b>Total Deferred Inflows of Resources</b>	<b>7,152</b>	<b>6,436</b>		<b>13,588</b>
<b>Net Position</b>				
Net investment in capital assets	8,486,035	13,137,163		21,623,198
Unrestricted	1,468,344	9,771,724	59,198	11,299,266
<b>Total Net Position</b>	<b>\$ 9,954,379</b>	<b>\$ 22,908,887</b>	<b>\$ 59,198</b>	<b>\$ 32,922,464</b>
				<b>\$ (12,191)</b>

See Notes to Basic Financial Statements.

**CITY OF BUDA, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Sanitation Fund</b>	<b>Internal Service Fund</b>
<b>Operating Revenues</b>				
Charges for services	\$ 2,535,692	\$ 4,020,716	\$ 1,404,825	\$
<b>Total Operating Revenues</b>	<u>2,535,692</u>	<u>4,020,716</u>	<u>1,404,825</u>	<u>7,961,233</u>
<b>Operating Expenses</b>				
Personnel services	449,472	408,055		857,527
Supplies and materials	158,796	36,106	14,084	208,986
Water and wastewater contracts	728,756	558,974		1,287,730
Other contracted services	289,262	62,213	1,142,669	1,494,144
Other operating costs	577,431	65,999		643,430
Depreciation	448,689	851,444		1,300,133
<b>Total Operating Expenses</b>	<u>2,652,406</u>	<u>1,982,791</u>	<u>1,156,753</u>	<u>5,791,950</u>
<b>Operating Income (Loss)</b>	<u>(116,714)</u>	<u>2,037,925</u>	<u>248,072</u>	<u>2,169,283</u>
<b>Non-operating Revenues (Expenses)</b>				
Impact fees	393,660	752,518		1,146,178
Interest and investment revenue	134	9,667		9,801
Grant and contributions		6,758		6,758
Miscellaneous revenue	4,638	4,926		9,564
Interest expense	(6,603)	(506,705)		(513,308)
<b>Total Non-operating Revenues (Expenses)</b>	<u>391,829</u>	<u>267,164</u>	<u>248,072</u>	<u>658,993</u>
<b>Income (Loss) Before Transfers</b>	<u>275,115</u>	<u>2,305,089</u>	<u>248,072</u>	<u>2,828,276</u>
Transfers in		1,295,500		1,295,500
Transfers out	(1,516,178)	(295,346)	(30,000)	(1,841,524)
Change in net position	(1,241,063)	3,305,243	218,072	2,282,252
<b>Total Net Position - Beginning of Year</b>	<u>11,195,442</u>	<u>19,603,644</u>	<u>(158,874)</u>	<u>30,640,212</u>
<b>Total Net Position - End of Year</b>	<u>\$ 9,954,379</u>	<u>\$ 22,908,887</u>	<u>\$ 59,198</u>	<u>\$ 32,922,464</u>

See Notes to Basic Financial Statements.

**CITY OF BUDA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended September 30, 2016

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Sanitation Fund</b>	<b>Internal Service Fund</b>
<b>Cash Flows From Operating Activities</b>				
Receipts from customers and users	\$ 2,580,366	\$ 4,018,949	\$ 1,373,137	\$ 7,972,452
Disbursed for personnel services	(551,880)	(503,310)		(1,055,190)
Disbursed for goods and services	(1,799,553)	(3,170,619)	(1,343,137)	(6,313,309)
<b>Net cash provided by (used in) operating activities</b>	<u>228,933</u>	<u>345,020</u>	<u>30,000</u>	<u>603,953</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers from other funds		1,295,500		1,295,500
Transfers to other funds	(1,516,178)	(295,346)	(30,000)	(1,841,524)
Other income	4,638	4,926		9,564
<b>Net cash used by (used in) noncapital financing activities</b>	<u>(1,511,540)</u>	<u>1,005,080</u>	<u>(30,000)</u>	<u>(546,024)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Proceeds from certificates of obligation		1,190,000		
Proceeds from grants		6,758		
Principal payments on debt	(57,250)	(787,750)		(845,000)
Principal payments on capital lease	(15,826)	(15,826)		(31,652)
Interest paid on capital debt	(1,766)	(506,760)		(508,526)
Impact fees	393,660	752,518		1,146,178
Acquisition and construction of capital assets	(1,482,253)	(1,753,254)		(3,235,507)
<b>Net cash used by (used in) capital and related financing activities</b>	<u>(1,163,435)</u>	<u>(1,114,314)</u>		<u>(3,474,507)</u>
<b>Cash Flows From Investing Activities</b>				
Interest received	134	9,667		9,801
<b>Net cash provided by investing activities</b>	<u>134</u>	<u>9,667</u>		<u>9,801</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(2,445,908)</u>	<u>245,453</u>		<u>(2,200,455)</u>
Cash and cash equivalents - beginning of year	4,331,378	10,017,410		14,348,788
<b>Cash and cash equivalents - end of year</b>	<u>1,885,470</u>	<u>\$ 10,262,863</u>	<u>\$</u>	<u>\$ 12,148,333</u>
Unrestricted cash and cash equivalents	\$ 1,885,470	\$ 10,001,033	\$	\$ 11,886,503
Restricted cash and cash equivalents		261,830		261,830
	<u>\$ 1,885,470</u>	<u>\$ 10,262,863</u>	<u>\$</u>	<u>\$ 12,148,333</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	\$ (116,714)	\$ 2,037,925	\$ 248,072	\$ 2,169,283
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	448,689	851,444		1,300,133
(Increase) decrease in accounts receivable	45,574	(1,767)	(15,113)	28,694
(Increase) decrease in deferred outflows relating to pension activity	(188,054)	(159,346)		(347,400)
Increase (decrease) in accounts payable	159,643	(242,085)	(186,384)	(268,826)
Increase (decrease) in accrued expenses	8,467	(6,950)		1,517
Increase (decrease) in interfund payables	(204,951)	(2,205,242)	(16,575)	(2,426,768)
Increase (decrease) in customer deposits	(900)			(900)
Increase (decrease) in accrued compensated absences		1,591		1,591
Increase (decrease) in net pension liability	70,027	63,014		133,041
Increase (decrease) in deferred inflows relating to pension activity	7,152	6,436		13,588
<b>Net cash provided by operating activities</b>	<u>\$ 228,933</u>	<u>\$ 345,020</u>	<u>\$ 30,000</u>	<u>\$ 603,953</u>

See Notes to Basic Financial Statements.

