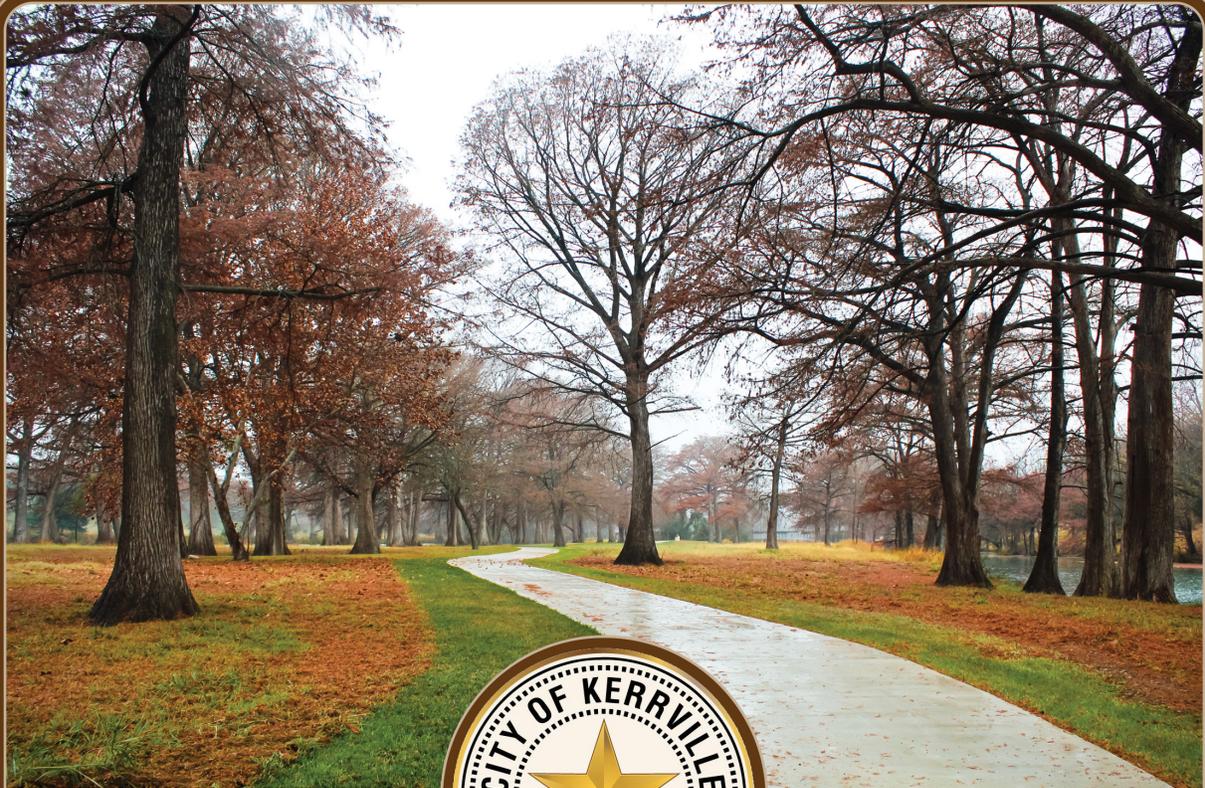


CITY OF KERRVILLE, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2014



City of Kerrville, Texas

Comprehensive Annual Financial Report

Year Ended September 30, 2014

**Prepared by City of Kerrville, Texas
Finance Department**

Sandra Yarbrough, Director of Finance



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City of Kerrville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2014

Table of Contents

	<u>Page</u>	<u>Exhibit/Table</u>
Introductory Section		
Letter of Transmittal	1	
GFOA Certificate of Achievement for Excellence in Financial Reporting	5	
Organization Chart.....	6	
List of Principal Officials.....	7	
Financial Section		
Independent Auditor’s Report.....	8	
Management’s Discussion and Analysis.....	11	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position	19	Exhibit A-1
Statement of Activities.....	20	Exhibit A-2
Fund Financial Statements:		
Balance Sheet – Governmental Funds	22	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	23	Exhibit A-4
Statement of Revenues, Expenditures and Changes in		
Fund Balances – Governmental Funds	24	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities	25	Exhibit A-6
Statement of Net Position – Proprietary Funds.....	26	Exhibit A-7
Statement of Revenues, Expenses and Changes in		
Net Position – Proprietary Funds.....	28	Exhibit A-8
Statement of Cash Flows – Proprietary Funds.....	29	Exhibit A-9
Statements of Net Position – Component Units.....	30	Exhibit A-10
Statements of Activities – Component Units.....	31	Exhibit A-11
Notes to Basic Financial Statements	32	
<u>Required Supplementary Information</u>		
Schedule of Funding Progress.....	57	Exhibit B-1
Schedule of Revenues, Expenditures and Changes in Fund		
Balances – Budget and Actual (General Fund)	58	Exhibit B-2
Notes to Required Supplementary Information	60	

City of Kerrville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2014

Table of Contents

	Page	Exhibit/Table
<u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information</u>		
Combining Balance Sheet – Nonmajor Governmental Funds	63	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	65	Exhibit C-2
<u>Budgetary Comparison Schedules</u>		
Special Revenue Funds:		
Library Memorial	67	Exhibit C-3
Hotel Reserve	68	Exhibit C-4
Hotel/Motel Tax	69	Exhibit C-5
History Center	70	Exhibit C-6
Debt Service Fund	71	Exhibit C-7
<u>Internal Service Funds</u>		
Combining Statement of Net Position	72	Exhibit C-8
Combining Statement of Revenues, Expenses and Changes in Net Position	73	Exhibit C-9
Combining Statement of Cash Flows	74	Exhibit C-10
<u>Economic Improvement Corporation</u>		
Balance Sheet	75	Exhibit C-11
Statement of Revenues, Expenditures and Changes in Fund Balance	76	Exhibit C-12
Statistical Section		
Net Position by Component	77	Table D-1
Expenses, Program Revenues and Net (Expense) Revenue	78	Table D-2
General Revenues and Total Change in Net Position	80	Table D-3
Fund Balances of Governmental Funds	82	Table D-4
Changes in Fund Balances of Governmental Funds	83	Table D-5
Tax Revenues by Source, Governmental Funds	85	Table D-6
Assessed Value and Estimated Actual Value of Taxable Property	86	Table D-7
Direct and Overlapping Property Tax Rates	87	Table D-8
Principal Property Tax Payers	88	Table D-9

City of Kerrville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2014

Table of Contents

	<u>Page</u>	<u>Exhibit/Table</u>
Property Tax Levies and Collections	89	Table D-10
Taxable Sales by Category	90	Table D-11
Ratios of Outstanding Debt by Type	92	Table D-12
Ratios of General Bonded Debt Outstanding	93	Table D-13
Direct and Overlapping Governmental Activities Debt	94	Table D-14
Legal Debt Margin Information	95	Table D-15
Pledged-Revenue Coverage	96	Table D-16
Demographic and Economic Statistics	97	Table D-17
Principal Employers – Kerr County	98	Table D-18
Full-Time-Equivalent Employees by Function/Program	99	Table D-19
Operating Indicators by Function/Program	101	Table D-20
Capital Asset Statistics by Function/Program	102	Table D-21



Introductory Section



City of Kerrville
Finance
800 Junction Hwy
Kerrville, Texas 78028
www.kerrvilletx.gov

Letter of Transmittal

February 18, 2015

Honorable Mayor and City Council
and Citizens of Kerrville, Texas:

The Comprehensive Annual Financial Report for the City of Kerrville, Texas (the City or Kerrville) for the fiscal year ended September 30, 2014, is hereby submitted. This report was prepared through the cooperative effort of the Finance Department and the City's independent auditor, in accordance with Section 103.001 of the Texas Local Government Code and Article VIII, Section 8.08 of the Charter of the City of Kerrville. The purpose of the report is to provide the City Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

The full responsibility for the accuracy and reliability of the data, as well as completeness and fairness of this report, including all disclosures, rests with City management. The City has established and maintains a system of internal accounting controls designed in part to provide a reasonable assurance that assets are safeguarded against loss, theft, or unauthorized use, and that financial records can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed the benefits likely to be derived. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

BKD, LLP, Certified Public Accountants, has issued an unmodified opinion on the City's financial statements for the year ended September 30, 2014. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended September 30, 2014, and that the financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Also included in the financial section is management's discussion and analysis (MD&A), which provides users of the basic financial statements a narrative introduction, overview and analysis of the basic financial statements. The basic financial statements, including the accompanying notes, represent the core of the financial section. These financial statements present the financial condition of the City as a single entity, as well as the individual funds that account for the City's various governmental and business-type activities. This transmittal letter is designed to complement the MD&A, and should be read in conjunction with it.

Profile of the Government

The City of Kerrville is the county seat and principal commercial center of Kerr County, Texas. It is located approximately 65 miles northwest of San Antonio on U.S. Interstate 10. Principal industries in the community include hospitality (made up of tourism, youth camps, retreat facilities, RV parks and hunting), health care, jewelry, retail and manufacturing.

The City continues to experience steady increases in population. The official census populations for 2000 and 2010 were 20,425 and 22,838, respectively. The January 2014 population estimate was 23,558, representing an increase of 3,133 (15%) over 2000 and 703 (3%) increase since 2010.

For financial reporting purposes, the City is a primary government. As previously mentioned, the City's governing body is elected by the citizens of Kerrville. This report includes all organizations and activities for which the elected officials exercise financial control. The City is legally responsible for the Kerrville Economic Improvement Corporation (EIC) which is reported separately within the government-wide financial statements of the City along with the Kerrville Public Utility Board for which the City appoints all board members.

The City provides a full range of municipal services including general government, public safety (police and fire), streets, parks and recreation, community development, planning and zoning, code enforcement, a public library, emergency medical services and business-type activities, such as water and sewer and golf. Sanitation collection services are provided through private contractors; non-residential customers contract with the collection firm of their choice, while residential customers contract through the City with collection fees added to their municipal water and sewer bills.

The annual budget of the City serves as the foundation for its financial planning and control. The budget is proposed by the City Manager and adopted by the City Council in accordance with policies and procedures established by the City Charter, State Law, Council ordinances and policies. The budget is prepared and presented by fund (e.g., general fund), department (e.g., police) or function (e.g., debt service) and line items (e.g., salaries and wages). The fund level is the legal level of control for budget expenditures. The budgetary process begins each year with a City Council planning retreat where priorities are set for the budget. Next, the City's Finance Department prepares revenue estimates and budget instructions. Then, each City Department prepares expenditure estimates and requests. Estimates and requests are reviewed by the City Manager, and evaluated within the total financial framework of the City. The City Manager makes final decisions as to what budget recommendations are submitted to the City Council. The City Charter requires that a working copy of the budget be filed with the City Clerk no later than July 31. The City Manager's proposed budget is reviewed extensively by the City Council, along with a final public review process, including two required public hearings prior to budget adoption. The City Charter requires adoption of the City budget no later than September 30.

Budgetary reporting is provided at the department level within the individual fund. Transfers of budget appropriations within departments may occur with the approval of the City Manager provided there is not an increase in overall expenditures. Transfers of budget appropriations between funds as well as any increase in total appropriations require City Council approval.

Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds (if any), this comparison is presented as required in the required supplementary information section of this report.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. Several small manufacturing firms are located in the Kerrville area, as well as a variety of commercial establishments, restaurants, building supply stores, retail shops, banks and supermarkets. Sales tax revenues have been steadily increasing since 2011. The unemployment rate of 4.8% continues to remain below state and national averages.

Kerrville's economic future continues to look bright. Downtown Kerrville is prospering following the opening of a new City Hall plus renovations to the historic Schreiner Goods building and library all completed in 2012. Schreiner University continues to expand with increased enrollment and a new Athletics and Events Center that opened in January 2015. Major park renovations at our City's centrally located Louise Hays Park and the completion of a six mile long river trail running from Kerrville Schreiner Park through town are on schedule for a 2015 completion. The Kerrville Economic Improvement Corporation has approved funding to build a youth sports athletic complex as well as provide economic incentives for James Avery Craftsman to build a new manufacturing facility in Kerrville. Both projects should begin in 2015. Additionally, the City is proactively improving its infrastructure through numerous water and sewer projects and innovative water management.

Representatives of the City along with other community leaders continue to encourage development of this area to attract light, clean industry. The quality of life found in Kerrville is especially attractive to retirees, who provide a strong, stable economic base and active community involvement. In recent years, Kerrville has seen an increase in younger families moving into the community to fill jobs in Kerrville's expanding service industry. These factors, along with a continuing effort to bolster our economic base, are expected to result in continued economic improvement during the coming years.

Long-term Financial Planning

The City's fund balance reserve policy sets the minimum reserve at 25% for each fund, which exceeds the Government Finance Officers Association of the United States and Canada (GFOA) recommended best practice minimum of 15%. GFOA recommends that "general-purpose governments, regardless of size, maintain unassigned fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." This policy allows the City to better weather economic downturns and strategically handle contingencies and unforeseen emergencies. The City's General Fund's unassigned fund balance is approximately \$5.97 million or 27% of General Fund operating expenditures as of September 30, 2014. In addition, the City uses a five-year forecast in its budget process to guide decisions and assist in policy. The long range view allows the City to plan appropriately for the future impact of current decisions.

The City maintains a five-year capital improvement program (CIP), with all planned capital projects reviewed annually by the City staff and City Council. This annual review allows the City to change and adjust priorities by responding to changing growth patterns, economic conditions, or federal and state mandates. The CIP is used exclusively as a planning tool, and therefore does not commit the City to any project or project funding. The intent of the CIP is for the City staff to identify specific capital improvements needed during the subsequent five years and to project affordability (five-year forecast). The CIP is not a capital budget, and as such provides only recommended projects and the means of financing the improvements. Recommended improvements are not approved until official action has been taken by the City Council.

The CIP presented in the fiscal year 2015 budget book identified over \$36 million of capital improvements already in progress with approved funding. In addition, the CIP lists \$30.7 million of new projects during the next five years. This list focuses on significant improvements to the water and sewer infrastructure including the construction of a reuse pond and major improvements in water storage and wastewater treatment facilities. The City anticipates funding these improvements with both cash (53%) and debt (47%). Debt obligations include both self-supporting debt (e.g., water and sewer improvements) and general obligation debt (e.g., street and drainage improvements). This CIP was reviewed and updated in the fiscal year 2015 budget process to ensure consistency with current economic trends and City needs.

Awards and Acknowledgements

GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2013, and a reproduction of the certificate is included in this report. The City has received a Certificate of Achievement for 30 consecutive fiscal years (fiscal year 1984 through fiscal year 2013).

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which must conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for the period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. Many individuals devoted extra hours and exhibited dedicated effort in ensuring the accuracy and timeliness of this report. Appreciation is expressed to the City employees throughout the organization, especially those responsible for the maintenance of records upon which this report is based.

Acknowledgment and appreciation is also given to representatives of **BKD, LLP**, Certified Public Accountants, for their dedicated assistance and input into the preparation of this report.

Finally, our appreciation is extended to the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Todd Parton
City Manager



Sandra Yarbrough
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Kerrville
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

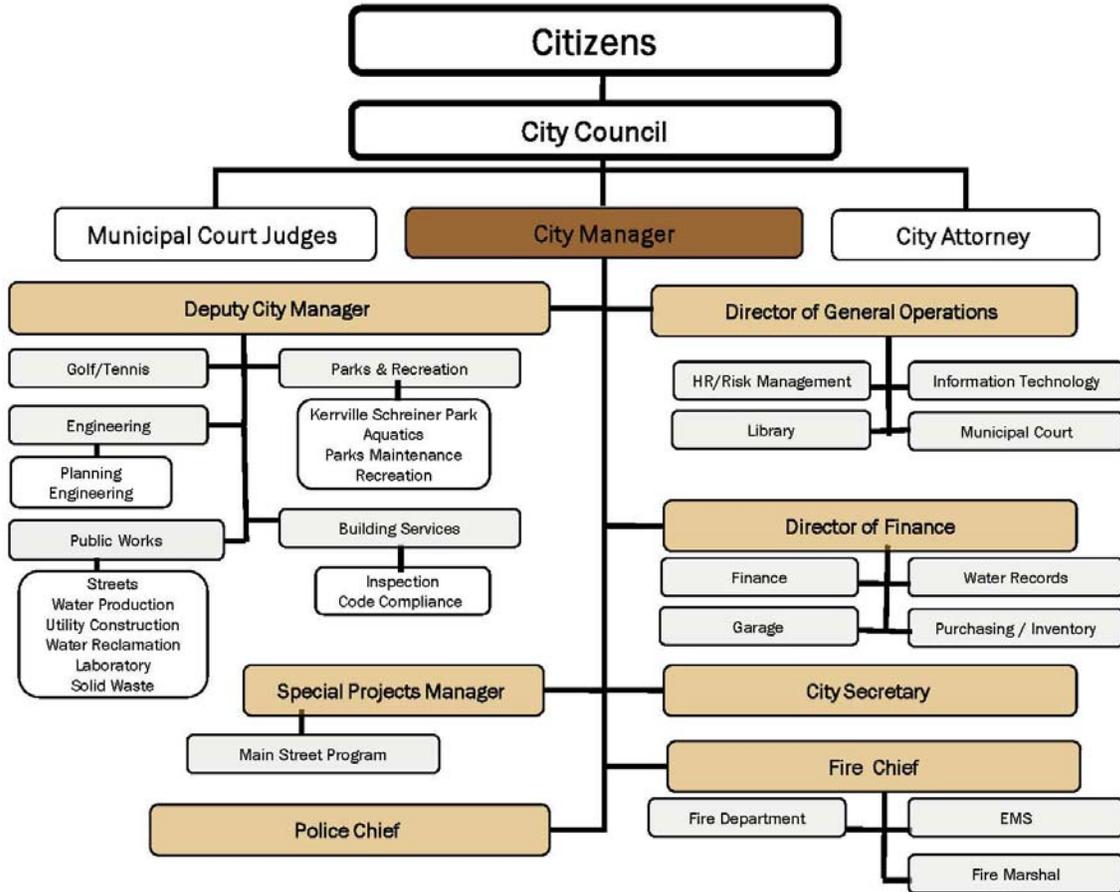
September 30, 2013

Executive Director/CEO

City of Kerrville, Texas

Organization Chart

Year Ended September 30, 2014



CITY OF KERRVILLE, TEXAS

List of Principal Officials Year Ended September 30, 2014

ELECTED OFFICIALS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
JACK PRATT	MAYOR	MAY 2016
CARSON CONKLIN	PLACE 1	MAY 2015
STACIE KEEBLE	PLACE 2	MAY 2015
GARY STORK	PLACE 3	MAY 2016
GENE ALLEN	PLACE 4, MAYOR PRO TEM	MAY 2016

APPOINTED OFFICIALS

<u>NAME</u>	<u>POSITION</u>
TODD PARTON	CITY MANAGER
MIKE HAYES	CITY ATTORNEY
KRISTINE DAY	DEPUTY CITY MANAGER
KIM MEISMER	DIRECTOR OF GENERAL OPERATIONS
BRENDA CRAIG	CITY SECRETARY
SANDRA YARBROUGH	DIRECTOR OF FINANCE
JOHN YOUNG	POLICE CHIEF
DANNIE SMITH	INTERIM FIRE CHIEF



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Financial Section

Independent Auditor's Report

The Mayor and City Council
City of Kerrville, Texas

Report on the Financial Statements

We have audited the accompanying basic 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 the City of Kerrville, Texas (the City), as of and for the year ended September 30, 2014, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements 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 did not audit the financial statements of the Kerrville Public Utility Board (KPUB), a component unit of the City, which statements reflect total assets and total revenues of \$64,047,153 and \$39,621,456, respectively, and represent 91.8% and 93.1% of the aggregate discretely presented component units' total assets and total revenues, respectively, as of and for the year ended September 30, 2014. The financial statements of KPUB were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for KPUB is based solely on the report of the other auditors. We did not audit the financial statements of the Kerrville-Kerr County Airport Board, a joint venture between the City of Kerrville and Kerr County, which statements reflect total net position of \$16,879,418 of which 50% (\$8,439,709) is recorded in the statement of net position and represents 8.0% of the governmental activities total assets. The financial statements of the Kerrville-Kerr County Airport Board were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included as equity in joint venture is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of KPUB were not audited in accordance with *Government Auditing Standards*.