**CITY OF BUDA, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**COMBINING STATEMENT OF NET POSITION**  
**September 30, 2016**

	<b>Buda 4B Development Corporation</b>	<b>Dupre Local Government Corporation</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,414,254	\$	\$ 2,414,254
Receivables:			
Sales and use taxes	345,265	79,146	424,411
Other		74,570	74,570
Due from other governments		23,320	23,320
Restricted cash and cash equivalents	461,330	833,936	1,295,266
<b>Total Current Assets</b>	<b>3,220,849</b>	<b>1,010,972</b>	<b>4,231,821</b>
Non-current assets:			
Capital assets being depreciated:			
Equipment and furniture	18,257		18,257
Buildings and improvements	8,400		8,400
Less accumulated depreciation	(21,667)		(21,667)
<b>Total Non-current Assets</b>	<b>4,990</b>		<b>4,990</b>
<b>Total Assets</b>	<b>3,225,839</b>	<b>1,010,972</b>	<b>4,236,811</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	163,549		163,549
Accrued interest	24,734	9,830,977	9,855,711
Due to Cabela's, Inc.		69,608	69,608
Due to Dupre Local Government Corporation	41,496		41,496
<b>Total Current Liabilities</b>	<b>229,779</b>	<b>9,900,585</b>	<b>10,130,364</b>
Non-current Liabilities:			
Due within one year	175,000		175,000
Due in more than one year	1,775,000	30,570,000	32,345,000
<b>Total Non-current Liabilities</b>	<b>1,950,000</b>	<b>30,570,000</b>	<b>32,520,000</b>
<b>Total Liabilities</b>	<b>2,179,779</b>	<b>40,470,585</b>	<b>42,650,364</b>
<b>Net Position</b>			
Investment in capital assets	4,990		4,990
Restricted net position		833,936	833,936
Unrestricted (deficit)	1,041,070	(40,293,549)	(39,252,479)
<b>Total Net Position (deficit)</b>	<b>\$ 1,046,060</b>	<b>\$ (39,459,613)</b>	<b>\$ (38,413,553)</b>

*See Notes to Basic Financial Statements.*

**CITY OF BUDA, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**COMBINING STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2016*

	<b>Buda 4B Development Corporation</b>	<b>Dupre Local Government Corporation</b>	<b>Total</b>
<b>General Revenues</b>			
Taxes:			
Property taxes	\$	\$ 582,533	\$ 582,533
Hotel occupancy taxes		118,436	118,436
Unrestricted investment earnings	4,135		4,135
Miscellaneous	223		223
Sales tax	1,956,507	692,292	2,648,799
Total general revenues and transfers	<u>1,960,865</u>	<u>1,393,261</u>	<u>3,354,126</u>
<b>Expenses</b>			
Economic development	881,743		881,743
Interest on long-term debt		1,448,628	1,448,628
Cabela's, Inc. payments		296,482	296,482
Total expenses	<u>881,743</u>	<u>1,745,110</u>	<u>2,626,853</u>
Change in net position	1,079,122	(351,849)	727,273
<b>Net Position - Beginning</b>	<u>(33,062)</u>	<u>(39,107,764)</u>	<u>(39,140,826)</u>
<b>Net Position - Ending</b>	<u>\$ 1,046,060</u>	<u>\$ (39,459,613)</u>	<u>\$ (38,413,553)</u>

*See Notes to Basic Financial Statements.*



**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Note 1 - Organization**

The City of Buda, Texas (the “City”), is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City first adopted its Home Rule Charter in 2007. The City operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered three-year terms. The City Manager is the chief administrative officer for the City.

The City provides the following services: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, sanitation services, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

**Buda 4B Development Corporation**

Buda 4B Development Corporation (“EDC”) is a nonprofit corporation organized under the laws of the state of Texas to provide economic development in and for the benefit of the City. The City appoints the board of directors and approves the annual budget. EDC’s financial statements are presented discretely alongside the financial statements of the City.

**Dupre Local Government Corporation**

Dupre Local Government Corporation (“LGC”) was formed in May 2004. It is a nonprofit corporation organized under the laws of the state of Texas for the benefit of the City. LGC receives sales taxes and property taxes according to the agreement for the Tax Increment Reinvestment Zone-1 (“TIRZ-1”) among the City, Hays County, and Cabela’s, Inc. (“Cabela’s”). The City appoints the board of directors and approves the annual budget. LGC’s financial statements are presented discretely alongside the financial statements of the City.

Separately-issued audited financial statements are not issued for the discretely presented component units.

## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **A. Reporting Entity (continued)**

The City is an independent political subdivision of the State of Texas governed by an elected city council and a mayor and is considered a primary government. As required by U.S. generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are combined with data of the primary government. The City had no such blended component units. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the following discretely presented component units: the Buda 4B Development Corporation and the Dupre Local Government Corporation. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed above are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

##### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

## CITY OF BUDA, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 2 - Summary of Significant Accounting Policies (continued)

##### B. Government-wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major governmental funds are combined and reported in a separate column in the fund financial statements. The City has three proprietary funds.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus, as are the proprietary fund financial statements. The government-wide statements, proprietary fund statements, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

General property taxes are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivable have been recorded as deferred inflows of resources at year-end.

Property taxes collected within 60 days subsequent to September 30, 2016, have not been recorded as revenue as the amount is not considered material. Franchise taxes and sales taxes relating to underlying transactions that occurred prior to September 30, 2016, have been recorded as receivables and revenue. Licenses and permits and fines are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and parks and recreation.

The *Capital Projects Fund* is used to account for the accumulation of resources for the construction of capital projects through debt proceeds and other governmental activity resources.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The principal source of revenue for debt service is local property taxes.

## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

The City has three proprietary funds:

The *Water Fund* is used to account for operations of the water and the construction of related facilities. The *Wastewater Fund* accounts for the activities of the City's wastewater operations. The *Sanitation Fund* accounts for the activities of the City's sanitation service operations.

These funds are financed and operated in a manner similar to private business enterprises -- where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), impact fees and other City funds.

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

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 the proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund are charges to customers for sales and services. Operational expenses for the fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

Net position is categorized into three components – net investment in capital assets; restricted; and unrestricted. These classifications are as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

##### **D. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in privately managed public funds investment pools ("TexPool") and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows – proprietary funds, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **E. Investments**

Investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

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

##### **F. Receivable and Payable Balances**

The City believes sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. The City records an allowance for accounts older than 90 days.

##### **G. Interfund Activity**

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "internal balances" line of government-wide statement of net position.