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, based on our audit and the reports of other auditors, 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, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements, budgetary comparison schedules and financial statements of the Economic Improvement Corporation listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The introductory information and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
February 18, 2015

City of Kerrville, Texas

Management's Discussion and Analysis

Year Ended September 30, 2014

Introduction

As management of the City of Kerrville, Texas (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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 – 4 of this report.

Financial Highlights

Government-wide

- The City's assets and deferred outflows exceeded its liabilities at the close of the 2014 fiscal year by \$129,834,854. Of this amount, \$26,738,756 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies as more fully described below.
- During 2014, the City's total net position increased by \$3,506,273 or 2.8%. Net position of business-type activities increased by \$1,220,363 or 2.5%, and net position of governmental activities increased by \$2,285,910 or 2.9%.
- Total expenses of all the City's programs were \$34,204,792 in 2014.

Fund Statements

- As of September 30, 2014, the City's governmental funds reported combined ending fund balances of \$18,330,406. Of this total amount, \$5,969,071 or approximately 33%, is unassigned and available for use within the City's designation and policies in the governmental funds.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$5,969,071 or 27% of the General Fund expenditures.

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 are comprised of 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.

(1) Government-wide Financial Statements

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

The statement of activities presents information showing how the City'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). The governmental activities of the City include general government, public safety, public works/streets, and parks and recreation. The business-type activities of the City include water and wastewater services and the City's public golf course.

The government-wide financial statements include not only the City itself, but also a legally separate electric utility Kerrville Public Utility Board (KPUB) as well as the Economic Improvement Corporation (EIC). 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 19 – 21 of this report.

(2) Fund Financial Statements

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 on 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 funds balance sheet and the governmental funds 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 Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Governmental IP Fund, which are considered to be major funds. Data from the other seven funds are combined into a single, aggregated presentation. Individual funds data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining statements section in the report.

The governmental fund financial statements can be found on pages 22 – 25 of this report.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two enterprise funds. The City uses enterprise funds to account for its water and wastewater services, and the City's public golf course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for an automotive maintenance facility and employees' health insurance services.

Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide information for the Utility Fund (water and wastewater) and the Golf Course Fund. The Utility Fund is considered to be a major fund of the City while the Golf Course Fund is presented in a single column as a nonmajor enterprise fund. The internal service funds are also combined into a single, aggregated presentation of the proprietary fund financial statements. Individual fund data for the nonmajor enterprise funds and internal service funds is provided in the form of combining statements elsewhere in the report.

The basic proprietary fund financial statements can be found on pages 26 – 29 of this report.

(3) Notes to the 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. Each note is designed to give a more detailed explanation of the figures, which are presented in summary form throughout the financial statements section of the report.

The notes to the financial statements can be found on pages 32 – 56 of this report.

Comparative Financial Information

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows exceeded liabilities by \$129,834,854 at the close of the most recent fiscal year.

By far the largest portion of the City’s net position reflects its investment in capital assets (e.g., land, buildings, infrastructure and system improvements), less any related debt used to acquire those assets that is outstanding. The City uses these capital assets to provide services to 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.

	Government Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 30,395,536	\$ 31,136,312	\$ 23,729,142	\$ 26,199,572	\$ 54,124,678	\$ 57,335,884
Capital assets	75,013,396	70,794,696	61,876,451	60,399,997	136,889,847	131,194,693
Deferred outflows of resources	250,570	272,332	245,630	301,711	496,200	574,043
Total assets and deferred outflows of resources	105,659,502	102,203,340	85,851,223	86,901,280	191,510,725	189,104,620
Long-term liabilities	19,462,254	20,522,942	33,034,856	35,280,454	52,497,110	55,803,396
Other liabilities	5,451,198	3,220,258	3,727,563	3,752,385	9,178,761	6,972,643
Total liabilities	24,913,452	23,743,200	36,762,419	39,032,839	61,675,871	62,776,039
Net position						
Net investment in capital assets	60,765,043	61,341,688	37,156,612	38,698,908	97,921,655	100,040,596
Restricted	1,385,583	1,434,070	3,788,860	4,105,078	5,174,443	5,539,148
Unrestricted	18,595,424	15,684,382	8,143,332	5,064,455	26,738,756	20,748,837
Total net position	\$ 80,746,050	\$ 78,460,140	\$ 49,088,804	\$ 47,868,441	\$ 129,834,854	\$ 126,328,581

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

At the end of the current fiscal year, the City is able to report positive balances in each category of net position for the government as a whole.

The City's net position increased during the current fiscal year. The increase is attributable to both government and business-type activities as shown in the following table:

	Government Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue						
Program revenue						
Charges for services	\$ 4,434,801	\$ 4,265,019	\$ 11,963,694	\$ 11,949,005	\$ 16,398,495	\$ 16,214,024
Operating grants and contributions	72,200	718,813	-	-	72,200	718,813
Capital grants and contributions	970,605	2,000,000	10,070	508,498	980,675	2,508,498
General revenue						
Property tax	9,751,801	9,689,758	-	-	9,751,801	9,689,758
Sales tax	5,786,539	5,554,073	-	-	5,786,539	5,554,073
Hotel occupancy tax	1,045,911	957,853	-	-	1,045,911	957,853
Franchise tax	1,775,520	1,715,538	-	-	1,775,520	1,715,538
Alcoholic beverage tax	68,661	54,735	-	-	68,661	54,735
Unrestricted investment earnings	58,136	44,413	65,895	49,559	124,031	93,972
Miscellaneous revenue (expense)	1,509,703	1,322,049	197,529	333,856	1,707,232	1,655,905
Total revenue	25,473,877	26,322,251	12,237,188	12,840,918	37,711,065	39,163,169
Expenses						
General government	5,158,955	4,667,282	-	-	5,158,955	4,667,282
Public safety	12,364,758	11,630,832	-	-	12,364,758	11,630,832
Cultural and recreation	3,065,837	3,370,928	-	-	3,065,837	3,370,928
Public works	3,159,162	3,326,707	-	-	3,159,162	3,326,707
Interest on long-term debt	564,565	566,169	-	-	564,565	566,169
Water and sewer operations	-	-	8,983,829	8,442,503	8,983,829	8,442,503
Golf course	-	-	907,686	934,517	907,686	934,517
Total expenses	24,313,277	23,561,918	9,891,515	9,377,020	34,204,792	32,938,938
Excess before transfers	1,160,600	2,760,333	2,345,673	3,463,898	3,506,273	6,224,231
Transfers	1,125,310	1,250,000	(1,125,310)	(1,250,000)	-	-
Changes in Net Position	2,285,910	4,010,333	1,220,363	2,213,898	3,506,273	6,224,231
Net Position, as Previously Reported	78,460,140	74,784,323	47,868,441	46,041,256	126,328,581	120,825,579
Change in Accounting Principle	-	(334,516)	-	(386,713)	-	(721,229)
Net Position, Beginning of Year *	78,460,140	74,449,807	47,868,441	45,654,543	126,328,581	120,104,350
Net Position, End of Year	\$ 80,746,050	\$ 78,460,140	\$ 49,088,804	\$ 47,868,441	\$ 129,834,854	\$ 126,328,581

*The cumulative effect of applying GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, resulted in 2013 beginning net position being adjusted.

Overall Financial Position and Results of Operations

Governmental Activities

Governmental activities increased the City's net position by \$2,285,910. The increase was due to a combination of careful budgeting, parks related EIC funding and generous donations. The City received a public safety related donation from a local foundation as well as several memorial donations for the library during the year.

Business-type Activities

Business-type activities increased its net position by \$4,010,333 due to intentional budgeting designed to build net position so that it can be used to pay cash for capital projects instead of relying solely on debt funding. In addition, due to accounting rules, some of the bond interest paid by the City was capitalized rather than expensed.

Individual Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,330,406, a decrease of \$1,796,633 in comparison with the prior year. Approximately 33% of total fund balance or \$5,969,071 constitutes unassigned General Fund's fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted or committed to indicate that it is not available for new spending because it has already been committed for restricted purposes (debt service, capital projects). The decrease in the fund balance of the Governmental IP Fund is related to capital spending on major projects including park improvements and the City's new river trail.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,969,071. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 27% or more than three months of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$470,531 during the current fiscal year. Key factors are as follows:

- Net transfers out of \$100,841
- Large capital purchases made with cash including an ambulance, street sweeper, multiple vehicles and fire station renovations

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$8,143,332 with unrestricted net position of the water and sewer fund at the end of the year amounting to \$8,127,701.

Overall, water and sewer net position increased by \$1,229,581 compared to an increase of \$1,762,950 in fiscal year 2013. Increases in personnel costs, repairs and maintenance and depreciation were the primary reasons for overall decrease in change in net position from 2013.

General Fund Budgetary Analysis

Actual expenditures in the General Fund for fiscal year 2014 exceeded revenues by \$653,690 prior to other financing sources. Spending that exceeded revenues was part of a budgeted draw down of excess fund balance to pay for capital items such as an ambulance, street sweeper, vehicles and fire station renovations. Additionally, ambulance services did not meet its budgeted revenues.

Actual revenues exceeded budget by \$192,147, primarily due to additional sales tax revenue primarily because of strong sales at existing businesses. Additionally, building and construction permits and plan check fees exceeded budget due to fees for large projects including a new event center at Schreiner University and major renovations to the Tivy High School stadium.

Actual expenditures were \$61,390 less than budgeted, due primarily to unfilled positions in several departments as well as careful attention to spending across all departments.

Capital Asset and Long-term Debt Administration

Major Capital Additions

In fiscal year 2014, the City recognized construction in progress additions for the river trail and Louise Hays Park improvements. In addition, the water and sewer fund completed major infrastructure projects including a new lift station and the extension of utilities to a newly annexed area.

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$136,889,847 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and system improvements (including streets and drainage infrastructure) and machinery and equipment.

	Government Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 6,251,959	\$ 6,251,959	\$ 488,831	\$ 488,831	\$ 6,740,790	\$ 6,740,790
Construction in progress	5,317,642	1,191,811	6,648,129	10,145,171	11,965,771	11,336,982
Streets	34,425,208	34,425,208	-	-	34,425,208	34,425,208
Buildings	11,462,962	11,201,721	979,693	1,047,165	12,442,655	12,248,886
Improvements other than buildings	14,473,243	14,686,708	51,794,172	46,601,957	66,267,415	61,288,665
Vehicles	1,447,689	1,617,753	445,752	567,179	1,893,441	2,184,932
Machinery and equipment	1,518,382	1,316,474	1,497,051	1,519,769	3,015,433	2,836,243
Office equipment	116,311	103,062	22,823	29,925	139,134	132,987
Total	<u>\$ 75,013,396</u>	<u>\$ 70,794,696</u>	<u>\$ 61,876,451</u>	<u>\$ 60,399,997</u>	<u>\$ 136,889,847</u>	<u>\$ 131,194,693</u>

Additional information on the City’s capital assets can be found in Note 4 on pages 44 – 47 of this report.

Long-term Debt

At the end of the current fiscal year, the City has total governmental activities net bonded debt outstanding of \$16,690,150, which the City expects to retire through the Debt Service Fund. The City also has business activity net bonded debt outstanding of \$34,843,908 at September 30, 2014. The City’s net bonded debt decreased by approximately \$2,708,000 during the current fiscal year as the City continued to pay down existing debt without issuing any new debt.

The City's financial policies limit Water and Sewer debt service to no more than 35% of total Water and Sewer revenues. The City's debt service remained below that level in fiscal year 2014 and the City intends to comply with that policy with any future debt issuances.

	Government Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Gross Bonded Debt						
General obligation	\$ 3,775,825	\$ 4,162,975	\$ 4,709,175	\$ 5,192,025	\$ 8,485,000	\$ 9,355,000
Certificates of obligation	12,640,000	12,940,000	29,580,000	31,060,000	42,220,000	44,000,000
Total bonded debt	16,415,825	17,102,975	34,289,175	36,252,025	50,705,000	53,355,000
Bond premium/discount	274,325	292,404	554,733	594,202	829,058	886,606
Net bonded debt	16,690,150	17,395,379	34,843,908	36,846,227	51,534,058	54,241,606
Other Long-term Debt						
Cailloux Foundation promissory note	284,526	-	-	-	284,526	-
State infrastructure bank loan	450,036	542,130	368,211	443,561	818,247	985,691
Compensated absences	810,057	697,216	168,647	158,330	978,704	855,546
Landfill closure and post-closure cost	3,244,607	3,181,572	-	-	3,244,607	3,181,572
Total	\$ 21,479,376	\$ 21,816,297	\$ 35,380,766	\$ 37,448,118	\$ 56,860,142	\$ 59,264,415

Additional information on the City's long-term debt can be found in Note 6 on pages 48 – 51 of this report.

The City's five-year capital improvement plan had identified almost \$31 million of capital improvements through 2019. Previously, the majority of these improvements were anticipated to be funded by debt obligations. The City plans to use a combination of debt issuance, cash and grant/donation funding. In January 2012, Standard & Poor's confirmed the City's general obligation bond rating of an AA- and utility certificate of obligations bond rating of an AA-. These ratings were subsequently upgraded to AA in January 2013. The EIC rating is A+.

Modified Approach of Capital Assets

The City has adopted the modified approach for its streets system of capital assets. As a result, the City has made a commitment to preserve and maintain its streets system at certain condition levels determined by the City. No depreciation expense is reported for such assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. The City maintains an inventory of the streets system and performs periodic condition assessments to establish that the predetermined condition level is being maintained. The City's policy is to maintain a targeted overall weighted-average Condition Index rating of 75 (fair condition). The City's engineers estimate the current pavement condition of the City's streets to be at a Condition Index rating of 79 (fair condition). The City makes annual estimates of the amounts that must be expended to preserve and maintain the streets system at the predetermined condition level. To preserve the City's streets system at the targeted Condition Index rating level of 75, the City's actual expenditures for 2014 were \$529,600. Although the City's weighted-average Condition Index rating is 79, there are a number of streets that have failed and are deteriorating at a faster rate than normal. These streets will require reconstruction in order to maintain a weighted-average Condition Index rating above 75.

For historical information, please see pages 62 and 63.

Items That Will Have a Significant Financial Impact

Economic Factors and Next Year's Budgets and Rates

The City has adopted an ad valorem tax rate of \$0.5625 per \$100 value for budget year 2015, which is the same as in budget year 2014.

Sales tax revenue in budget year 2014 is 4.2% higher than budget year 2013. The fiscal year 2015 budget projects an additional 2.2% increase over fiscal year 2014.

The number of water accounts remained flat from 9,676 in fiscal year 2013 to 9,664 in fiscal year 2014. Billed water usage decreased in fiscal year 2014 due to increased rainfall during the year. Water revenue is anticipated to increase in fiscal year 2015, but those revenues are highly dependent on weather and drought conditions.

Hotel/motel occupancy tax receipts collected in fiscal year 2014 were \$1,045,911, up 9.2% over the prior year. The City anticipates revenues to remain steady in budget year 2015.



This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Kerrville, 701 Main Street, Kerrville, Texas 78028, or you may call (830) 258-1120.