##### **H. Inventories and Prepaid Items**

Inventories of the General and Enterprise Funds are valued at the lesser of cost (weighted moving average) or fair value. Inventories for all funds consist of expendable supplies held for consumption, and the cost thereof is recorded as an expense/expenditure at the time the inventory items are issued (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### **I. Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain, and equipment are capitalized and depreciated over the remaining useful lives of the related capital assets using the straight line method, as applicable.

**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**I. Capital Assets (continued)**

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	20-40 years
Infrastructure	10-40 years
Vehicles	2-15 years
Equipment	3-15 years

**J. Compensated Absences**

On the retirement or death of certain employees, the City pays accrued compensatory time up to 120 hours and vacation leave up to 160 hours in a lump-sum payment to such employee or his/her estate.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category.

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension activities - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **K. Deferred Outflows/Inflows of Resources (continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category.

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension activities - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

##### **L. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The City did not record an allowance for uncollectible taxes as of September 30, 2016.

In 2004, a Development Agreement was entered into among LGC, the City, Hays County, EDC, and Cabela's, related to the construction of a Cabela's retail facility in Buda, Texas. The agreement resulted in the creation of a TIRZ-1, which committed the City and Hays County to remit 100% of property taxes collected within the TIRZ-1 area, as defined by the agreement, to LGC.

##### **M. Sales Taxes**

Revenue from a 1.5% sales tax within the City is considered available when received by the Comptroller of Public Accounts and is accrued on a monthly basis based on information provided by the Comptroller of Public Accounts. The City receives allocations on a monthly basis. The Comptroller for the State of Texas collects and distributes these amounts to the appropriate governmental organization with funding normally occurring within 60 days from the date of the underlying sale. The amount reported is net of a 2% collection and distribution service fee withheld by the state of Texas.

The sales tax collection is allocated to the General Fund and EDC and LGC, the City's component units. Under a Definitive Agreement executed by Hays County, the City, EDC, and LGC, the sales tax must be allocated by the City and Hays County to EDC and LGC.

## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **M. Sales Taxes (continued)**

From the total imposed rate of 1.5% sales tax within the City, the City allocates 0.5% of the revenue to EDC after consideration (removal) for the TIRZ-1 portion and the Buda Annexation portion. The TIRZ-1 portion of the sales tax is also allocated as 0.5% to EDC and 1.0% to the City. Of the 0.5% given to EDC, the agreement states that 85.0% is to be transferred to LGC and 15.0% remains in EDC.

Of the 1% earned by the City, 56% is allocated to LGC and 44% remains in the City. Due to overlapping rates within the City's annexed portion (Park 35 Annex), the sales tax rate is 1% of the allowable sales tax available to the City when it entered the Annex. Therefore, the City and EDC split the earned sales tax within the annexed area.

Under the Definitive Agreement, Hays County is required to remit 1/3 of the earned sales tax within TIRZ-1.

##### **N. Use of Estimates**

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

##### **O. Bond Discounts/Premiums**

In governmental fund types, bond discounts and premiums are recognized in the current period and are deferred and amortized in the Government-wide Statement of Activities. Bond discounts and premiums for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method.

##### **P. Fund Equity**

In the fund financial statements, the City restricts or commits all or portions of fund equity in the various governmental fund financial statements. The unassigned fund balances for governmental funds represent the amount available for budgeting future operations. The restricted fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

*Non-spendable fund balance* – amounts that are not in spendable form or are legally or contractually required to be maintained intact.

*Restricted fund balance* – amounts that are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.



## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **P. Fund Equity (continued)**

*Committed fund balance* – amounts constrained for specific purposes as determined by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. City Council will approve obligations of funds, such as multiyear contracts, prior to the end of the fiscal year.

*Assigned fund balance* – amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Intent can be established by City Council or delegated to the City Manager.

*Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

Fund balances in the Municipal Court Technology Fund and Municipal Court Building Security Fund are restricted for public safety.

The City does not have a formal fund balance policy at this time.

Unrestricted net position for proprietary funds represents the net position available for future operations or distribution. Restricted net position for proprietary funds represents the net position that has been legally identified for specific purposes.

##### **Q. Revenues and Expenditures/Expenses**

In the fund financial statements revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Revenues and expenses in the Government-wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

##### **R. Post-employment Healthcare Benefits**

The City provides post-employment healthcare benefits mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs.

## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **S. Pensions**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

##### **T. Deficit Equity**

The Police Department Special Fund had deficit fund balance of \$121 thousand as of September 30, 2016.

The Internal Service Fund had deficit net position of \$12 thousand as of September 30, 2016. The deficit is due to the premiums and fees exceeding City and employee contributions in previous years.

The Dupre Local Government Corporation had deficit net position of \$37.5 million as of September 30, 2016. The deficit results from the component unit issuing debt and constructing or purchasing capital assets which are then conveyed to the primary government.

##### **U. New Accounting Standards**

In the current fiscal year, the City implemented the following new standards. The applicable provisions of these new standards are summarized here. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, clarifies the application of certain provisions of Statement No. 68 with regard to information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**U. New Accounting Standards (continued)**

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures include information about any limitations or restrictions on participant withdrawals.

**Note 3 - Deposits (Cash) and Investments**

The funds of the City, EDC, and LGC are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the agent bank approved pledged securities in an amount sufficient to protect funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

***Primary Government***

At September 30, 2016, the carrying amount of the City’s deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$70.9 million, and the bank balance totaled \$71.6 million. The City’s cash deposits as of and for the year ended September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the agent bank in the City’s name.

***Buda 4B Development Corporation***

At September 30, 2016, the carrying amount of EDC’s deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$846 thousand and the bank balance totaled \$900 thousand. EDC’s cash deposits as of and for the year ended September 30, 2016 were not entirely covered by FDIC insurance or by pledged collateral held by the agent bank in EDC’s name.

At September 30, 2016, the EDC had deposits of \$2.0 million with TexPool.

***Dupre Local Government Corporation***

At September 30, 2016, the carrying amount of LGC’s deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$834 thousand and the bank balance totaled \$780 thousand. LGC’s cash deposits as of and for the year ended September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the agent bank in LGC’s name.