Basic Financial Statements



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City of Kerrville, Texas
Statement of Net Position
September 30, 2014

Exhibit A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 10,189,745	\$ 1,075,474	\$ 11,265,219	\$ 2,983,766
Investments	5,249,262	1,022,862	6,272,124	17,237,183
Receivables (net of allowances for uncollectibles)				
Taxes	277,000	-	277,000	-
Accounts	431,137	1,127,197	1,558,334	5,373,604
Other	237,971	-	237,971	-
Due from other governments	1,008,161	-	1,008,161	494,712
Internal balances	74,772	(74,772)	-	-
Inventories	46,727	436,210	482,937	1,744,946
Prepaid expenses	-	3,250	3,250	-
Other assets	-	-	-	26,004
Restricted assets				
Cash and cash equivalents	-	16,679,272	16,679,272	-
Investments	4,441,052	3,459,649	7,900,701	7,619,272
Equity in joint venture	8,439,709	-	8,439,709	-
Capital assets (net of accumulated depreciation, where applicable)				
Depreciable	29,018,587	54,739,491	83,758,078	4,262,649
Non-depreciable	45,994,809	7,136,960	53,131,769	30,038,213
Total assets	105,408,932	85,605,593	191,014,525	69,780,349
Deferred Outflows of Resources				
Deferred charges on refunding	250,570	245,630	496,200	-
Liabilities				
Accounts payable and accrued liabilities	3,097,426	1,240,686	4,338,112	9,311,557
Customer deposits	336,650	140,967	477,617	536,535
Noncurrent liabilities				
Due within one-year	2,017,122	2,345,910	4,363,032	316,000
Due in more than one-year	19,462,254	33,034,856	52,497,110	5,984,000
Total liabilities	24,913,452	36,762,419	61,675,871	16,148,092
Net Position				
Net investment in capital assets	60,765,043	37,156,612	97,921,655	28,000,862
Restricted for				
Debt service	1,385,583	3,788,860	5,174,443	285,338
Capital projects	-	-	-	4,045,033
Unrestricted	18,595,424	8,143,332	26,738,756	21,301,024
Total net position	\$ 80,746,050	\$ 49,088,804	\$ 129,834,854	\$ 53,632,257

City of Kerrville, Texas
Statement of Activities
Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 5,158,955	\$ 100,055	\$ -	\$ 45,599
Public safety	12,364,758	3,390,537	67,400	-
Cultural and recreation	3,065,837	425,128	4,800	925,006
Public works	3,159,162	519,081	-	-
Interest on long-term debt	564,565	-	-	-
Total expenses	<u>24,313,277</u>	<u>4,434,801</u>	<u>72,200</u>	<u>970,605</u>
Business-type Activities				
Water and sewer	8,983,829	11,079,696	-	-
Golf course	907,686	883,998	-	10,070
Total business-type activities	<u>9,891,515</u>	<u>11,963,694</u>	<u>-</u>	<u>10,070</u>
Total primary government	<u>\$ 34,204,792</u>	<u>\$ 16,398,495</u>	<u>\$ 72,200</u>	<u>\$ 980,675</u>
Component Units				
Economic Improvement Corporation	\$ 2,228,354	\$ -	\$ -	\$ -
Kerrville Public Utility Board	37,223,887	39,512,239	-	85,364
Total component units	<u>\$ 39,452,241</u>	<u>\$ 39,512,239</u>	<u>\$ -</u>	<u>\$ 85,364</u>

General Revenues

Property taxes
Sales and use taxes
Hotel occupancy taxes
Franchise taxes
Alcoholic beverage taxes
Unrestricted investment earnings
Miscellaneous income

Transfers

Total general revenues and transfers

Change in net position

Net Position, Beginning of Year

Net Position, End of Year

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,013,301)	\$ -	\$ (5,013,301)	
(8,906,821)	-	(8,906,821)	
(1,710,903)	-	(1,710,903)	
(2,640,081)	-	(2,640,081)	
<u>(564,565)</u>	<u>-</u>	<u>(564,565)</u>	
<u>(18,835,671)</u>	<u>-</u>	<u>(18,835,671)</u>	
-	2,095,867	2,095,867	
<u>-</u>	<u>(13,618)</u>	<u>(13,618)</u>	
-	2,082,249	2,082,249	
<u>(18,835,671)</u>	<u>2,082,249</u>	<u>(16,753,422)</u>	
			\$ (2,228,354)
			<u>2,373,716</u>
			<u>145,362</u>
9,751,801	-	9,751,801	-
5,786,539	-	5,786,539	2,926,797
1,045,911	-	1,045,911	-
1,775,520	-	1,775,520	-
68,661	-	68,661	-
58,136	65,895	124,031	16,768
1,509,703	197,529	1,707,232	11,778
<u>1,125,310</u>	<u>(1,125,310)</u>	<u>-</u>	<u>-</u>
<u>21,121,581</u>	<u>(861,886)</u>	<u>20,259,695</u>	<u>2,955,343</u>
2,285,910	1,220,363	3,506,273	3,100,705
<u>78,460,140</u>	<u>47,868,441</u>	<u>126,328,581</u>	<u>50,531,552</u>
<u>\$ 80,746,050</u>	<u>\$ 49,088,804</u>	<u>\$ 129,834,854</u>	<u>\$ 53,632,257</u>

City of Kerrville, Texas
Balance Sheet – Governmental Funds
September 30, 2014

Exhibit A-3

	General Fund	Governmental IP Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,051,445	\$ 5,023,072	\$ 1,607,565	\$ 12,682,082
Investments	3,117,411	2,587,643	828,139	6,533,193
Receivables, net				
Taxes	239,010	-	37,990	277,000
Accounts	431,137	-	-	431,137
Other	237,971	-	-	237,971
Due from other funds	79,894	-	-	79,894
Due from other governments	1,008,161	-	-	1,008,161
Inventories	17,128	-	-	17,128
Prepays	-	-	-	-
	<u>11,182,157</u>	<u>7,610,715</u>	<u>2,473,694</u>	<u>21,266,566</u>
Total assets	<u>\$ 11,182,157</u>	<u>\$ 7,610,715</u>	<u>\$ 2,473,694</u>	<u>\$ 21,266,566</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,419,520	\$ 822,626	\$ 914	\$ 2,243,060
Customer deposits	255,819	-	-	255,819
	<u>1,675,339</u>	<u>822,626</u>	<u>914</u>	<u>2,498,879</u>
Total liabilities	<u>1,675,339</u>	<u>822,626</u>	<u>914</u>	<u>2,498,879</u>
Deferred Inflows of Resources				
Unavailable revenue	411,291	-	25,990	437,281
	<u>411,291</u>	<u>-</u>	<u>25,990</u>	<u>437,281</u>
Fund Balances				
Nonspendable	17,128	-	-	17,128
Restricted for public safety	70,933	-	-	70,933
Restricted for landfill	2,404,987	-	-	2,404,987
Restricted for debt service	-	-	1,385,583	1,385,583
Restricted for tourism	-	-	811,008	811,008
Restricted for grant	-	-	1,293	1,293
Restricted for capital improvements	-	3,748,415	-	3,748,415
Committed for park improvements	-	-	66,504	66,504
Committed for History Center	-	-	45,242	45,242
Committed for landfill	433,972	-	-	433,972
Committed for Library	-	-	137,160	137,160
Committed for insurance reserve	116,992	-	-	116,992
Committed for capital improvements	82,444	3,039,674	-	3,122,118
Unassigned	5,969,071	-	-	5,969,071
	<u>9,095,527</u>	<u>6,788,089</u>	<u>2,446,790</u>	<u>18,330,406</u>
Total fund balances	<u>9,095,527</u>	<u>6,788,089</u>	<u>2,446,790</u>	<u>18,330,406</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,182,157</u>	<u>\$ 7,610,715</u>	<u>\$ 2,473,694</u>	<u>\$ 21,266,566</u>

City of Kerrville, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2014

Exhibit A-4

Total fund balances – governmental funds balance sheet	\$ 18,330,406
Amounts reported for governmental activities in the statement of net position (SNP) are different because	
Capital assets used in governmental activities, excluding the internal service fund, are not reported in the funds.	75,009,033
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	223,941
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	657,744
Deferred outflows related to refundings are not reported in the funds.	250,570
Payables for debt principal, which are not due in the current period are not reported in the funds.	(17,424,712)
Payables for debt interest which are not due in the current period are not reported in the funds.	(80,831)
Payables for compensated absences, excluding the internal service fund, which are not due in the current period are not reported in the funds.	(785,654)
Payables for capital assets, which are not due in the current period are not recorded in the funds.	(842,889)
Landfill closure and post-closure costs which are not due and payable in the current period are not reported in the funds.	(3,244,607)
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.	205,695
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	7,645
Equity in a joint venture is not reported in the funds.	<u>8,439,709</u>
Net position of governmental activities – SNP	<u><u>\$ 80,746,050</u></u>

City of Kerrville, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2014

Exhibit A-5

	General Fund	Governmental IP Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes and penalties	\$ 16,186,958	\$ -	\$ 2,338,774	\$ 18,525,732
License and permits	504,931	-	14,150	519,081
Intergovernmental	989,191	15,130	-	1,004,321
Charges for services	2,261,251	-	22	2,261,273
Grants	71,724	900,000	32,982	1,004,706
Fines and forfeitures	354,814	-	-	354,814
Investment income	31,603	21,758	4,313	57,674
Miscellaneous	1,093,418	-	385,558	1,478,976
	<u>21,493,890</u>	<u>936,888</u>	<u>2,775,799</u>	<u>25,206,577</u>
Total revenues				
Expenditures				
Current				
General government	4,534,100	-	-	4,534,100
Public safety	12,000,803	-	-	12,000,803
Cultural and recreation	2,168,758	-	986,304	3,155,062
Public works	3,006,868	-	-	3,006,868
Capital outlay	437,577	4,011,992	47,235	4,496,804
Debt service				
Principal	-	-	779,244	779,244
Interest	-	-	564,565	564,565
	<u>22,148,106</u>	<u>4,011,992</u>	<u>2,377,348</u>	<u>28,537,446</u>
Total expenditures				
Excess (deficiencies) of revenues over expenditures	<u>(654,216)</u>	<u>(3,075,104)</u>	<u>398,451</u>	<u>(3,330,869)</u>
Other Financing Sources (Uses)				
Loan proceeds	284,526	-	-	284,526
Transfers in	1,446,984	1,837,250	297,374	3,581,608
Transfers out	(1,547,825)	(186,226)	(597,847)	(2,331,898)
	<u>183,685</u>	<u>1,651,024</u>	<u>(300,473)</u>	<u>1,534,236</u>
Net other financing sources				
Net Change in Fund Balances	(470,531)	(1,424,080)	97,978	(1,796,633)
Fund Balances, Beginning of Year	<u>9,566,058</u>	<u>8,212,169</u>	<u>2,348,812</u>	<u>20,127,039</u>
Fund Balances, End of Year	<u>\$ 9,095,527</u>	<u>\$ 6,788,089</u>	<u>\$ 2,446,790</u>	<u>\$ 18,330,406</u>

City of Kerrville, Texas
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2014

Exhibit A-6

Net change in fund balances – total governmental funds	\$ (1,796,633)
Amounts reported for governmental activities in the statement of net activities (SOA) are different because	
Capital outlays are not reported as expenses in the SOA.	4,904,871
The depreciation of capital assets used in governmental activities, excluding the Internal Service Fund, is not reported in the funds.	(1,518,606)
Loss on disposal of capital assets decrease net assets in the SOA but not in the funds.	(46,498)
Donations of capital assets increase net assets in the SOA but not in the funds.	38,099
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	779,244
Bond premiums and discounts and similar items are amortized in the SOA but are recognized as other financing sources (uses) in the funds.	(3,683)
Loan proceeds provide current financial resources to the funds, but increase liabilities in the SOA	(284,526)
Decrease in accrued interest from beginning of period to end of period.	10,476
The net income of the Internal Service Fund reported with governmental activities.	80,255
Compensated absence are reported as the amount earned in the SOA but as the amount paid in the funds.	(106,155)
Property taxes levied, court fines and fees, and ambulance service revenue earned, but not available, are deferred in the governmental funds, but are recognized when earned (net of estimated uncollectible) in the SOA. This is the net change in unearned property taxes, court fines and fees and ambulance revenue for the year.	53,501
Change in joint venture equity is not reported in the funds.	238,600
Change in landfill post-closure costs is not reported in the funds.	<u>(63,035)</u>
Change in net position of governmental activities – SOA	<u>\$ 2,285,910</u>

City of Kerrville, Texas
Statement of Net Position – Proprietary Funds
Year Ended September 30, 2014

	Business-type Activities – Enterprise Funds			Governmental
	Water and Sewer	Nonmajor Golf Course Fund	Total Enterprise Funds	Activities Internal Service Funds
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,022,243	\$ 53,231	\$ 1,075,474	\$ 438,757
Investments	995,440	27,422	1,022,862	226,027
Receivables (net of allowances for uncollectibles) accounts	1,127,197	-	1,127,197	-
Inventories	360,144	76,066	436,210	29,599
Prepaid expenses	-	3,250	3,250	-
Total current assets	<u>3,505,024</u>	<u>159,969</u>	<u>3,664,993</u>	<u>694,383</u>
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	16,679,272	-	16,679,272	-
Investments	3,459,649	-	3,459,649	-
Total restricted assets	<u>20,138,921</u>	<u>-</u>	<u>20,138,921</u>	<u>-</u>
Capital assets				
Land	488,831	-	488,831	-
Buildings	2,183,887	374,668	2,558,555	159,000
Improvements other than buildings	78,372,453	2,488,855	80,861,308	-
Vehicles	1,295,336	10,360	1,305,696	25,556
Machinery and equipment	2,896,983	410,477	3,307,460	20,522
Office equipment	157,994	-	157,994	-
Construction in progress	6,648,129	-	6,648,129	-
Accumulated depreciation	(31,601,810)	(1,849,712)	(33,451,522)	(200,715)
Net capital assets	<u>60,441,803</u>	<u>1,434,648</u>	<u>61,876,451</u>	<u>4,363</u>
Total noncurrent assets	<u>80,580,724</u>	<u>1,434,648</u>	<u>82,015,372</u>	<u>4,363</u>
Total assets	<u>84,085,748</u>	<u>1,594,617</u>	<u>85,680,365</u>	<u>698,746</u>
Deferred Outflows of Resources	<u>245,630</u>	<u>-</u>	<u>245,630</u>	<u>-</u>

	Business-type Activities – Enterprise Funds			Governmental
	Water and Sewer	Nonmajor Golf Course Fund	Total Enterprise Funds	Activities Internal Service Funds
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 1,149,099	\$ 91,587	\$ 1,240,686	\$ 11,477
Accrued compensated absences	77,110	23,616	100,726	24,403
Due to other funds	61,562	13,210	74,772	5,122
Customer deposits	140,967	-	140,967	-
Bonds and notes – current	2,245,184	-	2,245,184	-
Total current liabilities	3,673,922	128,413	3,802,335	41,002
Noncurrent Liabilities				
Bonds and notes – noncurrent	32,966,935	-	32,966,935	-
Accrued compensated absences	51,996	15,925	67,921	-
Total noncurrent liabilities	33,018,931	15,925	33,034,856	-
Total liabilities	36,692,853	144,338	36,837,191	41,002
Net Position				
Net investment in capital assets	35,721,964	1,434,648	37,156,612	4,363
Restricted for debt service	3,788,860	-	3,788,860	-
Unrestricted	8,127,701	15,631	8,143,332	653,381
Total net position	\$ 47,638,525	\$ 1,450,279	\$ 49,088,804	\$ 657,744

City of Kerrville, Texas
Statement of Revenues, Expenses and Changes
in Net Position – Proprietary Funds
Year Ended September 30, 2014

Exhibit A-8

	Business-type Activities – Enterprise Funds			Governmental
	Water and Sewer	Nonmajor Golf Course Fund	Total Enterprise Funds	Activities Internal Service Funds
Operating Revenues				
Charges for services	\$ 11,079,696	\$ 883,998	\$ 11,963,694	\$ 3,345,045
Total operating revenues	<u>11,079,696</u>	<u>883,998</u>	<u>11,963,694</u>	<u>3,345,045</u>
Operating Expenses				
Personnel services	2,892,162	564,884	3,457,046	237,487
Repairs and maintenance	674,337	28,570	702,907	3,488
Supplies and materials	687,667	78,073	765,740	17,318
Utilities	576,227	62,828	639,055	5,650
Depreciation	2,151,879	79,953	2,231,832	2,055
General administration	681,843	93,378	775,221	5,351
Premiums and other charges	-	-	-	2,869,041
Total operating expenses	<u>7,664,115</u>	<u>907,686</u>	<u>8,571,801</u>	<u>3,140,390</u>
Operating income (loss)	<u>3,415,581</u>	<u>(23,688)</u>	<u>3,391,893</u>	<u>204,655</u>
Nonoperating Revenues (Expenses)				
Investment income	65,895	-	65,895	-
Miscellaneous income	197,529	-	197,529	-
Loss on impairment of capital assets	(528,965)	-	(528,965)	-
Interest expense	(790,749)	-	(790,749)	-
Net nonoperating revenues (expenses)	<u>(1,056,290)</u>	<u>-</u>	<u>(1,056,290)</u>	<u>-</u>
Net income (loss) before contributions and transfers	<u>2,359,291</u>	<u>(23,688)</u>	<u>2,335,603</u>	<u>204,655</u>
Capital Contributions and Transfers				
Capital contributions	-	10,070	10,070	-
Transfers in	120,290	4,400	124,690	1,600
Transfers out	(1,250,000)	-	(1,250,000)	(126,000)
Net transfers	<u>(1,129,710)</u>	<u>14,470</u>	<u>(1,115,240)</u>	<u>(124,400)</u>
Change in Net Position	1,229,581	(9,218)	1,220,363	80,255
Net Position, Beginning of Year	<u>46,408,944</u>	<u>1,459,497</u>	<u>47,868,441</u>	<u>577,489</u>
Net Position, End of Year	<u>\$ 47,638,525</u>	<u>\$ 1,450,279</u>	<u>\$ 49,088,804</u>	<u>\$ 657,744</u>

City of Kerrville, Texas
Statement of Cash Flows – Proprietary Funds
September 30, 2014