**Restricted Cash and Cash Equivalents**

***Primary Government***

The City had cash and cash equivalents restricted for the following purposes at September 30, 2016:

	<b>Business-type</b>
	<b>Activities</b>
	<hr/>
Capital projects and other	\$ 261,830

## CITY OF BUDA, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 3 - Deposits (Cash) and Investments (continued)

##### Restricted Cash and Cash Equivalents (continued)

###### *EDC*

The EDC had cash and cash equivalents restricted for the following purposes at September 30, 2016:

Debt service	\$	161,176
Mortgage reserves		<u>300,154</u>
Total	\$	<u><u>461,330</u></u>

###### *LGC*

The LGC had cash and cash equivalents restricted for the following purposes at September 30, 2016:

Grant revenue fund	\$	54,043
Debt service - pledged revenue fund		777,934
Contract funds		<u>1,959</u>
Total	\$	<u><u>833,936</u></u>

##### Local Government Investment Pools

At September 30, 2016, the EDC had deposits of \$2.0 million with TexPool. The investment pool's investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act (PFIA) of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the City's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 3 - Deposits (Cash) and Investments (continued)**

##### **Local Government Investment Pools (continued)**

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

##### **Investments**

The City is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the United States Treasury, certain United States agencies, and the state of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts; and (10) common trust funds. City cash is required to be deposited in Federal Deposit Insurance Corporation (FDIC) insured banks. A pooled cash strategy is utilized which enables the City to have one central depository.

The City did not hold investments at September 30, 2016.

**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets**

A summary of activity for governmental activities and business-type activities capital assets for the year ended September 30, 2016, follows:

	<b>Balance 9/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2016</b>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 8,113,742	\$ 1,098,987	\$	9,212,729
Construction in progress	1,912,416	1,930,625		3,843,041
<b>Total capital assets, not being depreciated</b>	<b>10,026,158</b>	<b>3,029,612</b>		<b>13,055,770</b>
Capital assets being depreciated:				
Buildings and improvements	21,331,979			21,331,979
Infrastructure	47,644,950			47,644,950
Machinery and equipment	6,651,610	544,166		7,195,776
<b>Total capital assets being depreciated</b>	<b>75,628,539</b>	<b>544,166</b>		<b>76,172,705</b>
Less accumulated depreciation for:				
Buildings and improvements	(7,395,879)	(661,425)		(8,057,304)
Infrastructure	(12,578,956)	(211,791)		(12,790,747)
Machinery and equipment	(5,770,645)	(1,277,683)		(7,048,328)
<b>Total accumulated depreciation</b>	<b>(25,745,480)</b>	<b>(2,150,899)</b>		<b>(27,896,379)</b>
<b>Total capital assets being depreciated, net</b>	<b>49,883,059</b>	<b>(1,606,733)</b>		<b>48,276,326</b>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 59,909,217</b>	<b>\$ 1,422,879</b>	<b>\$</b>	<b>\$ 61,332,096</b>
	<b>Balance 9/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2016</b>
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 193,047	\$	\$	193,047
Construction in progress	4,908,076	1,699,378		6,607,454
<b>Total capital assets, not being depreciated</b>	<b>5,101,123</b>	<b>1,699,378</b>		<b>6,800,501</b>
Capital assets being depreciated:				
Buildings and improvements	153,995			153,995
Infrastructure	33,393,872	1,220,568		34,614,440
Machinery and equipment	6,249,387	323,648		6,573,035
<b>Total capital assets being depreciated</b>	<b>39,797,254</b>	<b>1,544,216</b>		<b>41,341,470</b>
Less accumulated depreciation for:				
Buildings and improvements	(58,091)	(6,601)		(64,692)
Infrastructure	(7,157,506)	(980,735)		(8,138,241)
Machinery and equipment	(3,667,908)	(292,575)		(3,960,483)
<b>Total accumulated depreciation</b>	<b>(10,883,505)</b>	<b>(1,279,911)</b>		<b>(12,163,416)</b>
<b>Total capital assets being depreciated, net</b>	<b>28,913,749</b>	<b>264,305</b>		<b>29,178,054</b>
<b>Business-type Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 34,014,872</b>	<b>\$ 1,963,683</b>	<b>\$</b>	<b>\$ 35,978,555</b>

Depreciation expense in the governmental activities was not allocated to the City's various functions.

**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets (continued)**

A summary of activity of EDC capital assets for the year ended September 30, 2016, follows:

	<b>Balance 9/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2016</b>
<b>EDC</b>				
Capital assets being depreciated:				
Buildings and improvements	\$ 8,400	\$	\$	\$ 8,400
Machinery and equipment	18,257			18,257
<b>Total capital assets being depreciated</b>	<u>26,657</u>			<u>26,657</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,400)			(8,400)
Machinery and equipment	(11,979)	(1,288)		(13,267)
<b>Total accumulated depreciation</b>	<u>(20,379)</u>	<u>(1,288)</u>		<u>(21,667)</u>
<b>Total capital assets being depreciated, net</b>	<u>6,278</u>	<u>(1,288)</u>		<u>4,990</u>
<b>EDC Capital Assets, Net</b>	<u>\$ 6,278</u>	<u>\$ (1,288)</u>	<u>\$</u>	<u>\$ 4,990</u>

**Note 5 - Long-Term Debt**

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for general government and enterprise fund activities. These instruments include general obligation bonds and certificates of obligation. General long-term bonds reported as the governmental activities are paid through the Debt Service Fund from tax revenues. Business-type activities long-term debt is paid from water and sewer system revenues. Business-type compensated absences are liquidated from the General Fund in the governmental activities and the enterprise funds in the business-type activities.

The City issued \$1,190,000 Combination Tax & Limited Revenue Certificates of Obligation, Series 2016 dated June 29, 2016. This issuance is reported in business-type activities. Proceeds from the certificates will be used for (1) constructing, improving and/or extending the City's waterworks and sewer system, including a connecting water line from FM 967 to the existing ground storage tank at Garlic Creek and increasing the pumping capacity at the Garlic Creek and Bonita Vista pump stations including the acquisition of any necessary easements or land, and (2) the payment of professional services in connection therewith including legal, fiscal and engineering fees and the costs of issuance in connection with the certificates.

The City issued \$41,150,000 of General Obligation Bonds, Series 2016 dated August 15, 2016. This issuance is reported in governmental activities. Proceeds from the bonds will be used for (i) constructing, improving, renovating and equipping a municipal facility; (ii) constructing, improving, renovating and equipping a public safety facility; (iii) constructing, improving, extending, expanding, upgrading and/or developing streets, roads, bridges and intersections; (iv) control of flooding, runoff and other drainage projects; and (v) constructing, acquiring, improving, renovating, equipping, and/or developing land, buildings and facilities for City park and recreational purposes; and (2) paying professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the bonds.

**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

The City issued \$3,655,000 of Combination Tax and Unlimited Revenue Certificates of Obligation, Series 2016A dated August 15, 2016. This issuance is reported in governmental activities. Proceeds from the certificates will be used for (1) site development, construction, expansion, extension and/or improvement costs related to the City's new Municipal Facility and Public Safety Facility buildings and site, including drainage and other site improvements, (2) development, construction, expansion, extension, equipping and/or improvement costs related to City buildings, structures or other improvements on such site, and (3) the payment of professional services in connection therewith including legal, fiscal and engineering fees and the costs of issuance in connection with the certificates.

During the year ended September 30, 2016, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General obligation bonds	\$ 11,285,000	\$ 41,150,000	\$ (1,510,000)	\$ 50,925,000	\$ 685,000
Certificates of obligation	9,240,000	3,655,000	(510,000)	12,385,000	675,000
Bond issuance premiums	376,289	5,038,680	(16,398)	5,398,571	
Capital leases		338,000	(42,108)	295,892	82,834
Compensated absences	264,119	33,963		298,082	
<b>Governmental Activities     Long-term Liabilities</b>	<b><u>\$ 21,165,408</u></b>	<b><u>\$ 50,215,643</u></b>	<b><u>\$ (2,078,506)</u></b>	<b><u>\$ 69,302,545</u></b>	<b><u>\$ 1,442,834</u></b>
<b>Business-Type Activities:</b>					
Bonds Payable:					
General obligation bonds	\$ 4,305,000		\$ (365,000)	\$ 3,940,000	\$ 375,000
Certificates of obligation	10,140,000	1,190,000	(480,000)	10,850,000	565,000
Capital leases	31,652		(31,652)		
Compensated absences	34,431	1,591		36,022	
<b>Business-type Activities     Long-term Liabilities</b>	<b><u>\$ 14,511,083</u></b>	<b><u>\$ 1,191,591</u></b>	<b><u>\$ (876,652)</u></b>	<b><u>\$ 14,826,022</u></b>	<b><u>\$ 940,000</u></b>
<b>EDC:</b>					
Bonds Payable:					
Revenue bonds	\$ 2,300,000		\$ (350,000)	\$ 1,950,000	\$ 175,000
<b>LGC:</b>					
Bonds Payable:					
Contract revenue bonds	\$ 30,570,000			\$ 30,570,000	



**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

The following is a summary of the terms of obligations of general obligation bonds and certificates of obligation outstanding as of September 30, 2016:

<b>Governmental Activities:</b>				<b>Maturity</b>	<b>Debt</b>
<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Date</u>	<u>Outstanding</u>	
<b>General Obligation Bonds</b>					
Refunding Bonds, Series 2008	3.39%	\$ 2,930,000	2024	\$ 1,625,000	
General Obligation Bonds, Series 2015	1.5% - 4.0%	9,430,000	2035	8,150,000	
General Obligation Bonds, Series 2016	2.0% - 5.0%	41,150,000	2040	41,150,000	
				<u>50,925,000</u>	
<b>Certificates of Obligation</b>					
Certificates of Obligation, Series 2006	4.45%	2,345,000	2026	1,100,000	
Certificates of Obligation, Series 2008	3.48%	6,120,000	2028	3,870,000	
Certificates of Obligation, Series 2011	1.5% - 4.0%	3,275,000	2030	470,000	
Certificates of Obligation, Series 2014	1.5% - 4.0%	4,445,000	2034	3,290,000	
Certificates of Obligation, Series 2016A	2.0% - 4.0%	3,655,000	2036	3,655,000	
				<u>12,385,000</u>	
<b>Total Governmental Activities</b>				<u>\$ 63,310,000</u>	

<b>Business-Type Activities:</b>				<b>Maturity</b>	<b>Debt</b>
<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Date</u>	<u>Outstanding</u>	
<b>General Obligation Bonds</b>					
Refunding Bonds, Series 2010	2.0 - 4.0%	\$ 4,305,000	2025	\$ 3,940,000	
<b>Certificates of Obligation</b>					
Certificates of Obligation, Series 2006	4.45%	2,345,000	2026	345,000	
Certificates of Obligation, Series 2010	3.0% - 4.0%	3,560,000	2029	2,720,000	
Certificates of Obligation, Series 2011	1.5% - 4.0%	3,275,000	2030	2,190,000	
Certificates of Obligation, Series 2014A	1.5% - 4.0%	4,445,000	2034	945,000	
Certificates of Obligation, Series 2014A	2.89%	3,605,000	2034	3,460,000	
Certificates of Obligation, Series 2016	2.29%	1,190,000	2031	1,190,000	
				<u>10,850,000</u>	
<b>Total Business-Type Activities</b>				<u>\$ 14,790,000</u>	

<b>EDC:</b>				<b>Maturity</b>	<b>Debt</b>
<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Date</u>	<u>Outstanding</u>	
<b>Revenue Bonds</b>					
Revenue and Refunding Bonds, Series 2006	3.35%	\$ 3,500,000	2025	\$ 1,950,000	

<b>LGC:</b>				<b>Maturity</b>	<b>Debt</b>
<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Date</u>	<u>Outstanding</u>	
<b>Contract Revenue Bonds</b>					
Revenue Bonds, Series 2004	4.75%	\$ 31,750,100	2028	\$ 30,570,000	

**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

Annual debt service requirements to retire outstanding general obligation bonds and certificates of obligation are as follows:

Year Ending September 30,	Governmental Activities			Governmental Activities		
	General Obligation Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 685,000	\$ 1,749,008	\$ 2,434,008	\$ 675,000	\$ 396,963	\$ 1,071,963
2018	1,080,000	1,852,972	2,932,972	685,000	386,340	1,071,340
2019	1,210,000	1,827,105	3,037,105	705,000	366,055	1,071,055
2020	1,250,000	1,794,080	3,044,080	725,000	344,800	1,069,800
2021	1,275,000	1,761,411	3,036,411	750,000	322,788	1,072,788
2022-2026	6,950,000	8,226,082	15,176,082	4,125,000	1,246,570	5,371,570
2027-2031	10,400,000	6,667,981	17,067,981	2,875,000	606,237	3,481,237
2032-2036	14,075,000	4,439,116	18,514,116	1,845,000	195,235	2,040,235
2037-2041	14,000,000	1,427,600	15,427,600			
	<u>\$ 50,925,000</u>	<u>\$ 29,745,355</u>	<u>\$ 80,670,355</u>	<u>\$ 12,385,000</u>	<u>\$ 3,864,988</u>	<u>\$ 16,249,988</u>