Exhibit A-9

	Business-Type Activities – Enterprise Funds			Governmental
	Water and Sewer	Nonmajor Golf Course Fund	Total Enterprise Funds	Internal Service Funds
Operating Activities				
Cash received from customers	\$ 11,059,928	\$ 883,998	\$ 11,943,926	\$ 3,345,045
Cash payments to employees	(2,884,917)	(561,811)	(3,446,728)	(230,801)
Cash payments to other suppliers for goods and services	(2,882,489)	(246,565)	(3,129,054)	(2,898,412)
Net cash provided by operating activities	<u>5,292,522</u>	<u>75,622</u>	<u>5,368,144</u>	<u>215,832</u>
Noncapital Financing Activities				
Other	198,962	-	198,962	-
Transfers (to) from other funds	(1,129,710)	4,400	(1,125,310)	(124,400)
Net cash used in noncapital financing activities	<u>(930,748)</u>	<u>4,400</u>	<u>(926,348)</u>	<u>(124,400)</u>
Capital and Related Financing Activities				
Proceeds from issuance of long-term debt	-	-	-	-
Principal and interest paid	(2,828,949)	-	(2,828,949)	-
Acquisition or construction of capital assets	(4,200,209)	(10,360)	(4,210,569)	-
Net cash used in capital and related financing activities	<u>(7,029,158)</u>	<u>(10,360)</u>	<u>(7,039,518)</u>	<u>-</u>
Investing Activities				
Investment income	65,895	-	65,895	-
Sales (purchases) of investments, net	7,597	(25,444)	(17,847)	(122,825)
Net cash provided by (used in) investing activities	<u>73,492</u>	<u>(25,444)</u>	<u>48,048</u>	<u>(122,825)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,593,892)	44,218	(2,549,674)	(31,393)
Cash and Cash Equivalents, Beginning of Year	<u>20,295,407</u>	<u>9,013</u>	<u>20,304,420</u>	<u>470,150</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,701,515</u>	<u>\$ 53,231</u>	<u>\$ 17,754,746</u>	<u>\$ 438,757</u>
Reconciliation to the Combining Statement of Net Position				
Cash and cash equivalents	\$ 1,022,243	\$ 53,231	\$ 1,075,474	\$ 438,757
Restricted cash and cash equivalents	16,679,272	-	16,679,272	-
	<u>\$ 17,701,515</u>	<u>\$ 53,231</u>	<u>\$ 17,754,746</u>	<u>\$ 438,757</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 3,415,581	\$ (23,688)	\$ 3,391,893	\$ 204,655
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation and amortization	2,151,879	79,953	2,231,832	2,055
Change in assets and liabilities				
Decrease (increase) in receivables	(19,768)	-	(19,768)	-
Decrease (increase) in inventories	(28,376)	(7,228)	(35,604)	(3,862)
Decrease (increase) in prepaid expenses	-	300	300	-
Increase (decrease) in accounts payable	(234,039)	23,374	(210,665)	6,298
Increase (decrease) in accrued wages payable	7,245	3,073	10,318	6,686
Increase (decrease) in due to other funds	-	(162)	(162)	-
Total adjustments	<u>1,876,941</u>	<u>99,310</u>	<u>1,976,251</u>	<u>11,177</u>
Net cash provided by operating activities	<u>\$ 5,292,522</u>	<u>\$ 75,622</u>	<u>\$ 5,368,144</u>	<u>\$ 215,832</u>
Noncash Capital Financing Activities				
Capital assets acquired by contribution	\$ -	\$ 10,070	\$ 10,070	\$ -

City of Kerrville, Texas
Statements of Net Position – Component Units
September 30, 2014

Exhibit A-10

	<u>EIC</u>	<u>KPUB</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,706,032	\$ 277,734	\$ 2,983,766
Investments	1,394,016	15,843,167	17,237,183
Receivables (net of allowances for uncollectible)			
Accounts	-	5,373,604	5,373,604
Due from other governments	494,712	-	494,712
Inventories	-	1,744,946	1,744,946
Other assets	-	26,004	26,004
Restricted assets			
Investments	-	7,619,272	7,619,272
Capital assets nondepreciable			
Land	1,138,436	117,656	1,256,092
Construction in progress	-	3,006,557	3,006,557
Depreciable (net of accumulated depreciation)			
Buildings	-	2,542,988	2,542,988
Improvements other than buildings	-	25,941,129	25,941,129
Vehicles	-	1,068,980	1,068,980
Machinery and equipment	-	485,116	485,116
	<u>5,733,196</u>	<u>64,047,153</u>	<u>69,780,349</u>
Total assets			
Liabilities			
Accounts payable and accrued liabilities	23,066	9,288,491	9,311,557
Payable from restricted assets			
Customer deposits	-	536,535	536,535
Noncurrent liabilities			
Due within one year	-	316,000	316,000
Due in more than one year	-	5,984,000	5,984,000
	<u>23,066</u>	<u>16,125,026</u>	<u>16,148,092</u>
Total liabilities			
Net Position			
Net investment in capital assets	1,138,436	26,862,426	28,000,862
Restricted for			
Debt service	-	285,338	285,338
Capital projects	828,319	3,216,714	4,045,033
Unrestricted	<u>3,743,375</u>	<u>17,557,649</u>	<u>21,301,024</u>
	<u>\$ 5,710,130</u>	<u>\$ 47,922,127</u>	<u>\$ 53,632,257</u>
Total net position			

City of Kerrville, Texas
Statements of Activities – Component Units
Year Ended September 30, 2014

Exhibit A-11

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	EIC	KPUB	Total
Kerrville Economic Incentive Corporation						
General government	\$ 2,222,571	\$ -	\$ -	\$ (2,222,571)	\$ -	\$ (2,222,571)
Interest on long-term debt	5,783	-	-	(5,783)	-	(5,783)
Depreciation – unallocated	-	-	-	-	-	-
Total EIC	<u>2,228,354</u>	<u>-</u>	<u>-</u>	<u>(2,228,354)</u>	<u>-</u>	<u>(2,228,354)</u>
Kerrville Public Utility Board						
Purchased power	26,159,535	39,512,239	85,364	-	13,438,068	-
Distribution	2,488,855	-	-	-	(2,488,855)	-
Administration and other	6,479,487	-	-	-	(6,479,487)	-
Depreciation and amortization	2,096,010	-	-	-	(2,096,010)	-
Total KPUB	<u>37,223,887</u>	<u>39,512,239</u>	<u>85,364</u>	<u>-</u>	<u>2,373,716</u>	<u>2,373,716</u>
Total Component Units	<u>\$ 39,452,241</u>	<u>\$ 39,512,239</u>	<u>\$ 85,364</u>	<u>(2,228,354)</u>	<u>2,373,716</u>	<u>145,362</u>
General Revenues						
Sales taxes				2,926,797	-	2,926,797
Unrestricted investment earnings				4,693	12,075	16,768
Miscellaneous income				-	11,778	11,778
Total general revenues				<u>2,931,490</u>	<u>23,853</u>	<u>2,955,343</u>
Change in Net Position				703,136	2,397,569	3,100,705
Net Position, Beginning of Year				<u>5,006,994</u>	<u>45,524,558</u>	<u>50,531,552</u>
Net Position, End of Year				<u>\$ 5,710,130</u>	<u>\$ 47,922,127</u>	<u>\$ 53,632,257</u>



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Notes to Basic Financial Statements

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Note 1: Summary Of Significant Accounting Policies

General Statement

The City of Kerrville, Texas (the City), was founded in 1889. The City operates under the council manager form of government as adopted by a home rule charter approved February 25, 1942. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's general purpose financial statements.

Financial Reporting Entity

The City is a home rule municipality governed by an elected mayor and a four-member City Council that appoints a City Manager. The City's (primary government) financial statements include its component units. The accompanying general purpose financial statements comply with the provisions of the GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

The Kerrville Public Utility Board (KPUB) – the electric utility, an entity legally separate from the City, is governed by a five-member board appointed by the City Council. For financial statement purposes, KPUB is reported as a discretely presented component unit of the City because the City appoints its governing body, is potentially obligated to finance any deficits that may occur, and receives significant franchise fees. Financial statements may be obtained from the Kerrville Public Utility Board, P.O. Box 294999, Kerrville, Texas 78029.

The Kerrville Economic Improvement Corporation (EIC), an entity legally separate from the City, is governed by a seven-member board of directors appointed by the City Council. For financial statement purposes, EIC is reported as a discretely presented component unit of the City because the City appoints its governing body, and is potentially able to impose its will. EIC collects a half cent sales tax per dollar of sales to support its activities. Separate financial statements are not prepared for EIC.

- **Kerrville Airport Joint Venture** – The City and Kerr County operate a municipal airport under a joint venture agreement. Participants provide financial support and are entitled to an undivided 50% interest in net position. The City reports its interest as "Equity in Joint Venture."

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

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 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are 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.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal year are all considered to be susceptible to accrual and thus have been recognized as revenues of the current fiscal year.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

The City reports the following major governmental funds:

- **General Fund** – is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Governmental IP Fund** – is a capital project fund that accounts for major capital improvement projects.

The City reports the following major proprietary fund:

- **Water and Sewer Fund** – accounts for the provisions of water and sewer service to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service and billing and collection.

Additionally, the City reports the following fund types:

- **Special Revenue Funds** – accounts for the collection and disbursement of earmarked monies.
- **Debt Service Fund** – accounts for the accumulation and use of property and sales tax revenue to meet the debt service requirements of the City’s general and revenue bonded debt.
- **Capital Projects Fund** – accounts for the acquisition or construction of governmental capital assets not recorded in the Government IP Fund.
- **Internal Service Funds** – accounts for automotive maintenance and employees health insurance services provided to other departments or agencies of the City.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative fees and other charges between the City’s water and sewer function and various other functions of the City on a cost reimbursement basis. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue and investment income.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Water and Sewer and golf course enterprise funds are charges to customers for sales and services. The Water and Sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments maturing within one-year of date of purchase are stated at cost or amortized cost; all other investments are stated at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All investment income is recognized in the appropriate fund's statement of activity and or statement of revenues, expenditures and changes in fund balance.

State law and the City's investment policy restrict both time and demand deposits, including certificates of deposit (CD); to those depositories doing business in the state of Texas and further require full insurance and/or pledging of collateral. CDs are limited to a stated maturity not exceeding one-year. Pledged collateral, equal to not less than 102% of the covered account balance is required for all deposits and is limited to obligations of the U.S. government, its agencies or instrumentalities and municipal obligations rated not less than AA or equivalent by two nationally recognized rating agencies. Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are monitored and priced at market on a daily basis as a contractual responsibility of the depository.

State law and the City's investment policy limit repurchase agreements to those with defined termination dates executed with a Texas bank or a primary dealer (as defined by the Federal Reserve). The agreements require an industry standard, written master repurchase agreement and a minimum of 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed 90 days to stated maturity.

State law and the City's investment policy require commercial paper be rated A1/P1 or equivalent by two nationally recognized rating agencies and restricts maturity to a maximum maturity of 185 days.

State law and the City's investment policy restrict investment in SEC registered mutual funds to money market mutual funds striving to maintain a \$1 net asset value as further defined by state law. A rating of the mutual fund is not required.

State law requires that local government investment pools be rated AAA, or equivalent, by at least one nationally recognized rating agency. The City investment policy further restricts investments to AAA rated, "2a-7 like" (constant dollar) local government investment pools.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (*i.e.*, the current portion of interfund loans) or “advances to/from other funds” (*i.e.*, the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

Property Tax Calendar

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Kerr County Central Appraisal District. Taxes are due without penalty until January 31 of the next calendar year.

After January 31, the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the state legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

Inventories and Prepaid Expenses

All inventories are valued at cost using the weighted-average cost method. The consumption method is used to account for governmental fund type inventories. Under the consumption method, inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

Restricted Assets

Certain proceeds of Water and Sewer fund revenue bonds are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Customer deposits are also classified as restricted.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (*e.g.*, roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During 2014, approximately \$308,000 of interest was capitalized.

Contributions of capital assets to proprietary funds from external sources are recorded as revenue.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30 years
Improvements other than building	40 years
System infrastructure	40 years
Machinery and equipment	10 years
Office equipment	10 years
Vehicles	8 years
Drainage	50 years

In the case of the initial capitalization of general infrastructure assets (*i.e.*, streets and storm water drains), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (*i.e.*, estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each year, including infrastructure assets, they are capitalized and reported at historical cost.

The City has adopted the modified approach for its streets system of capital assets. As a result, the City has made a commitment to preserve and maintain its streets system at certain condition levels determined by the City. The City Council is responsible for determining the appropriate condition level at which such assets are to be maintained. No depreciation expense is reported for such assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. The City maintains an inventory of the streets system and performs periodic condition assessments to establish that the predetermined condition level is being maintained. The City makes annual estimates of the amounts that must be expended to preserve and maintain the streets system at the predetermined condition level.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

The KPUB utility plant, purchased from the Lower Colorado River Authority (LCRA), has been recorded at the original cost of the asset as recorded by LCRA. Accumulated depreciation includes amounts recorded by LCRA through the date of acquisition and depreciation since the date of acquisition. Utility plant additions subsequent to the acquisition are recorded at cost.

Cost includes the costs of contracted services, direct materials, labor, overhead and an allowance for borrowed funds used during construction. Retirements of utility plant, together with removal costs less salvage, are charged to accumulated depreciation.

KPUB computes depreciation using the straight-line method over the estimated service lives of the various classes of depreciable property. Rates will be changed as needed based upon period engineering studies. Depreciation as a percentage of average depreciable plant was 3.9% for the year ended September 30, 2014.

Compensated Absences

Vested or accumulated vacation leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-term Obligations

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

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

Classification of Fund Equity

Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors or other governments or by enabling legislation of the City Council.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are equally binding and represent the highest level actions of the City Council. Assigned fund balances are constrained by intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by the City management based on the City Council's direction.

Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The City designates restricted amounts to be spent first if both restricted and unassigned fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purpose for which amounts in any of those fund balance classifications could be used.

The propriety funds and government-wide financial statements have three classifications of equity: (1) net investment in capital assets; (2) restricted net position and (3) unrestricted net position. In the first category, capital assets are netted with related bonded and capital lease debt. Restricted net position includes debt service, grantor and other government restrictions for proprietary funds and the same categories as restricted fund balance for governmental activities.

Use of Estimates

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

New Pronouncements

In fiscal year 2015, the City will implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The City will be required to recognize the net pension liability on the Statement of Net Position. This number is projected to be equal to the unfunded accrued actuarial liability based on the market value of the assets. The City will be required to recognize a new measure of the pension expense, which will be different from the actuarially determined contributions (annual required contributions). Note disclosures and required supplementary information will be based on the new measures. The effect of implementing this statement is unknown, but may have a material impact on net position.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Note 2: Deposits and Investments

At year-end, the carrying amount of the City’s cash on hand and deposits with financial institutions was \$11,277,273 (including certificates of deposits of \$7,690,983). All of the bank balances were covered by federal deposit insurance and collateral pledged by the depository in the City’s name and held by the City’s agent.

- **Custodial Credit Risk – Deposits** – In the case of time and demand deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or be collateralized by qualified securities pledged by the City’s depository in the City’s name and held by the depository’s agent.

Investments as of September 30, 2014, are as follows:

Investment Type	Carrying Amount	Days to Maturity	Rating as of Year-End
Miscellaneous coupon securities	\$ 6,160,501	384	SP-1+
Money market mutual fund	5,625,579	1	NA
TexasDAILY local government pool	2,234,360	1	AAAm
TexPool local government pool	4,773,245	1	AAAm
TexPool Prime local government pool	3,372,635	1	AAAm
TexSTAR local government pool	4,627,383	1	AAAm
Texas CLASS local government pool	2,230,796	1	AAAm
LOGIC	<u>5,915,592</u>	1	AAAm
Total fair value	34,940,091		
Pool participants excluded from primary government			
Less: DCU (EIC)	<u>(4,100,048)</u>		
Total fair value – primary government	<u>\$ 30,840,043</u>		
Portfolio weighted-average maturity		108	

All of investments above are treated as cash equivalents for financial statement purposes except for \$6,160,501.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Deposits and investments as of September 30, 2014, are classified in the accompanying financial statements as follows:

Statement of Net Position

Cash and cash equivalents – primary government	\$ 11,265,219
Restricted cash and cash equivalents – primary government	16,679,272
Investments – primary government	6,272,124
Restricted investments – primary government	7,900,701
Cash and cash equivalents – EIC	2,706,032
Investments – EIC	1,394,016
	\$ 46,217,364
	\$ 46,217,364

Deposits and investments as of September 30, 2014, consist of the following:

Deposits	\$ 3,586,290
Certificates of deposit	7,690,983
Investments	34,940,091
	\$ 46,217,364
	\$ 46,217,364

TexasTERM is a local government investment pool offering professionally managed portfolios to government entities in the state of Texas. The City of Kerrville invests in a money market portfolio called TexasDAILY. The portfolio offers daily liquidity and is rated AAAM by Standard and Poor’s. TexasTERM is owned and operated by the pool’s investors. The investors elect an advisory board that is responsible for fund management and compliance with the Texas Public Funds Investment Act.

The Texas State Comptroller of Public Accounts oversees TexPool, the largest and oldest government investment pool in the state. Federated Investors provides asset management and participant services for the pool’s operations under a contract with the Comptroller. TexPool’s investment policy is governed by the Texas Public Funds Investment Act and is in full compliance with the Act. TexPool is rated AAAM by Standard and Poor’s.

TexSTAR is a local government investment pool offering professionally managed portfolios to government entities in the state of Texas. The portfolio offers daily liquidity and is rated AAAM by Standard and Poor’s. The governing board of directors selects co-administrators for TexSTAR that provide fund management and compliance with the Texas Public Funds Investment Act.

Texas Cooperative Liquid Assets Securities System (Texas CLASS) is an AAAM rated local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees elected annually by its participants.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Local Government Investment Cooperative (LOGIC) is an AAAM rated local government investment pool with the primary goals of safety, liquidity and yield. The investment activities of LOGIC are administered by third-party advisors, JP Morgan and FirstSouthwest. The pool is overseen by a governing board consisting of individuals from participating governmental entities and is in full compliance with the Texas Public Funds Investment Act.