	Business-Type Activities			Business-Type Activities		
	General Obligation Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 375,000	\$ 131,238	\$ 506,238	\$ 565,000	\$ 347,073	\$ 912,073
2018	390,000	119,988	509,988	595,000	328,695	923,695
2019	405,000	108,288	513,288	610,000	312,697	922,697
2020	425,000	96,138	521,138	630,000	294,485	924,485
2021	435,000	82,856	517,856	655,000	275,504	930,504
2022-2026	1,910,000	177,144	2,087,144	3,615,000	1,044,592	4,659,592
2027-2031				3,280,000	428,766	3,708,766
2032-2036				900,000	67,710	967,710
	<u>\$ 3,940,000</u>	<u>\$ 715,652</u>	<u>\$ 4,655,652</u>	<u>\$ 10,850,000</u>	<u>\$ 3,099,522</u>	<u>\$ 13,949,522</u>

	EDC		
	Revenue Bonds		
	Principal	Interest	Total
2017	\$	\$	\$
2018	180,000	63,818	243,818
2019	205,000	57,620	262,620
2020	205,000	50,753	255,753
2021	215,000	43,801	258,801
2022-2026	1,145,000	99,328	1,244,328
	<u>\$ 1,950,000</u>	<u>\$ 315,320</u>	<u>\$ 2,265,320</u>

**Legal Compliance**

A number of limitations and restrictions are contained in the various bond ordinances. The City has complied with all significant limitations and restrictions.

**Capital Leases**

During the year ended September 30, 2016 the City entered into a lease purchase agreement for the acquisition of equipment costing \$338,000. The lease is for a period of five years with semiannual payments at a stated interest rate of 1.625%. Interest paid on this lease was \$2,654 for the year ended September 30, 2016.

**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**Capital Leases (continued)**

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments, as of September 30, 2016:

<u>Fiscal Year</u>		
2017	\$	87,139
2018		87,139
2019		87,139
2020		<u>43,569</u>
Total	\$	304,986
Less interest portion		<u>(9,094)</u>
Capital lease obligation	\$	<u><u>295,892</u></u>

The assets acquired through capital lease are as follows:

Assets:		
Equipment	\$	251,432
Vehicles		<u>85,376</u>
	\$	<u><u>336,808</u></u>

**Note 6 - Interfund Transactions**

Amounts recorded as interfund receivables and payables are considered to be temporary loans and will be repaid during the following fiscal year. The composition of interfund balances as of September 30, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>			<u>Total</u>
	Police Department Special Fund	Sanitation Fund	Internal Service Fund	
General Fund	\$ 121,450	\$ 115,831	\$ 12,191	\$ 249,472
	<u>\$ 121,450</u>	<u>\$ 115,831</u>	<u>\$ 12,191</u>	<u>\$ 249,472</u>

**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Employee Retirement System**

***Texas Municipal Retirement System***

**Plan Description and Provisions**

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

A summary of plan provisions for the City are as follows:

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
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
Supplemental death benefit – employees and retirees:	Yes

**Benefits Provided**

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

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

On the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Employee Retirement System (continued)**

**Benefits Provided (continued)**

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

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	28
Active employees	<u>74</u>
Total	114

**Contributions**

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2016, the City made contributions of 10.23% for the months in 2015 and 13.66% for the months in 2016.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Employee Retirement System (continued)**

**Actuarial Assumptions (continued)**

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	17.5%
International Equity	17.5%
Core Fixed Income	10.0%
Non-core Fixed Income	20.0%
Real Return	10.0%
Real Estate	10.0%
Absolute Return	10.0%
Private Equity	5.0%
Total	<u>100.0%</u>

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 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.

**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Employee Retirement System (continued)**

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

<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
\$3,026,068	\$1,823,431	\$ 858,143

**Changes in the Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 5,807,281	\$ 4,716,529	\$ 1,090,752
Changes for the year:			
Service Cost	693,940		693,940
Interest	426,750		426,750
Difference between expected and actual experience	201,662		201,662
Changes in assumptions	61,713		61,713
Contributions - employer		385,256	(385,256)
Contributions - employee		263,617	(263,617)
Net Investment income		6,962	(6,962)
Benefit payments, including refunds, of employee contributions	(115,633)	(115,633)	
Administrative expense		(4,239)	4,239
Other changes		(209)	209
Net changes	<u>1,268,432</u>	<u>535,754</u>	<u>732,678</u>
Balance at 12/31/2015	<u>\$ 7,075,713</u>	<u>\$ 5,252,283</u>	<u>\$ 1,823,430</u>

Plan fiduciary net position as a percentage of total pension liability 74.23%

**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Employee Retirement System (continued)**

**Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2016, the City recognized pension expense of \$790,731.

At September 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actuarial assumptions and actual experience	\$ 147,049	\$
Differences between projects and actual investment earnings	1,759,337	74,831
Contributions subsequent to the measurement date	<u>422,556</u>	
Total	<u>\$ 2,328,942</u>	<u>\$ 74,831</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$422,556 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016 (i.e. recognized in the City's financial statements September 30, 2017). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2017	\$ 460,279
2018	460,279
2019	460,277
2020	449,894
2021	<u>826</u>
Total	<u>\$ 1,831,555</u>



**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Supplemental Death Benefits Fund**

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

	<u>Plan Year 2015</u>	<u>Plan Year 2016</u>
The City offers supplemental death to:		
Active employees	Yes	Yes
Retirees	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014 were \$6,192, \$8,417 and \$4,925 respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates**

(Retiree-only portion of the rate, for OPEB)

<b>Plan/Calendar Year</b>	<b>Annual Required Contribution (Rate)</b>	<b>Actual Contribution Made (Rate)</b>	<b>Percentage of ARC Contributed</b>
2013	0.02%	0.02%	100%
2014	0.02%	0.02%	100%
2015	0.02%	0.02%	100%

## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 9 - Commitments and Contingencies**

##### **Litigation and Other Contingencies**

The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

#### **Note 10 - Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the state as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will re-insure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of re-insurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year, and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

#### **Note 11 - Related Party Transactions**

Each year the City pays a portion of its sales tax to EDC in accordance with a Definitive Agreement (in accordance with state laws governing 4B development corporations). The City remitted a total of \$1,951,121 in sales taxes during the fiscal year ended September 30, 2016. The remitted amount represents 0.5% of the total tax rate of 1.5%.