- **Liquidity** – The pool offers TexasDAILY, a fully liquid money market portfolio that is rated AAAM by Standard & Poor’s.
- **Higher Potential Yield** – By pooling the funds of investors, TexasTERM can invest in money market instruments of larger denominations than possible for a single local government entity, which may result in higher yields.
- **Accounting and Safekeeping** – TexasTERM provides a system which accounts for each investor’s investments in a manner compatible with municipal accounting and auditing requirements.
- **Convenience** – TexasTERM offers the advantages of investment by same-day wire or next-day transfer through automated clearing house (ACH) funds.

TexasTERM is directed by an advisory board of experienced local government officials, finance directors and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. TexasTERM has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (PFIA).

- **Concentration of Credit Risk** – The City’s investment policy recognizes that over-concentration of assets by market sector or maturity as a risk to the portfolio. Diversification is a major object of the investment program. The investment policy has established limits for concentration by market sector as shown below:

Obligations of the U.S. government	90%
Obligations of U.S. agencies/instrumentalities	90%
Certificates of deposit	90%
Limitation by banking institution	15%
Commercial paper	20%
Limitation by issuer	10%
Money market mutual funds	70%
Limitation by ownership in fund	5%
Constant dollar Texas investment pools	90%
Limitation by ownership in fund	5%
State and municipal obligations	15%

- **Interest Rate Risk** – In order to limit interest and market rate risk from changes in interest rates, the City has set a maximum stated maturity date of two years, with a weighted-average maturity of 180 days for the total portfolio. Longer maturities may be utilized for bond proceeds, but only if matched to planned expenditures of the funds.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

- **Custodial Credit Risk – Investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the City may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Public Funds Investment Act and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

Note 3: Receivables

Receivables as of year-end for the government’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental		Business-type	Component Units	
	General	Other Governmental Funds	Activities Water and Sewer	KPUB	EIC
Taxes receivable	\$ 371,316	\$ 50,654	\$ -	\$ -	\$ -
Allowance for uncollectible taxes	(132,306)	(12,664)	-	-	-
	<u>239,010</u>	<u>37,990</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounts receivable	518,772	-	1,257,346	5,417,104	-
Allowance for uncollectible accounts	(87,635)	-	(130,149)	(43,500)	-
	<u>431,137</u>	<u>-</u>	<u>1,127,197</u>	<u>5,373,604</u>	<u>-</u>
Other receivables	237,971	-	-	-	-
Due from other governments	<u>1,008,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>494,712</u>
Total	<u>\$ 1,916,279</u>	<u>\$ 37,990</u>	<u>\$ 1,127,197</u>	<u>\$ 5,373,604</u>	<u>\$ 494,712</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Note 4: Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance September 30, 2013	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2014
Governmental Activities					
Capital assets not being depreciated					
Land and land improvements	\$ 6,251,959	\$ -	\$ -	\$ -	\$ 6,251,959
Streets	34,425,208	-	-	-	34,425,208
Construction in progress	1,191,811	4,475,325	-	(349,494)	5,317,642
Total capital assets not being depreciated	<u>41,868,978</u>	<u>4,475,325</u>	<u>-</u>	<u>(349,494)</u>	<u>45,994,809</u>
Capital assets being depreciated					
Buildings	15,364,249	361,494	(12,408)	349,494	16,062,829
Improvements other than buildings	17,048,982	180,332	-	-	17,229,314
Vehicles	6,049,168	366,211	(319,946)	-	6,095,433
Machinery and equipment	2,900,468	391,111	(10,000)	-	3,281,579
Office equipment	479,292	34,999	-	-	514,291
Total capital assets being depreciated	<u>41,842,159</u>	<u>1,334,147</u>	<u>(342,354)</u>	<u>349,494</u>	<u>43,183,446</u>
Buildings	(4,162,528)	(437,339)	-	-	(4,599,867)
Improvements other than buildings	(2,362,274)	(393,797)	-	-	(2,756,071)
Vehicles	(4,431,415)	(466,164)	249,835	-	(4,647,744)
Machinery and equipment	(1,583,994)	(201,611)	22,408	-	(1,763,197)
Office equipment	(376,230)	(21,750)	-	-	(397,980)
Total accumulated depreciation	<u>(12,916,441)</u>	<u>(1,520,661)</u>	<u>272,243</u>	<u>-</u>	<u>(14,164,859)</u>
Capital assets being depreciated, net	<u>28,925,718</u>	<u>(186,514)</u>	<u>(70,111)</u>	<u>349,494</u>	<u>29,018,587</u>
Governmental activities capital assets, net	<u>\$ 70,794,696</u>	<u>\$ 4,288,811</u>	<u>\$ (70,111)</u>	<u>\$ -</u>	<u>\$ 75,013,396</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

	Balance September 30, 2013	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2014
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 488,831	\$ -	\$ -	\$ -	\$ 488,831
Construction in progress	10,145,171	3,557,067	(528,965)	(6,525,144)	6,648,129
Total capital assets not being depreciated	<u>10,634,002</u>	<u>3,557,067</u>	<u>(528,965)</u>	<u>(6,525,144)</u>	<u>7,136,960</u>
Capital assets being depreciated					
Building	2,558,555	-	-	-	2,558,555
Improvements other than buildings	73,872,870	463,294	-	6,525,144	80,861,308
Vehicles	1,307,975	10,360	(12,639)	-	1,305,696
Machinery and equipment	3,100,930	206,530	-	-	3,307,460
Office equipment	157,994	-	-	-	157,994
Total capital assets being depreciated	<u>80,998,324</u>	<u>680,184</u>	<u>(12,639)</u>	<u>6,525,144</u>	<u>88,191,013</u>
Less: accumulated depreciation for					
Building	(1,511,390)	(69,258)	-	1,786	(1,578,862)
Improvements other than buildings	(27,270,913)	(1,794,437)	-	(1,786)	(29,067,136)
Vehicles	(740,796)	(131,679)	12,639	(108)	(859,944)
Machinery and equipment	(1,581,161)	(229,356)	-	108	(1,810,409)
Office equipment	(128,069)	(7,102)	-	-	(135,171)
Total accumulated depreciation	<u>(31,232,329)</u>	<u>(2,231,832)</u>	<u>12,639</u>	<u>-</u>	<u>(33,451,522)</u>
Capital assets being depreciated, net	<u>49,765,995</u>	<u>(1,551,648)</u>	<u>-</u>	<u>6,525,144</u>	<u>54,739,491</u>
Business-type activities capital assets, net	<u>\$ 60,399,997</u>	<u>\$ 2,005,419</u>	<u>\$ (528,965)</u>	<u>\$ -</u>	<u>\$ 61,876,451</u>

Water and sewer fund includes an impairment loss of \$528,965 related to the construction of a well that will not be able to be used for its intended purpose. This asset was written off as of September 30, 2014. Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 393,351
Public safety	604,003
Public works	225,874
Culture and recreation	<u>295,378</u>
Total depreciation expense – governmental activities	<u>\$ 1,518,606</u>
Business-type activities	
Water and Sewer	\$ 2,151,879
Golf course	<u>79,953</u>
Total depreciation expense – business-type activities	<u>\$ 2,231,832</u>
Internal Service Fund	
Garage fund	\$ 2,055

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Construction Commitments

The City has numerous active construction projects as of September 30, 2014. The projects include street, building and storm drainage construction, park improvements and water and sewer system improvements. These improvements are being paid with bond proceeds, EIC contributions and internally generated sources.

	Spent to Date	Remaining Commitments	Total Commitments
Governmental Activities			
Remedial Drainage Program	\$ 380,836	\$ 119,164	\$ 500,000
City Hall	3,090,851	68,382	3,159,233
Wayfinding Signs	110,000	117,000	227,000
Library Campus	196,164	202,301	398,465
Louise Hays/Lehman Park	760,490	1,773,425	2,533,915
River Trail A-F	2,560,003	3,376,256	5,936,259
Riverhill Boulevard	47,089	52,911	100,000
Mooney Roof Repair	-	500,000	500,000
Police Building Repair	17,615	182,385	200,000
Paving in Park	-	90,000	90,000
City Garage Roof	-	30,000	30,000
Landfill Permitting	93,000	407,000	500,000
	<u>\$ 7,256,048</u>	<u>\$ 6,918,824</u>	<u>\$ 14,174,872</u>
Business-type Activities			
Aquifer Storage Recovery Well	\$ -	\$ 818,942	\$ 818,942
Water Supply Acquisition	114,363	36,302	150,665
High Service Pump-River Hill	356,024	23,976	380,000
Jefferson Lift Station	2,299,107	4,090,686	6,389,793
Ridgewood Transmission Line	1,371,316	2,253,684	3,625,000
Wastewater Treatment Plant Clarifier	479,700	3,106,000	3,585,700
Utility Construction Building	-	150,000	150,000
Wastewater Building	-	70,000	70,000
Tank Painting	18,049	1,281,951	1,300,000
Broadway Lift Station	-	500,000	500,000
G Street Interceptor	1,983,450	107,951	2,091,401
	<u>\$ 6,622,009</u>	<u>\$ 12,439,492</u>	<u>\$ 19,061,501</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

	Balance September 30, 2013	Additions	Retirements	Balance September 30, 2014
KPUB				
Capital assets, not being depreciated				
Land	\$ 117,656	\$ -	\$ -	\$ 117,656
Construction in progress	<u>1,698,253</u>	<u>4,540,547</u>	<u>(3,232,243)</u>	<u>3,006,557</u>
Total capital assets not being depreciated	<u>1,815,909</u>	<u>4,540,547</u>	<u>(3,232,243)</u>	<u>3,124,213</u>
Capital assets, being depreciated				
Buildings	4,752,815	438,236	(135,462)	5,055,589
Improvements other than buildings	50,752,667	2,594,607	(490,964)	52,856,310
Vehicles	1,800,748	231,963	(116,675)	1,916,036
Machinery and equipment	<u>893,735</u>	<u>63,787</u>	<u>(22,560)</u>	<u>934,962</u>
Total capital assets being depreciated	<u>58,199,965</u>	<u>3,328,593</u>	<u>(765,661)</u>	<u>60,762,897</u>
Less accumulated depreciation for				
Buildings	(2,402,607)	(157,563)	47,569	(2,512,601)
Improvements other than buildings	(25,685,567)	(1,963,331)	733,717	(26,915,181)
Vehicles	(797,004)	(151,025)	100,973	(847,056)
Machinery and equipment	<u>(417,831)</u>	<u>(38,935)</u>	<u>6,920</u>	<u>(449,846)</u>
Total accumulated depreciation	<u>(29,303,009)</u>	<u>(2,310,854)</u>	<u>889,179</u>	<u>(30,724,684)</u>
Total capital assets being depreciated, net	<u>28,896,956</u>	<u>1,017,739</u>	<u>123,518</u>	<u>30,038,213</u>
Business-type activities capital assets, net	<u>\$ 30,712,865</u>	<u>\$ 5,558,286</u>	<u>\$ (3,108,725)</u>	<u>\$ 33,162,426</u>

KPUB uses a composite rate to depreciate its investment in the electric plant. The composite rate was 3.9% for the year ended September 30, 2014.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Note 5: Interfund Receivables, Payables, Loans and Transfers

Interfund receivables and payables:

Interfund Payable	Interfund Receivable General Fund
Water and Sewer Fund	\$ 61,562
Nonmajor Enterprise Funds	13,210
Internal Service Funds	5,122
	<u>\$ 79,894</u>

The interfund receivable and payable listed above was necessary due to timing of payroll reimbursement by the Water and Sewer Fund, Golf Fund and Internal Service Fund.

Interfund transfers:

Transfer Fund	Transfer In	Transfer Out	Purpose of Transfer
General Fund	\$ 1,446,984	\$ 1,547,825	Budgetary
Governmental IP Fund	1,837,250	186,226	Capital Projects
Internal Service Fund	1,600	126,000	Budgetary
Nonmajor Governmental Funds	297,374	597,847	Budgetary
Nonmajor Golf Course Fund	4,400	-	Budgetary
Water and Sewer Fund	120,290	1,250,000	Budgetary
	<u>\$ 3,707,898</u>	<u>\$ 3,707,898</u>	

- **Eliminations** – Interfund transfers are reported in the governmental activities and business-type activities fund financial statements. In the government-wide financial statements, interfund transfers are eliminated within the governmental activities column and within the business-type column.
- **Purpose of Transfers** – Interfund transfers between the General Fund, Nonmajor Governmental Funds and the Governmental IP Fund relate to the funding of capital projects. The Water and Sewer Fund provides an administrative transfer to the General Fund for indirect administrative costs.

Note 6: Long-term Debt

The City issues general obligation bonds, certificates of obligation bonds, contractual obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Debt Currently Outstanding:

	<u>Governmental</u>	<u>Business-type</u>	<u>Component Units</u>
Certificates of Obligations			
Combination Tax and Revenue Certificates of Obligation, Series 2007, 4.00% to 4.20%, maturing in annual installments of \$80,000 to \$150,000 through 2027	\$ 1,530,000	\$ -	\$ -
Combination Tax and Revenue Certificates of Obligation, Series 2008, 3.33%, maturing in annual installments of \$155,000 to \$225,000 through 2023	-	1,790,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2009, 3.00% to 4.25%, maturing in annual installments of \$380,000 to \$695,000 through 2029	4,145,000	3,925,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2010, 2.00% to 4.25%, maturing in annual installments of \$90,000 to \$275,000 through 2030	-	2,985,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2011, 2.00% to 4.125%, maturing in annual installments of \$230,000 to \$435,000 through 2030	-	5,285,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2011A, 2.00% to 3.50%, maturing in annual installments of \$165,000 to \$255,000 through 2031	3,500,000	-	-
Combination Tax and Revenue Certificates of Obligation, Series 2012, 2.00% to 2.50%, maturing in annual installments of \$270,000 to \$635,000 through 2032	3,465,000	5,915,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2013, 1.50% to 2.75%, maturing in annual installments of \$320,000 to \$610,000 through 2033	-	9,680,000	-
	<u>\$ 12,640,000</u>	<u>\$ 29,580,000</u>	<u>\$ -</u>
General Obligations			
General Obligation Refunding Bonds, Series 2007, 4.00%, maturing in annual installments of \$30,000 to \$1,230,000 through 2022	\$ 2,569,875	\$ 3,205,125	\$ -
General Obligation Refunding Bonds, Series 2010, 2.00% to 4.00%, maturing in annual installments of \$30,000 to \$940,000 through 2017	1,205,950	1,504,050	-
	<u>\$ 3,775,825</u>	<u>\$ 4,709,175</u>	<u>\$ -</u>
Cailloux Foundation Properties Promissory Note			
Cailloux Foundation Properties Promissory Note, interest free, maturing in annual installments of \$250,000 to \$279,881 through 2019. Maximum amount of loan is \$1,279,881	\$ 284,526	\$ -	\$ -
State Infrastructure Bank Loan			
State Infrastructure Bank Loan, Series 2006, 4.1%, maturing in annual installments of \$76,945 to \$196,540 through 2018	\$ 450,036	\$ 368,211	\$ -
Revenue Bonds			
City of Kerrville, Texas Electric System Revenue Refunding Bonds, Series 2013, 0.49% to 4.13%; maturing in annual installments of \$316,000 to \$520,000 through 2029	\$ -	\$ -	\$ 6,300,000

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

During the year ended September 30, 2014, the following changes occurred in business-type and governmental activities long-term debt:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>	<u>Within One Year</u>
Governmental Activities					
General obligation bonds	\$ 4,162,975	\$ -	\$ 387,150	\$ 3,775,825	\$ 402,725
Certificates of obligation	12,940,000	-	300,000	12,640,000	645,000
Cailloux Foundation promissory note	-	284,526	-	284,526	250,000
State infrastructure bank loan	542,130	-	92,094	450,036	95,870
Unamortized bond premium (discount)	<u>292,404</u>	<u>-</u>	<u>18,079</u>	<u>274,325</u>	<u>18,079</u>
Net bonds payable	17,937,509	284,526	797,323	17,424,712	1,411,674
Compensated absences	697,216	633,951	521,110	810,057	605,448
Landfill closure and post-closure costs	<u>3,181,572</u>	<u>63,035</u>	<u>-</u>	<u>3,244,607</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 21,816,297</u>	<u>\$ 981,512</u>	<u>\$ 1,318,433</u>	<u>\$ 21,479,376</u>	<u>\$ 2,017,122</u>
Business-type Activities					
General obligation bonds	\$ 5,192,025	\$ -	\$ 482,850	\$ 4,709,175	\$ 502,275
Certificates of obligation	31,060,000	-	1,480,000	29,580,000	1,625,000
State infrastructure bank loan	443,561	-	75,350	368,211	78,440
Unamortized bond premium (discount)	<u>594,202</u>	<u>-</u>	<u>39,469</u>	<u>554,733</u>	<u>39,469</u>
Net bonds payable	37,289,788	-	2,077,669	35,212,119	2,245,184
Compensated absences	<u>158,330</u>	<u>104,881</u>	<u>94,564</u>	<u>168,647</u>	<u>100,726</u>
Business-type activity long-term liabilities	<u>\$ 37,448,118</u>	<u>\$ 104,881</u>	<u>\$ 2,172,233</u>	<u>\$ 35,380,766</u>	<u>\$ 2,345,910</u>
Discrete Component Units					
KPUB					
Revenue refunding bonds	\$ 2,065,000	\$ 6,300,000	\$ 2,065,000	\$ 6,300,000	\$ 316,000
EIC					
Revenue bonds	<u>485,000</u>	<u>-</u>	<u>485,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,550,000</u>	<u>\$ 6,300,000</u>	<u>\$ 2,550,000</u>	<u>\$ 6,300,000</u>	<u>\$ 316,000</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Annual debt service requirements to maturity for debt, excluding bond premium (discount), is as follows:

Fiscal Years Ending September 30	Government Activities		
	Principal	Interest	Total
2015	\$ 1,393,595	\$ 537,170	\$ 1,930,765
2016	1,215,402	501,726	1,717,128
2017	1,222,767	462,934	1,685,701
2018	1,278,177	422,471	1,700,648
2019	1,252,371	380,185	1,632,556
2020 – 2024	5,493,075	1,297,348	6,790,423
2025 – 2029	4,310,000	520,397	4,830,397
2030 – 2031	985,000	35,418	1,020,418
Total	<u>\$ 17,150,387</u>	<u>\$ 4,157,649</u>	<u>\$ 21,308,036</u>

Fiscal Years Ending September 30	Business-type Activities		
	Principal	Interest	Total
2015	\$ 2,205,715	\$ 1,030,017	\$ 3,235,732
2016	2,270,580	968,614	3,239,194
2017	2,336,128	902,721	3,238,849
2018	2,413,462	834,353	3,247,815
2019	2,439,576	759,425	3,199,001
2020 – 2024	10,411,925	2,714,577	13,126,502
2025 – 2029	8,495,000	1,354,994	9,849,994
2030 – 2033	4,085,000	241,021	4,326,021
Total	<u>\$ 34,657,386</u>	<u>\$ 8,805,722</u>	<u>\$ 43,463,108</u>

Fiscal Years Ending September 30	KPUB		
	Principal	Interest	Total
2015	\$ 316,000	\$ 215,197	\$ 531,197
2016	372,000	159,206	531,206
2017	375,000	155,749	530,749
2018	379,000	151,316	530,316
2019	385,000	145,543	530,543
2020 – 2024	2,060,000	594,606	2,654,606
2025 – 2029	2,413,000	241,587	2,654,587
Total	<u>\$ 6,300,000</u>	<u>\$ 1,663,204</u>	<u>\$ 7,963,204</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Note 7: Other Information

Risk Management

The City is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property damage to City assets, errors and omissions and personal risks which relate to workers' compensation. The City participates in the Texas Municipal League Intergovernmental Risk Pool. As an insured, the City is not obligated to reimburse the pool for losses. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's basic financial statements.

The City provides health care benefits on a fully insured basis to eligible employees. The City contributes 100% of the premium for employee coverage and 57% of the premium for dependent coverage. All funds are deposited into the internal service fund and paid to the provider out of the same fund.

Commercial insurance is purchased for the other risks of losses to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the two prior years.

Closure and Post-closure Care Costs

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of the landfill post-closure care cost is based on the amount of the landfill used during the year. The estimated liability for landfill post-closure care costs of \$3,244,607 as of September 30, 2014, is based on 70% usage (filled) of the landfill. It is estimated that an additional \$1,368,673 will be recognized as post-closure care expenses between the date of the statement of net position and the date the landfill is expected to be filled to capacity (2046). The City's estimated total cost of the landfill post-closure care of \$4,613,280 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of September 30, 2014. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

The City has contractually obligated the landfill operator to bear the cost of the landfill closure. The City monitors the closure costs and meets the financial assurance requirements noted below.

The City's financial assurance requirements for closure and post-closure care costs are being met through the financial test specified in TAC §37.271 (relating to Local Government Financial Test).

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a party in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City’s management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City contracts for garbage disposal with a third-party. Under the terms of the agreement the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

Note 8: Employee Retirement Systems and Pension Plans

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153, or by calling 800-924-8677; in addition, the report is available on the TMRS website at www.tmrs.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2012	2013	2014
Employee deposit rate	7%	7%	7%
Matching ratio (employer to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100%, Repeating Transfers	100%, Repeating Transfers	100%, Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI	0% of CPI

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the entry-age normal actuarial cost method beginning with the December 31, 2013 valuation. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually, the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeated benefits, such as updated service credits and annuity increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) are as follows:

	Fiscal Years Ended September 30		
	2014	2013	2012
NPO, beginning of year	\$ -	\$ -	\$ -
Annual required contribution	1,299,066	1,218,714	1,194,876
Contributions made (100%)	1,299,066	1,218,714	1,194,876
NPO, end of year	\$ -	\$ -	\$ -

The required contribution rates for calendar year 2014 was determined as part of the December 31, 2012 and 2011, actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Summary of the actuarial assumptions used is as follows:

	2011	2012	2013
Actuarial cost method	Projected unit credit	Projected unit credit	Entry-age normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	30 years; closed period	23.6 years; closed period	24 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions			
Investment rate of return	7.0%	7.0%	7.0%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost of living adjustments	2.1%	2.1%	2.1%

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial value of plan assets	\$ 58,437,964
Actuarial accrued liability (AAL)	\$ 61,741,713
Funded rate	94.6%
Unfunded AAL	\$ 3,303,749
Covered payroll	\$ 14,739,661
Unfunded AAL as a % of covered payroll	22.4%

Trend information is presented below for the three most recent plan years:

Plan Years September 30,	Annual Contributions	Annual Pension Cost (APC)	Percentage of APC Contributed	Pension Obligation (Asset)
2012	\$ 1,194,876	\$ 1,194,876	100%	\$ -
2013	1,218,714	1,218,714	100%	-
2014	1,299,066	1,299,066	100%	-

The schedule of funding progress presented as required supplementary information following the notes to the basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits and discloses updated actuarial assumption that recently occurred.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2014

Note 9: Investment in Joint Venture

The City and Kerr County operate a municipal airport under a joint venture agreement. Participants provide financial support and are entitled to an undivided 50% interest in net position. The following is condensed financial information for the airport as of and for the year ended September 30, 2014:

Assets

Cash	\$ 428,097
Receivables	311,402
Prepaid items	2,693
Nondepreciable property	
Land	2,849,809
CIP	100,000
Depreciable property, net	
Buildings	2,126,558
Improvements	11,552,641
Vehicle	16,136
Machinery and equipment	6,436
	<u>17,393,772</u>
Total assets	<u>\$ 17,393,772</u>

Liabilities and Net Position

Liabilities

Accounts payable	\$ 500,279
Unearned revenue	9,375
Other current liabilities	4,700
	<u>514,354</u>
Total liabilities	<u>514,354</u>

Net Position

Net investment in capital assets	16,651,580
Restricted for capital projects	56,056
Unrestricted	171,782
	<u>16,879,418</u>
Total net position	<u>\$ 16,879,418</u>

Revenues

Capital grants and contributions	\$ 823,954
Operating grants and contributions	160,802
Charges for services	267,541
	<u>1,252,297</u>

Total Revenues

1,252,297

Expenses

Airport operations	775,134
	<u>775,134</u>

Operating income

477,163

General Revenues

Unrestricted investment earnings	37
	<u>37</u>

Change in Net Position

477,200

Net Position, Beginning of Year

16,402,218

Net Position, End of Year

\$ 16,879,418

Note 10: Subsequent Events

Subsequent events have been evaluated through February 18, 2015, which is the date the financial statements were available to be issued.



Required Supplementary Information



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City of Kerrville, Texas
Schedule of Funding Progress
September 30, 2014

Exhibit B-1

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability AAL (UAAL)	Unfunded AAL (UAAL)	Funded Ratio as a Percentage	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	\$ 27,570,274	\$ 41,493,389	\$ 13,923,115	66.4%	\$ 14,181,671	98.2%
12/31/2010 *	29,089,086	34,001,942	4,912,856	85.6%	14,100,396	34.8%
12/31/2010 **	48,347,946	48,182,214	(165,732)	100.3%	14,100,396	-1.18%
12/31/2011	51,308,746	53,838,919	2,530,173	95.3%	13,805,563	18.3%
12/31/2012	54,660,977	56,223,668	1,562,691	97.2%	14,360,878	10.9%
12/31/2013	58,437,964	61,741,713	3,303,749	94.6%	14,739,661	22.4%

* Actuarial valuation performed under the original fund structure

** Actuarial valuation performed under the new fund structure

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with the perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The December 31, 2013 actuarial valuation included three actuarial changes adopted by the TMRS Board of Trustees in accordance with the current strategic goal to “maintain the actuarial soundness of the retirement program by examining actuarial assumptions and methodologies and making changes where appropriate.”

The first was regarding post-retirement mortality assumptions. The mortality tables used in calculating the annuity purchase rate (APR) were updated. This was necessary due to increasing life expectancies. The second was a change to the entry-age normal actuarial cost method (EAN). The EAN cost method produces contribution rates that are more predictable and that exhibit less volatility than those produced under the method previously used, projected unit method (PUC). Even though the EAN cost method will result in higher initial actuarial accrued liabilities and lower fund ratios than under the previous PUC method, a primary goal of TMRS is to minimize contribution volatility. A change to the EAN cost method for funding purposes is another step toward accomplishing this policy. A secondary reason for changing to the EAN cost method is that, beginning in 2014, under Governmental Accounting Standards (GASB) Statement No. 67 and No. 68, EAN is the required actuarial cost method to be used for reporting purposes.

City of Kerrville, Texas
Schedule of Funding Progress (Continued)
September 30, 2014

The third change was regarding the amortization policy. In order to minimize the impact on contribution rates resulting from the changes in the retiree mortality assumptions and the actuarial cost method, individual employer amortization periods were adjusted to the extent necessary and allowable under current TMRS statutes and board rules. The board also elected to close the amortization period for all employers and to ladder the amortization of future liabilities over the respective 25 to 30 year amortization period.

A more detailed discussion of all these actuarial assumptions can be found in the TRMS comprehensive annual financial report. This report may be obtained from TMRS' website at www.TMRS.com.

City of Kerrville, Texas
Schedule of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual (General Fund)
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Ad valorem taxes, penalties and interest	\$ 15,895,100	\$ 15,895,100	\$ 16,186,958	\$ 291,858
Intergovernmental	1,064,699	1,064,699	989,191	(75,508)
Licenses and permits	327,560	327,560	504,931	177,371
Charges for services	2,666,990	2,666,990	2,261,251	(405,739)
Fines and forfeitures	502,820	502,820	354,814	(148,006)
Grants	32,975	32,975	71,724	38,749
Investment income	51,375	51,375	31,603	(19,772)
Miscellaneous	760,750	760,750	1,093,418	332,668
Total revenues	<u>21,302,269</u>	<u>21,302,269</u>	<u>21,493,890</u>	<u>191,621</u>
Expenditures				
General government				
City council	7,082	7,482	3,882	3,600
City secretary and seized funds	154,989	159,289	171,390	(12,101)
Legal	268,090	275,920	231,269	44,651
Municipal court	407,126	407,126	374,366	32,760
City Manager	535,795	565,210	542,705	22,505
Human resources	320,208	328,844	319,447	9,397
Finance	318,951	318,951	316,971	1,980
Information systems	736,580	736,580	717,654	18,926
Landfill operations and asset replacement	365,812	365,812	467,518	(101,706)
General operations	1,191,962	1,507,662	1,388,898	118,764
Total general government	<u>4,306,595</u>	<u>4,672,876</u>	<u>4,534,100</u>	<u>138,776</u>
Public safety				
Police	4,912,117	4,951,117	4,764,676	186,441
Fire	4,035,196	4,035,196	4,162,004	(126,808)
Fire marshal	179,256	179,256	143,008	36,248
Emergency medical services	2,803,667	2,803,667	2,931,115	(127,448)
Total public safety	<u>11,930,236</u>	<u>11,969,236</u>	<u>12,000,803</u>	<u>(31,567)</u>
Public works				
Planning	134,992	134,992	130,871	4,121
Inspection	297,083	275,687	245,250	30,437
Engineering	323,592	324,252	302,090	22,162
Streets	2,009,421	2,209,176	2,172,768	36,408
Code enforcement	137,022	164,544	155,889	8,655
Total public works	<u>2,902,110</u>	<u>3,108,651</u>	<u>3,006,868</u>	<u>101,783</u>

Exhibit B-2

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Cultural and recreation				
Kerrville-Schreiner Park	\$ 376,298	\$ 376,298	\$ 392,827	\$ (16,529)
Tennis center	33,300	33,300	31,719	1,581
Aquatics	106,554	106,554	109,459	(2,905)
Parks maintenance	852,422	852,422	849,778	2,644
Recreation	105,778	105,778	108,037	(2,259)
Library	716,458	716,458	676,938	39,520
	<u>2,190,810</u>	<u>2,190,810</u>	<u>2,168,758</u>	<u>22,052</u>
Capital outlay	<u>250,000</u>	<u>267,923</u>	<u>437,577</u>	<u>(169,654)</u>
Total expenditures	<u>21,579,751</u>	<u>22,209,496</u>	<u>22,148,106</u>	<u>61,390</u>
Excess (deficiency) of revenues over expenditures	<u>(277,482)</u>	<u>(907,227)</u>	<u>(654,216)</u>	<u>253,011</u>
Other Financing Sources (Uses)				
Loan proceeds	-	-	284,526	284,526
Transfers in	1,393,000	1,413,000	1,446,984	33,984
Transfers out	-	(1,067,000)	(1,547,825)	(480,825)
	<u>1,393,000</u>	<u>346,000</u>	<u>183,685</u>	<u>(162,315)</u>
Net Changes in Fund Balance	1,115,518	(561,227)	(470,531)	90,696
Fund Balance, Beginning of Year	<u>9,566,058</u>	<u>9,566,058</u>	<u>9,566,058</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 10,681,576</u>	<u>\$ 9,004,831</u>	<u>\$ 9,095,527</u>	<u>\$ 90,696</u>

City of Kerrville, Texas
Notes to Required Supplementary Information
September 30, 2014

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

Prior to adoption of a formal budget, the City Manager must file by August 1 with the City Clerk a proposed operating budget for the year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted to obtain taxpayers' comments.

Prior to October 1 the budget is adopted and legally enacted through passage of an ordinance.

The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Budgeted amounts in this report include transfers and revisions to the original appropriations ordinance; most department budgets were modified during the year.

Formal budgetary integration is employed as a management control device during the year. The City uses the encumbrance basis which is comprised of GAAP basis transactions modified by encumbrances made for legal obligations incurred as of year-end. Annual budgets are not adopted for capital projects funds which use project length budgets for projects which encompass two or more fiscal years.

Budgets have been adopted for the General Fund, certain Special Revenue Funds (Library Memorial, Hotel Reserve, Hotel/Motel Tax, History Center) and the Debt Service Fund.

Annual budgeted expenditures are adopted at the department level within funds. As described above, the City Manager is authorized to make transfers within a department. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level.

Appropriations for annually budgeted funds lapse at year-end.

City of Kerrville, Texas
Notes to Required Supplementary Information
September 30, 2014

Excess of Expenditures Over Appropriations

The following departments in the General Fund had expenditures in excess of appropriations.

Major Function and Department	Excess Expenditures
General Government	
City secretary	\$ (12,101)
Landfill operations	\$ (101,706)
Public Safety	
Fire	\$ (126,808)
Emergency medical services	\$ (127,448)
Cultural and Recreation	
Parks administration	\$ (16,529)
Swimming pools	\$ (2,905)
Recreation	\$ (2,259)

The City also exceeded its capital outlay budget by \$169,654 during fiscal year 2014.

Modified Approach for Capital Assets – Street System

The City implemented the modified approach for its street system in connection with implementation of GASB Statement No. 34 during the year ended September 30, 2009. Three-year and five-year historical information, respectively, for pavement condition and maintenance comparisons will be presented on a prospective basis.

Classification	Pavement Condition Index of Street Systems		
	2014	2013	2012
Secondary arterial	88	88	89
Collector	79	79	79
Industrial	88	88	87
Residential	80	79	79
Overall system	79	79	79

	Comparison of Needed-to-Actual Maintenance/Preservation				
	2014	2013	2012	2011	2010
Overall system					
Needed	\$ -	\$ -	\$ -	\$ -	\$ -
Actual	529,600	600,000	580,000	475,000	550,000

City of Kerrville, Texas
Notes to Required Supplementary Information
September 30, 2014

The condition of road pavement is measured using the Asphalt Institute Pavement Rating System (AIPRS), which is based on a weighted-average of 11 visual deficiency factors found in pavement surfaces. AIPRS uses a measurement scale that is based on a Condition Index ranging from 0 for failed pavement to 100 for a pavement in perfect condition. The Condition Index is used to classify roads in very good condition (92 – 100), good condition (81 – 91), fair condition (70 – 80), poor condition (61 – 69) and very poor condition (0 – 50). It is the City's policy (as set forth in Resolution No. 038-2004, dated March 23, 2004) to maintain an overall weighted-average Condition Index of 75. Complete condition assessments are determined every three years.