In accordance with a Definitive Agreement, the City and EDC remit a portion of sales tax collections to LGC, earned from businesses operating with the TIRZ-1, in accordance with the Development Agreement entered into among the City, EDC, Hays County, and LGC for the construction of the Cabela's retail facility. The sales tax received by LGC is used to pay principal and interest on LGC's Contract Revenue Bonds, Series 2004. During the year ended September 30, 2016, the City remitted \$337,116 in sales tax to LGC. EDC remitted \$255,847 and Hays County remitted \$99,329 in sales tax to LGC during the year ended September 30, 2016.

The City also pays to LGC a portion of its hotel/motel taxes earned on hotels/motels operating with TIRZ-1. During the year ended September 30, 2016, the City paid \$118,436 in hotel/motel taxes to LGC.

In accordance with the Development Agreement among the City, EDC, and Hays County, and LGC, the City owes LGC \$79,146, EDC owes LGC \$60,066, and LGC is due \$23,320 from Hays County in property taxes earned from property in TIRZ-1 to LGC. The taxes are used to pay principal and interest on LGC's Contract Revenue Bonds, Series 2004. In accordance with the Development Agreement, LGC has service the Contract Revenue Bonds, Series 2004 and has paid Cabela's \$3,151,803 since inception for additional liabilities incurred under the Development Agreement.

**CITY OF BUDA, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 11 - Related Party Transactions (continued)**

The City pays for EDC's employees' payroll and benefit costs, as well as various operating costs of EDC from time to time. During the year, EDC reimburses the City for operating, payroll, and employee benefit costs paid by the City.

**Note 12 - Cabela's Project**

In 2004, a Development Agreement was entered into among LGC, the City, Hays County, EDC, and Cabela's related to the construction of a Cabela's retail facility in Buda, Texas. In addition to the retail facility, the Development Agreement called for the construction and development of public museum facilities and public infrastructure ("public facilities"). LGC issued bonds in 2004 in the total principal amount of \$31,725,000 to pay the projected costs of the public facilities and the cost of the issuance of the bonds. LGC was to finance or reimburse the developer, Cabela's, Inc., for the costs of the public facilities from the proceeds of the bonds. No portion of the costs of the retail facility was financed with the proceeds of the bonds. The bonds constitute valid, legally binding, and enforceable special revenue obligations of LGC. Such bonds shall be payable only from pledged revenue received from tax increments (TIRZ-1 revenues), which are generated in the TIRZ-1 and from certain grant revenues paid by the City, EDC, and Hays County, subject to annual appropriations, pursuant to grant agreements among these entities, and LGC. The holders of the bonds shall never have the right to demand payment out of money raised or to be raised by taxation, other than from the pledged revenues.

Upon completion of the construction, the City accepted ownership of the public facilities. The City maintains the public infrastructure and has a management agreement with Cabela's for the management of the public museum facilities and related common areas. The management fees are deferred until such time Cabela's exercises its option to purchase the public museum facilities from the City, which may occur upon the earlier of the (1) 25th anniversary of the completion date or (2) the repayment of all outstanding public facilities bonds.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BUDA, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

*For the Year Ended September 30, 2016*

	2016			Variance Positive (Negative)	2015
	Original Budget	Final Budget	Actual		Actual
<b>Revenues</b>					
Taxes:					
Property taxes	\$ 1,404,158	\$ 1,404,158	\$ 1,428,607	\$ 24,449	\$ 1,501,183
Sales and use taxes	5,625,196	5,625,196	5,761,207	136,011	5,272,941
Franchise taxes	495,000	495,000	535,319	40,319	506,924
Fees and charges for services	1,443,175	1,443,175	1,410,919	(32,256)	1,350,494
Grant and contributions	30,000	30,000	30,000		30,000
Investment earnings			49,395	49,395	39,190
Miscellaneous	30,500	30,500	171,891	141,391	217,583
<b>Total Revenues</b>	<b>9,028,029</b>	<b>9,028,029</b>	<b>9,387,338</b>	<b>359,309</b>	<b>8,918,315</b>
<b>Expenditures</b>					
Current:					
Administration	1,678,214	1,678,214	1,621,675	56,539	1,384,556
Finance	579,630	579,630	624,354	(44,724)	468,891
Streets and Drainage	737,635	737,635	928,308	(190,673)	3,323,876
Engineering and Planning	1,089,224	1,089,224	1,289,108	(199,884)	1,191,654
Fleet Maintenance	119,162	119,162	146,154	(26,992)	108,262
Parks and Recreation	611,467	611,467	677,381	(65,914)	581,147
Library	469,155	469,155	451,649	17,506	391,303
Economic Development	194,844	194,844	193,556	1,288	195,323
Public Safety	1,580,731	1,580,731	1,603,769	(23,038)	1,456,785
Municipal Court	116,873	116,873	125,467	(8,594)	125,949
Animal Control	81,400	81,400	81,304	96	77,050
Information Technology	341,300	341,300	342,973	(1,673)	167,692
Debt Service:					
Principal	88,067	88,067	57,495	30,572	
Interest and other charges	11,070	11,070	1,085	9,985	1,881
<b>Total Expenditures</b>	<b>7,698,772</b>	<b>7,698,772</b>	<b>8,144,278</b>	<b>(445,506)</b>	<b>9,474,369</b>
<b>Revenues over (under) expenditures</b>	<b>1,329,257</b>	<b>1,329,257</b>	<b>1,243,060</b>	<b>(86,197)</b>	<b>(556,054)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	551,971	551,971	634,370	82,399	509,574
Capital lease			338,000	338,000	
TIRZ-1 sales tax payment	(1,881,228)	(1,881,228)	(1,951,121)	(69,893)	(1,811,609)
<b>Total other financing sources (uses)</b>	<b>(1,329,257)</b>	<b>(1,329,257)</b>	<b>(978,751)</b>	<b>268,107</b>	<b>(1,302,035)</b>
Changes in fund balance			264,309	181,910	(1,858,089)
<b>Fund Balances - Beginning of Year</b>	<b>3,819,695</b>	<b>3,819,695</b>	<b>3,819,695</b>		<b>5,677,784</b>
<b>Fund Balances - End of Year</b>	<b>\$ 3,819,695</b>	<b>\$ 3,819,695</b>	<b>\$ 4,084,004</b>	<b>\$ 264,309</b>	<b>\$ 3,819,695</b>

**CITY OF BUDA, TEXAS**

**NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION**

*Year ended September 30, 2016*

**General Budget Policies**

An annual appropriated budget is adopted for the general fund. The original budget is adopted by the City Council prior to the beginning of the fiscal year. Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in the total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time on the fiscal year, the Commission may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The City Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

**Budgetary Compliance**

The City had expenditures exceed appropriations in following General Fund functions:

Finance	\$(44,724)
Streets and Drainage	(190,673)
Engineering and Planning	(199,884)
Fleet Maintenance	(26,992)
Parks and Recreation	(65,914)
Public Safety	(23,038)
Municipal Court	(8,594)
Information Technology	(1,673)

**CITY OF BUDA, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
*September 30, 2016*

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**Schedule of Changes in Net Pension Liability and Related Ratios**

	<b>Measurement Year 2015</b>	<b>Measurement Year 2014</b>
Total pension liability:		
Service cost	\$ 693,940	\$ 546,167
Interest	426,750	358,890
Difference between expected and actual experience	201,662	115,892
Change in assumptions	61,713	
Benefit payments, including refunds of employee contributions	<u>(115,633)</u>	<u>(135,156)</u>
Net change in total pension liability	1,268,432	885,793
Total pension liability - beginning	<u>5,807,281</u>	<u>4,921,488</u>
Total pension liability - ending (a)	<u><u>\$ 7,075,713</u></u>	<u><u>\$ 5,807,281</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 385,256	\$ 325,571
Contributions - employee	263,617	228,814
Net investment income	6,962	232,778
Benefit payments, including refunds of employee contributions	(115,633)	(135,156)
Administrative expense	(4,239)	(2,429)
Other	<u>(210)</u>	<u>(200)</u>
Net change in plan fiduciary net position	535,753	649,378
Plan fiduciary net position - beginning	<u>4,716,529</u>	<u>4,067,151</u>
Plan fiduciary net position - ending (b)	<u><u>5,252,282</u></u>	<u><u>4,716,529</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 1,823,431</u></u>	<u><u>\$ 1,090,752</u></u>
Plan fiduciary net position as a percentage of total pension liability	74.23%	81.22%
Covered employee payroll (measurement year)	\$ 4,239,326	\$ 3,268,778
Net pension liability as a percentage of covered employee payroll	43.01%	33.37%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.



**CITY OF BUDA, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
*September 30, 2016*

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**

**Schedule of Contributions**

**Last Two Fiscal Years**

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 422,556	\$ 368,785
Contribution in relation of the actuarially determined contribution	<u>422,556</u>	<u>368,785</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll (fiscal year)	4,239,326	3,584,210
Contributions as a percentage of covered employee payroll	9.97%	10.29%

**Notes to Required Supplementary Information:**

Valuation Date: Actuarial determined contribution rates are calculated as of December 31<sup>st</sup> each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	30 years
Asset Valuation Method:	10 Year smoothed market; 15% soft corridor
Inflation:	2.75%
Salary Increases:	3.50% to 10.5% including inflation
Investment Rate of Return:	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

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**COMBINING FUND STATEMENTS**

**CITY OF BUDA, TEXAS**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
*September 30, 2016*

	<u>Hotel/Motel Tax</u>	<u>Parks Fees</u>	<u>Library Grants</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 926,510	\$ 391,964	\$ 26,650
<b>Total Assets</b>	<u>\$ 926,510</u>	<u>\$ 391,964</u>	<u>\$ 26,650</u>
<b>Liabilities</b>			
Accounts payable	7,911		1,041
Accrued expenses	5,905		
Due to other funds			
<b>Total Liabilities</b>	<u>13,816</u>		<u>1,041</u>
<b>Fund Balances</b>			
Restricted:			
Public safety			
Tourism	912,694		
Assigned:			
Parks		391,964	
Library			25,609
Unassigned			
<b>Total Fund Balances</b>	<u>912,694</u>	<u>391,964</u>	<u>25,609</u>
<b>Total Liabilities</b>			
<b>and Fund Balances</b>	<u>\$ 926,510</u>	<u>\$ 391,964</u>	<u>\$ 26,650</u>

<b>Police Department Special Fund</b>	<b>Municipal Court Technology</b>	<b>Municipal Court Building Security</b>	<b>Total Non- Major Governmental Funds</b>
\$	\$ 27,111	\$ 23,081	\$ 1,395,316
\$	\$ 27,111	\$ 23,081	\$ 1,395,316
			8,952
			5,905
121,450			121,450
121,450			136,307
	27,111	23,081	50,192
			912,694
			391,964
			25,609
(121,450)			(121,450)
(121,450)	27,111	23,081	1,259,009
\$	\$ 27,111	\$ 23,081	\$ 1,395,316

**CITY OF BUDA, TEXAS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	<u>Hotel/Motel Tax</u>	<u>Parks Fees</u>	<u>Library Grants</u>
<b>Revenues</b>			
Taxes:			
Hotel occupancy taxes	\$ 647,022	\$	\$
Fees and charges for services			
Grant and contributions		144,688	16,355
Investment earnings	217		
<b>Total Revenues</b>	<u>647,239</u>	<u>144,688</u>	<u>16,355</u>
<b>Expenditures</b>			
Current:			
Parks and Recreation	378,547	376,324	
Library			20,041
Public Safety			
Municipal Court			
<b>Total Expenditures</b>	<u>378,547</u>	<u>376,324</u>	<u>20,041</u>
Revenues over (under) expenditures	<u>268,692</u>	<u>(231,636)</u>	<u>(3,686)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in			
Transfers out			
<b>Total Other Financing Sources (Uses)</b>			
Net changes in fund balances	268,692	(231,636)	(3,686)
<b>Fund Balances - Beginning of Year</b>	<u>644,002</u>	<u>623,600</u>	<u>29,295</u>
<b>Fund Balances - End of Year</b>	<u>\$ 912,694</u>	<u>\$ 391,964</u>	<u>\$ 25,609</u>

<b>Police Department Special Fund</b>	<b>Municipal Court Technology</b>	<b>Municipal Court Building Security</b>	<b>Total Non- Major Governmental Funds</b>
\$	\$	\$	\$
	5,748	4,312	647,022
			10,060
			161,043
			217
	5,748	4,312	818,342
			754,871
			20,041
1,575			1,575
	200		200
1,575	200		776,687
(1,575)	5,548	4,312	41,655
	21,563	18,769	40,332
(119,875)			(119,875)
(119,875)	21,563	18,769	(79,543)
(121,450)	27,111	23,081	(37,888)
			1,296,897
\$ (121,450)	\$ 27,111	\$ 23,081	\$ 1,259,009

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