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**Combining Statements and Budgetary Comparison
Schedules as Supplementary Information**

City of Kerrville, Texas
Combining Balance Sheet – Nonmajor Governmental Funds
September 30, 2014

	Special Revenue Funds			
	Library Memorial	Hotel/Motel Tax	Hotel Reserve Fund	History Center
Assets				
Cash and cash equivalents	\$ 90,833	\$ 284,537	\$ 250,728	\$ 30,155
Investments	46,793	146,580	129,163	15,535
Taxes receivable	-	-	-	-
Total assets	<u>137,626</u>	<u>431,117</u>	<u>379,891</u>	<u>45,690</u>
Liabilities				
Accounts payable and accrued expenses	<u>466</u>	<u>-</u>	<u>-</u>	<u>448</u>
Deferred Inflows of Resources				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	-	431,117	379,891	-
Committed	<u>137,160</u>	<u>-</u>	<u>-</u>	<u>45,242</u>
Total fund balances	<u>\$ 137,160</u>	<u>\$ 431,117</u>	<u>\$ 379,891</u>	<u>\$ 45,242</u>

Exhibit C-1

	Capital Projects Fund	Debt Service Fund	
Grant	Park Land Dedication	Debt Service Fund	Total Nonmajor Funds
\$ 853	\$ 43,893	\$ 906,566	\$ 1,607,565
440	22,611	467,017	828,139
-	-	37,990	37,990
<u>1,293</u>	<u>66,504</u>	<u>1,411,573</u>	<u>2,473,694</u>
-	-	-	914
-	-	25,990	25,990
1,293	-	1,385,583	2,197,884
-	66,504	-	248,906
<u>\$ 1,293</u>	<u>\$ 66,504</u>	<u>\$ 1,385,583</u>	<u>\$ 2,446,790</u>

City of Kerrville, Texas
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended September 30, 2014

	Special Revenue Funds			
	Library Memorial	Hotel/Motel Tax	Hotel Reserve Fund	History Center
Revenues				
Taxes and penalties	\$ -	\$ 1,045,911	\$ -	\$ -
License and permits	-	-	-	-
Charges for services	-	-	-	22
Grants	25,006	-	-	-
Investment income	196	-	745	502
Miscellaneous	202,344	-	-	13,214
	<u>227,546</u>	<u>1,045,911</u>	<u>745</u>	<u>13,738</u>
Total revenues				
	<u>227,546</u>	<u>1,045,911</u>	<u>745</u>	<u>13,738</u>
Expenditures				
Current				
Cultural and recreation	22,680	947,080	-	6,173
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>22,680</u>	<u>947,080</u>	<u>-</u>	<u>6,173</u>
Total expenditures				
	<u>22,680</u>	<u>947,080</u>	<u>-</u>	<u>6,173</u>
Excess (deficiency) of revenues over expenditures	<u>204,866</u>	<u>98,831</u>	<u>745</u>	<u>7,565</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	297,374
Transfers out	(131,000)	-	-	(384,715)
Total other financing sources (uses)	<u>(131,000)</u>	<u>-</u>	<u>-</u>	<u>(87,341)</u>
Net Change in Fund Balances	73,866	98,831	745	(79,776)
Fund Balances, Beginning of Year	<u>63,294</u>	<u>332,286</u>	<u>379,146</u>	<u>125,018</u>
Fund Balances, End of Year	<u>\$ 137,160</u>	<u>\$ 431,117</u>	<u>\$ 379,891</u>	<u>\$ 45,242</u>

Exhibit C-2

	Capital Projects Fund	Debt Service Fund	
Grant	Park Land Dedication	Debt Service Fund	Total Nonmajor Funds
\$ -	\$ -	\$ 1,292,863	\$ 2,338,774
-	14,150	-	14,150
-	-	-	22
7,976	-	-	32,982
-	170	2,700	4,313
-	-	170,000	385,558
<u>7,976</u>	<u>14,320</u>	<u>1,465,563</u>	<u>2,775,799</u>
7,500	2,871	-	986,304
-	47,235	-	47,235
-	-	779,244	779,244
-	-	564,565	564,565
<u>7,500</u>	<u>50,106</u>	<u>1,343,809</u>	<u>2,377,348</u>
<u>476</u>	<u>(35,786)</u>	<u>121,754</u>	<u>398,451</u>
-	-	-	297,374
-	-	(82,132)	(597,847)
-	-	(82,132)	(300,473)
476	(35,786)	39,622	97,978
<u>817</u>	<u>102,290</u>	<u>1,345,961</u>	<u>2,348,812</u>
<u>\$ 1,293</u>	<u>\$ 66,504</u>	<u>\$ 1,385,583</u>	<u>\$ 2,446,790</u>

City of Kerrville, Texas
Library Memorial
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2014

Exhibit C-3

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Grants	\$ 23,346	\$ 23,346	\$ 25,006	\$ 1,660
Investment income	100	100	196	96
Miscellaneous	<u>13,100</u>	<u>13,100</u>	<u>202,344</u>	<u>189,244</u>
Total revenues	<u>36,546</u>	<u>36,546</u>	<u>227,546</u>	<u>191,000</u>
Expenditures				
Culture and recreation	<u>23,700</u>	<u>23,700</u>	<u>22,680</u>	<u>1,020</u>
Total expenditures	<u>23,700</u>	<u>23,700</u>	<u>22,680</u>	<u>1,020</u>
Excess of revenues over expenditures	<u>12,846</u>	<u>12,846</u>	<u>204,866</u>	<u>192,020</u>
Other Financing Uses				
Transfer to other funds	<u>-</u>	<u>-</u>	<u>(131,000)</u>	<u>(131,000)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(131,000)</u>	<u>(131,000)</u>
Net Change in Fund Balance	12,846	12,846	73,866	61,020
Fund Balance, Beginning of Year	<u>63,294</u>	<u>63,294</u>	<u>63,294</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 76,140</u>	<u>\$ 76,140</u>	<u>\$ 137,160</u>	<u>\$ 61,020</u>

City of Kerrville, Texas
Hotel Reserve
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2014

Exhibit C-4

	<u>Budgeted Amounts</u>		Actual	Variance With Final Budget
	Original	Final		Positive (Negative)
Revenues				
Investment income	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 745</u>	<u>\$ (1,255)</u>
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>745</u>	<u>(1,255)</u>
Net Change in Fund Balance	2,000	2,000	745	(1,255)
Fund Balance, Beginning of Year	<u>379,146</u>	<u>379,146</u>	<u>379,146</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 381,146</u></u>	<u><u>\$ 381,146</u></u>	<u><u>\$ 379,891</u></u>	<u><u>\$ (1,255)</u></u>

City of Kerrville, Texas
Hotel/Motel Tax
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2014

Exhibit C-5

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Hotel/motel taxes	\$ 860,000	\$ 860,000	\$ 1,045,911	\$ 185,911
Investment income	100	100	-	(100)
Total revenues	<u>860,100</u>	<u>860,100</u>	<u>1,045,911</u>	<u>185,811</u>
Expenditures				
Culture and recreation	<u>859,000</u>	<u>919,000</u>	<u>947,080</u>	<u>(28,080)</u>
Total expenditures	<u>859,000</u>	<u>919,000</u>	<u>947,080</u>	<u>(28,080)</u>
Excess (deficiency) of revenues over expenditures	<u>1,100</u>	<u>(58,900)</u>	<u>98,831</u>	<u>157,731</u>
Other Financing Uses				
Transfer to other funds	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
Net Change in Fund Balance	1,100	(78,900)	98,831	177,731
Fund Balance, Beginning of Year	<u>332,286</u>	<u>332,286</u>	<u>332,286</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 333,386</u></u>	<u><u>\$ 253,386</u></u>	<u><u>\$ 431,117</u></u>	<u><u>\$ 177,731</u></u>

City of Kerrville, Texas
History Center
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2014

Exhibit C-6

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 725	\$ 725	\$ 22	\$ (703)
Investment income	275	275	502	227
Miscellaneous	13,200	13,200	13,214	14
	<u>14,200</u>	<u>14,200</u>	<u>13,738</u>	<u>(462)</u>
Total revenues				
Expenditures				
Cultural and recreation	13,297	310,310	6,173	304,137
	<u>13,297</u>	<u>310,310</u>	<u>6,173</u>	<u>304,137</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>903</u>	<u>(296,110)</u>	<u>7,565</u>	<u>303,675</u>
Other Financing Sources (Uses)				
Transfers in	-	-	297,374	297,374
Transfers out	-	-	(384,715)	384,715
	<u>-</u>	<u>-</u>	<u>(384,715)</u>	<u>384,715</u>
Net Change in Fund Balance	903	(296,110)	(79,776)	216,334
Fund Balance, Beginning of Year	<u>125,018</u>	<u>125,018</u>	<u>125,018</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 125,921</u>	<u>\$ (171,092)</u>	<u>\$ 45,242</u>	<u>\$ 216,334</u>

City of Kerrville, Texas
Debt Service
Budgetary Comparison Schedule
Year Ended September 30, 2014

Exhibit C-7

	<u>Budgeted Amounts</u>		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and penalties	\$ 1,132,000	\$ 1,132,000	\$ 1,292,863	\$ 160,863
Investment income	3,000	3,000	2,700	(300)
Miscellaneous	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>	<u>-</u>
Total revenues	<u>1,305,000</u>	<u>1,305,000</u>	<u>1,465,563</u>	<u>160,563</u>
Expenditures				
Debt service	<u>1,426,144</u>	<u>1,426,143</u>	<u>1,343,809</u>	<u>82,334</u>
Total expenditures	<u>1,426,144</u>	<u>1,426,143</u>	<u>1,343,809</u>	<u>82,334</u>
Excess (deficiency) of revenues over expenditures	<u>(121,144)</u>	<u>(121,143)</u>	<u>121,754</u>	<u>242,897</u>
Other Financing Uses				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(82,132)</u>	<u>(82,132)</u>
Net Change in Fund Balance	(121,144)	(121,143)	39,622	160,765
Fund Balance, Beginning of Year	<u>1,345,961</u>	<u>1,345,961</u>	<u>1,345,961</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,224,817</u></u>	<u><u>\$ 1,224,818</u></u>	<u><u>\$ 1,385,583</u></u>	<u><u>\$ 160,765</u></u>

City of Kerrville, Texas
Combining Statement of Net Position
Internal Service Funds
September 30, 2014

Exhibit C-8

	Garage	Flexfund Insurance	Total Internal Service Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 29,759	\$ 408,998	\$ 438,757
Investments	15,330	210,697	226,027
Inventories	29,599	-	29,599
	<u>74,688</u>	<u>619,695</u>	<u>694,383</u>
Total current assets			
Capital Assets			
Buildings	159,000	-	159,000
Vehicles	25,556	-	25,556
Machinery and equipment	20,522	-	20,522
Accumulated depreciation	(200,715)	-	(200,715)
	<u>4,363</u>	<u>-</u>	<u>4,363</u>
Net capital assets			
Total assets	<u>79,051</u>	<u>619,695</u>	<u>698,746</u>
Liabilities			
Accounts payable and accrued liabilities	10,600	877	11,477
Due to other funds	5,122	-	5,122
Accrued compensated absences	24,403	-	24,403
	<u>40,125</u>	<u>877</u>	<u>41,002</u>
Total liabilities			
Net Position			
Net investment in capital assets	4,363	-	4,363
Unrestricted	34,563	618,818	653,381
	<u>38,926</u>	<u>618,818</u>	<u>657,744</u>
Total net position			
Total liabilities and net position	<u>\$ 79,051</u>	<u>\$ 619,695</u>	<u>\$ 698,746</u>

City of Kerrville, Texas
Combining Statement of Revenues, Expenses and
Changes in Net Position
Internal Service Funds
Year Ended September 30, 2014

Exhibit C-9

	Garage	Flexfund Insurance	Total Internal Service Funds
Revenues			
Charges for services	\$ 257,294	\$ 3,087,751	\$ 3,345,045
Total revenues	<u>257,294</u>	<u>3,087,751</u>	<u>3,345,045</u>
Operating Expenses			
Personnel services	237,487	-	237,487
Repairs and maintenance	3,488	-	3,488
Supplies and materials	17,318	-	17,318
Utilities	5,650	-	5,650
Depreciation	2,055	-	2,055
General administration	5,351	-	5,351
Premiums and other charges	-	2,869,041	2,869,041
Total operating expenses	<u>271,349</u>	<u>2,869,041</u>	<u>3,140,390</u>
Operating loss	<u>(14,055)</u>	<u>218,710</u>	<u>204,655</u>
Nonoperating revenue (expense)			
Transfer in	1,600	-	1,600
Transfer out	-	(126,000)	(126,000)
Total nonoperating revenue (expenses)	<u>1,600</u>	<u>(126,000)</u>	<u>(124,400)</u>
Change in Net Position	(12,455)	92,710	80,255
Net Position, Beginning of Year	<u>51,381</u>	<u>526,108</u>	<u>577,489</u>
Net Position, End of Year	<u><u>\$ 38,926</u></u>	<u><u>\$ 618,818</u></u>	<u><u>\$ 657,744</u></u>

City of Kerrville, Texas
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2014

Exhibit C-10

	Garage	Flexfund Insurance	Total Internal Service Funds
Operating Activities			
Cash received from customers	\$ 257,294	\$ 3,087,751	\$ 3,345,045
Cash payments to employees	(230,801)	-	(230,801)
Cash payments to suppliers for goods and services	(28,103)	(2,870,309)	(2,898,412)
Net cash provided by (used in) operating activities	(1,610)	217,442	215,832
Investing Activities			
Sales (purchases) of investments, net	(7,214)	(115,611)	(122,825)
Net cash used in investing activities	(7,214)	(115,611)	(122,825)
Non Capital Financing Activities			
Transfers (to) from other funds	1,600	(126,000)	(124,400)
Net cash provided by (used in) noncapital financing activities	1,600	(126,000)	(124,400)
Net Decrease In Cash and Cash Equivalents	(7,224)	(24,169)	(31,393)
Cash and Cash Equivalents, Beginning of Year	36,983	433,167	470,150
Cash and Cash Equivalents, End of Year	\$ 29,759	\$ 408,998	\$ 438,757
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities			
Operating income (loss)	\$ (14,055)	\$ 218,710	\$ 204,655
Item not requiring cash			
Depreciation	2,055	-	2,055
Change in			
Decrease (increase) in inventories	(3,862)	-	(3,862)
Increase (decrease) in accounts payable	7,566	(1,268)	6,298
Increase (decrease) in accrued wages payable	6,686	-	6,686
Total adjustments	12,445	(1,268)	11,177
Net cash provided by (used in) operating activities	\$ (1,610)	\$ 217,442	\$ 215,832

City of Kerrville, Texas
Balance Sheet
Economic Improvement Corporation
September 30, 2014

Exhibit C-11

Assets

Cash and cash equivalents	\$ 2,706,032
Investments	1,394,016
Due from other governments	<u>494,712</u>
	<u>\$ 4,594,760</u>
Total assets	

Liabilities

Accounts payable and accrued liabilities	<u>\$ 23,066</u>
	<u>\$ 23,066</u>
Total liabilities	

Fund Balances

Restricted for capital projects	\$ 828,319
Unassigned	<u>3,743,375</u>
	<u>4,571,694</u>
Total fund balance	
	<u>\$ 4,594,760</u>
Total liabilities and fund balance	

**Reconciliation of EIC Fund Balance Sheet to Discretely Presented
Component Unit Statement of Net Position**

Total fund balances – EIC balance sheet	\$ 4,571,694
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**Amounts Reported for Governmental Activities in the Discretely Presented
Component Unit Statement of Net Position are Different Because**

Capital assets used in governmental activities are not reported in the funds	<u>1,138,436</u>
	<u>\$ 5,710,130</u>
EIC net position	

City of Kerrville, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balance
Economic Improvement Corporation
For the Year Ended September 30, 2014

Exhibit C-12

Revenues

Sales and other taxes	\$ 2,926,797
Investment income	4,693
	<u>4,693</u>
Total revenues	<u>2,931,490</u>

Expenditures

General government	2,174,401
Capital contribution	48,170
Debt service – principal payment	485,000
Debt service – interest payment	11,276
	<u>11,276</u>
Total expenditures	<u>2,718,847</u>

Excess of revenues under expenditures	<u>212,643</u>
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Net Change in Fund Balance 212,643

Fund Balance, Beginning of Year 4,359,051

Fund Balance, End of Year \$ 4,571,694

**Reconciliation of EIC Statement of Revenues, Expenditures and Changes
in Fund Balances to Discretely Presented Component**

Unit Statement of Activities

EIC change in fund balance	\$ 212,643
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**Amounts Reported for Governmental Activities in the Discretely Presented
Component Unit Statement Activities are Different Because**

Change in accrued bond interest payable	5,493
Bond principal payment is not reported in the statement of activities	485,000
	<u>485,000</u>

EIC change in net position	<u>\$ 703,136</u>
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Statistical Section

Statistical Section

This part of the City of Kerrville’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City’s overall financial health. The tables herein, are unaudited.

Table of Contents

	<u>Page</u>
Financial Trends	77
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	85
These schedules contain trend information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.	
Debt Capacity	92
These schedules contain trend information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic Information	97
The schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time with other governments	
Operating Information	101
The schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from comprehensive annual financial reports for the relevant year.

City of Kerrville, Texas
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)
September 30, 2014

Table D-1

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net investment in capital assets	\$ 28,690	\$ 31,632	\$ 38,146	\$ 38,524	\$ 50,261	\$ 45,568	\$ 49,627	\$ 57,920	\$ 61,342	\$ 60,765
Restricted	4,268	3,446	1,468	3,640	2,207	5,712	6,251	1,509	1,434	1,386
Unrestricted	8,399	10,432	9,212	8,101	2,756	7,616	10,097	15,355	15,684	18,595
Total governmental activities net assets	<u>\$ 41,357</u>	<u>\$ 45,510</u>	<u>\$ 48,826</u>	<u>\$ 50,265</u>	<u>\$ 55,224</u>	<u>\$ 58,896</u>	<u>\$ 65,975</u>	<u>\$ 74,784</u>	<u>\$ 78,460</u>	<u>\$ 80,746</u>
Business-type Activities										
Net investment in capital assets	\$ 21,902	\$ 25,937	\$ 29,487	\$ 31,994	\$ 39,572	\$ 37,551	\$ 38,078	\$ 38,404	\$ 38,699	\$ 37,157
Restricted	-	-	-	-	-	-	-	2,898	4,105	3,789
Unrestricted	8,561	5,711	5,345	6,611	4,809	10,245	8,641	4,739	5,064	8,143
Total business-type activities net assets	<u>\$ 30,463</u>	<u>\$ 31,648</u>	<u>\$ 34,832</u>	<u>\$ 38,605</u>	<u>\$ 44,381</u>	<u>\$ 47,796</u>	<u>\$ 46,719</u>	<u>\$ 46,041</u>	<u>\$ 47,868</u>	<u>\$ 49,089</u>
Primary Government										
Net investment in capital assets	\$ 50,592	\$ 57,569	\$ 67,633	\$ 70,518	\$ 89,833	\$ 83,119	\$ 87,705	\$ 96,324	\$ 100,041	\$ 97,922
Restricted	4,268	3,446	1,468	3,640	2,207	5,712	6,251	4,407	5,539	5,175
Unrestricted	16,960	16,143	14,557	14,712	7,565	17,861	18,738	20,094	20,748	26,738
Total primary government net assets	<u>\$ 71,820</u>	<u>\$ 77,158</u>	<u>\$ 83,658</u>	<u>\$ 88,870</u>	<u>\$ 99,605</u>	<u>\$ 106,692</u>	<u>\$ 112,694</u>	<u>\$ 120,825</u>	<u>\$ 126,328</u>	<u>\$ 129,835</u>

Note: 2013 net position has been adjusted due to implementation of GASB Statements 65.

City of Kerrville, Texas
Expenses, Program Revenues and Net (Expense) Revenue
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
Expenses					
Governmental Activities					
General government	\$ 4,292	\$ 5,345	\$ 8,253	\$ 4,938	\$ 4,927
Public safety	7,934	8,122	9,854	11,533	12,001
Culture and recreation	2,862	3,023	3,685	3,262	3,656
Public works	2,295	2,311	2,417	3,009	4,277
Business programs	188	211	314	180	189
Nondepartmental	168	-	-	-	-
Interest on long-term debt	491	467	572	459	372
	<u>18,230</u>	<u>19,479</u>	<u>25,095</u>	<u>23,381</u>	<u>25,422</u>
Total governmental activities expenses					
Business-type Activities					
Water and sewer services	4,939	5,709	6,104	6,612	8,601
Emergency medical services	1,627	1,863	-	-	-
Kerrville Schreiner Park	375	450	492	545	582
Golf course	882	923	929	898	996
	<u>7,823</u>	<u>8,945</u>	<u>7,525</u>	<u>8,055</u>	<u>10,179</u>
Total business-type activities expenses					
Total primary government expenses	<u>\$ 26,053</u>	<u>\$ 28,424</u>	<u>\$ 32,620</u>	<u>\$ 31,436</u>	<u>\$ 35,601</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 2,110	\$ 2,376	\$ 2,486	\$ 2,474	\$ 1,599
Public safety	549	761	3,399	2,339	2,448
Cultural and recreation	159	479	172	150	214
Public works	282	417	359	85	45
Business programs	-	-	-	-	-
Nondepartmental	-	-	-	-	-
Operating grants and contributions	1,089	879	205	904	1,564
Capital grants and contributions	1,347	382	1,707	1,234	6,883
	<u>5,536</u>	<u>5,294</u>	<u>8,328</u>	<u>7,186</u>	<u>12,753</u>
Total governmental activities program revenues					
Business-type Activities					
Charges for services					
Water and sewer services	6,509	7,714	7,537	8,803	8,758
Emergency medical services	1,429	1,493	-	-	-
Kerrville Schreiner Park	310	352	357	403	371
Golf course	797	852	794	912	937
Operating grants and contributions	38	779	32	685	-
Capital grants and contributions	130	38	2,077	1,421	5,935
	<u>9,213</u>	<u>11,228</u>	<u>10,797</u>	<u>12,224</u>	<u>16,001</u>
Total business-type activities program revenues					
Total primary government program revenues	<u>\$ 14,749</u>	<u>\$ 16,522</u>	<u>\$ 19,125</u>	<u>\$ 19,410</u>	<u>\$ 28,754</u>
Net (Expense)/Revenue					
Governmental activities	\$ (12,694)	\$ (14,185)	\$ (16,767)	\$ (16,195)	\$ (12,669)
Business-type activities	1,390	2,283	3,272	4,169	5,822
Total primary government net expense	<u>\$ (11,304)</u>	<u>\$ (11,902)</u>	<u>\$ (13,495)</u>	<u>\$ (12,026)</u>	<u>\$ (6,847)</u>

Note: Kerrville Schreiner Park is reported as a governmental activity beginning in fiscal year 2011.

Table D-2

		Fiscal Year							
		2010	2011	2012	2013	2014			
\$	4,594	\$	4,022	\$	4,077	\$	4,667	\$	5,159
	11,880		12,632		11,312		11,631		12,365
	2,707		3,461		3,082		3,371		3,066
	3,635		3,104		3,004		3,327		3,159
	183		177		167		-		-
	-		-		-		-		-
	655		717		645		566		564
	<u>23,654</u>		<u>24,113</u>		<u>22,287</u>		<u>23,562</u>		<u>24,313</u>
	7,582		8,198		8,737		8,442		8,984
	-		-		-		-		-
	542		1		-		-		-
	990		952		1,041		934		908
	<u>9,114</u>		<u>9,151</u>		<u>9,778</u>		<u>9,376</u>		<u>9,892</u>
\$	<u>32,768</u>	\$	<u>33,264</u>	\$	<u>32,065</u>	\$	<u>32,938</u>	\$	<u>34,205</u>
\$	5,200	\$	2,638	\$	2,126	\$	1,054	\$	100
	2,589		2,225		1,327		2,442		3,391
	134		75		583		410		425
	-		435		470		359		519
	-		-		-		-		-
	-		-		-		-		-
	1,473		1,461		303		719		72
	351		2,959		5,553		2,000		971
	<u>9,747</u>		<u>9,793</u>		<u>10,362</u>		<u>6,984</u>		<u>5,478</u>
	8,943		10,536		10,009		11,072		11,080
	-		-		-		-		-
	344		-		-		-		-
	784		903		1,031		877		884
	4		-		-		-		-
	2,723		-		-		508		10
	<u>12,798</u>		<u>11,439</u>		<u>11,040</u>		<u>12,457</u>		<u>11,974</u>
\$	<u>22,545</u>	\$	<u>21,232</u>	\$	<u>21,402</u>	\$	<u>19,441</u>	\$	<u>17,452</u>
\$	(13,907)	\$	(14,320)	\$	(11,925)	\$	(16,578)	\$	(18,835)
	3,684		2,288		1,262		3,081		2,082
\$	<u>(10,223)</u>	\$	<u>(12,032)</u>	\$	<u>(10,663)</u>	\$	<u>(13,497)</u>	\$	<u>(16,753)</u>

City of Kerrville, Texas
General Revenues and Total Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2005	2006	2007	2008
Net (Expense)/Revenue				
Governmental activities	\$ (12,694)	\$ (14,185)	\$ (16,767)	\$ (16,195)
Business-type activities	1,390	2,283	3,272	4,169
Total primary government net expense	<u>(11,304)</u>	<u>(11,902)</u>	<u>(13,495)</u>	<u>(12,026)</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes levied for general purposes	6,296	6,913	7,433	7,693
Property taxes levied for debt service	593	609	527	894
Sales and use taxes	6,465	6,967	7,212	4,966
Hotel occupancy taxes	801	906	938	977
Franchise taxes	1,436	1,749	1,752	2,019
Alcoholic beverage taxes	55	66	89	72
Capital contributions	-	-	-	-
Unrestricted investment earnings	382	588	850	392
Miscellaneous income	25	201	525	
Gain/(loss) on sale of assets	-	70	11	(202)
Transfers	(219)	(501)	984	824
Total governmental activities	<u>15,834</u>	<u>17,568</u>	<u>20,321</u>	<u>17,635</u>
Business-type Activities				
Unrestricted investment earnings	255	302	289	251
Miscellaneous income	208	256	257	212
Gain/(loss) on sale of assets	-	-	(7)	(35)
Transfers	219	501	(839)	(824)
Total business-type activities	<u>682</u>	<u>1,059</u>	<u>(300)</u>	<u>(396)</u>
Total primary government	<u>\$ 16,516</u>	<u>\$ 18,627</u>	<u>\$ 20,021</u>	<u>\$ 17,239</u>
Change in Net Position				
Governmental activities	\$ 3,140	\$ 3,383	\$ 3,554	\$ 1,440
Business-type activities	<u>2,072</u>	<u>3,342</u>	<u>2,972</u>	<u>3,773</u>
Total primary government	<u>\$ 5,212</u>	<u>\$ 6,725</u>	<u>\$ 6,526</u>	<u>\$ 5,213</u>

Table D-3

Fiscal Year						
2009	2010	2011	2012	2013	2014	
\$ (12,669)	\$ (13,907)	\$ (14,320)	\$ (11,925)	\$ (16,578)	\$ (18,835)	
5,822	3,684	2,288	1,262	3,081	2,082	
(6,847)	(10,223)	(12,032)	(10,663)	(13,497)	(16,753)	
8,130	8,255	8,314	8,439	8,427	8,459	
1,006	1,301	1,242	1,216	1,262	1,293	
4,926	4,537	4,773	5,120	5,554	5,787	
882	873	846	854	958	1,046	
1,930	1,764	1,836	1,826	1,716	1,776	
67	60	58	53	55	68	
-	-	-	-	-	-	
168	78	52	56	44	58	
115	229	1,427	1,257	1,322	1,509	
13	(19)	-	(235)	-	-	
390	447	4,259	2,149	1,250	1,125	
17,627	17,525	22,807	20,735	20,588	21,121	
138	72	9	23	50	66	
205	226	69	186	333	197	
2	-	-	-	-	-	
(390)	(447)	(4,259)	(2,149)	(1,250)	(1,125)	
(45)	(149)	(4,181)	(1,940)	(867)	(862)	
\$ 17,582	\$ 17,376	\$ 18,626	\$ 18,795	\$ 19,721	\$ 20,259	
\$ 4,958	\$ 3,618	\$ 8,487	\$ 8,810	\$ 4,010	\$ 2,286	
5,777	3,535	(1,893)	(678)	2,214	1,220	
\$ 10,735	\$ 7,153	\$ 6,594	\$ 8,132	\$ 6,224	\$ 3,506	



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City of Kerrville, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

Table D-4

	Fiscal Year				
	2005	2006	2007	2008	2009
General fund					
Reserved	\$ 1,290	\$ 1,475	\$ 1,812	\$ 71	\$ 2,335
Unreserved	4,863	5,859	5,837	6,494	3,755
Total general fund	<u>\$ 6,153</u>	<u>\$ 7,334</u>	<u>\$ 7,649</u>	<u>\$ 6,565</u>	<u>\$ 6,090</u>
All other governmental funds					
Reserved	\$ 5,456	\$ 4,540	\$ 6,425	\$ 969	\$ 1,390
Unreserved, reported in					
Special revenue funds	1,544	2,632	3,219	536	706
Capital projects funds	-	-	-	2,929	5,970
Total all other governmental funds	<u>\$ 7,000</u>	<u>\$ 7,172</u>	<u>\$ 9,644</u>	<u>\$ 4,434</u>	<u>\$ 8,066</u>
	Fiscal Year				
	2010	2011	2012	2013	2014
General fund					
Nonspendable	\$ -	\$ 35	\$ 33	\$ 35	\$ 17
Restricted	-	1,667	2,340	2,657	2,476
Committed	-	715	666	580	633
Unassigned	-	3,719	5,701	6,294	5,969
Reserved	1,353	-	-	-	-
Unreserved	3,157	-	-	-	-
Total general fund	<u>\$ 4,510</u>	<u>\$ 6,136</u>	<u>\$ 8,740</u>	<u>\$ 9,566</u>	<u>\$ 9,095</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	1,901	9,266	8,923	5,946
Committed	-	5,093	762	1,638	3,289
Unassigned	-	-	-	-	-
Reserved	1,494	-	-	-	-
Unreserved, reported in					
Special revenue funds	875	-	-	-	-
Capital projects funds	4,670	-	-	-	-
Total all other governmental funds	<u>\$ 7,039</u>	<u>\$ 6,994</u>	<u>\$ 10,028</u>	<u>\$ 10,561</u>	<u>\$ 9,235</u>

City of Kerrville, Texas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
Revenues					
Taxes and penalties	\$ 15,655	\$ 17,201	\$ 17,936	\$ 16,554	\$ 16,987
Licenses and permits	480	624	501	491	428
Intergovernmental	949	1,357	830	937	1,243
Charges for services	1,464	1,523	3,084	1,938	1,964
Grants	1,488	961	422	341	409
Fines and forfeitures	322	307	341	420	506
Investment income	374	581	820	392	168
Miscellaneous	843	875	906	1,250	1,307
Total revenues	<u>21,575</u>	<u>23,429</u>	<u>24,840</u>	<u>22,323</u>	<u>23,012</u>
Expenditures					
General government	4,032	4,422	5,755	4,439	4,576
Public safety	7,452	7,839	10,243	10,775	11,042
Culture and recreation	2,629	3,036	3,717	3,147	3,336
Public works	2,073	2,199	2,297	4,731	4,562
Business programs	181	212	323	180	189
Nondepartmental	168	862	890	-	-
Capital outlay	6,192	2,365	2,814	363	432
Debt service					
Principal	589	605	629	347	456
Interest	480	456	436	460	371
Other charges	2	1	166	1	1
Total expenditures	<u>23,798</u>	<u>21,997</u>	<u>27,270</u>	<u>24,443</u>	<u>24,965</u>
Excess (deficiencies) of revenues over expenditures	<u>(2,223)</u>	<u>1,432</u>	<u>(2,430)</u>	<u>(2,120)</u>	<u>(1,953)</u>
Other Financing Sources (Uses)					
Proceeds from debt issuance	-	-	6,242	-	4,760
Bond premium/discount	-	-	4	-	18
Proceeds from sale of assets	-	70	66	33	13
Payment to refunded bond escrow agent	-	-	(2,526)	-	-
Transfers in	5,761	5,796	4,410	2,479	1,817
Transfers out	(5,944)	(6,296)	(3,343)	(1,655)	(1,427)
Total other financing sources (uses)	<u>(183)</u>	<u>(430)</u>	<u>4,853</u>	<u>857</u>	<u>5,181</u>
Net change in fund balances	<u>\$ (2,406)</u>	<u>\$ 1,002</u>	<u>\$ 2,423</u>	<u>\$ (1,263)</u>	<u>\$ 3,228</u>
Debt Service as a Percentage of Noncapital Expenditures	6.1%	5.4%	5.0%	3.7%	3.5%

Table D-5

Fiscal Year					
	2010	2011	2012	2013	2014
\$	16,790	\$ 17,026	\$ 17,558	\$ 17,981	\$ 18,526
	346	366	328	359	519
	1,289	2,364	1,535	1,120	1,004
	1,850	2,629	2,549	2,564	2,261
	258	484	786	719	1,005
	507	656	467	433	355
	78	52	56	44	58
	1,345	1,270	1,211	1,405	1,479
	<u>22,463</u>	<u>24,847</u>	<u>24,490</u>	<u>24,625</u>	<u>25,207</u>
	4,304	3,704	3,716	4,360	4,534
	11,645	11,591	10,666	11,138	12,001
	2,685	3,071	2,815	3,163	3,155
	2,745	2,724	2,806	2,992	3,007
	183	177	167	-	-
	-	-	-	-	-
	2,503	841	6,536	1,519	4,497
	1,119	582	725	754	779
	653	719	619	590	565
	1	-	155	-	-
	<u>25,838</u>	<u>23,409</u>	<u>28,205</u>	<u>24,516</u>	<u>28,538</u>
	<u>(3,375)</u>	<u>1,438</u>	<u>(3,715)</u>	<u>109</u>	<u>(3,331)</u>
	-	1,983	6,965	-	284
	-	151	138	-	-
	-	-	-	-	-
	-	(2,090)	-	-	-
	1,530	2,070	2,856	2,523	3,582
	<u>(1,082)</u>	<u>(1,164)</u>	<u>(606)</u>	<u>(1,273)</u>	<u>(2,332)</u>
	<u>448</u>	<u>950</u>	<u>9,353</u>	<u>1,250</u>	<u>1,534</u>
\$	<u>(2,927)</u>	<u>\$ 2,388</u>	<u>\$ 5,638</u>	<u>\$ 1,359</u>	<u>\$ (1,797)</u>
	7.5%	5.9%	7.4%	5.9%	5.7%

City of Kerrville, Texas
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

Table D-6

Fiscal Years	Property Tax	Sales & Use Tax	Occupancy Tax	Franchise Tax	Mixed Beverage Tax	Total
2005	\$ 6,833	\$ 4,310	\$ 802	\$ 1,437	\$ 55	\$ 13,437
2006	7,522	4,645	906	1,749	66	14,888
2007	7,960	4,808	938	1,753	70	15,529
2008	8,519	4,966	977	2,019	73	16,554
2009	9,097	4,926	883	2,014	67	16,987
2010	9,495	4,537	872	1,826	61	16,791
2011	9,512	4,772	846	1,826	58	17,014
2012	9,642	5,120	838	1,846	53	17,499
2013	9,698	5,554	958	1,716	54	17,980
2014	9,752	5,786	1,046	1,776	68	18,428
Percent Change 2005 – 2014	42.7%	34.2%	30.4%	23.6%	23.6%	37.1%

City of Kerrville, Texas
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Table D-7

Fiscal Years	Assessed Value	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2005	\$ 1,326,954	\$ 114,244	\$ 1,212,710	\$ 0.5633	\$ 1,212,710	100%
2006	1,380,357	84,707	1,295,650	0.5578	1,295,650	100%
2007	1,686,874	116,651	1,570,223	0.5513	1,570,223	100%
2008	1,685,474	122,418	1,563,056	0.5500	1,563,056	100%
2009	1,847,126	594,562	1,252,564	0.5500	1,252,564	100%
2010	1,872,261	601,551	1,270,710	0.5625	1,270,710	100%
2011	1,882,517	622,484	1,260,033	0.5625	1,260,033	100%
2012	1,883,208	613,787	1,269,421	0.5625	1,269,421	100%
2013	1,898,458	618,795	1,279,663	0.5625	1,279,663	100%
2014	1,896,723	621,753	1,274,970	0.5625	1,274,970	100%

Source: Kerr County Central Appraisal District

Beginning in 2007, the City implemented a property tax freeze for residents 65 and older. The total taxable assessed value reported by the Kerr County Central Appraisal District excludes this property.

City of Kerrville, Texas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Table D-8

Fiscal Years	City of Kerrville Direct Tax Rate			Overlapping Tax Rates			Total Direct & Overlapping Rates
	General Government	Debt Service	Total	School District	Kerr County	Guadalupe River Authority	
2005	0.5149	0.0484	0.5633	1.6700	0.3896	0.0374	2.6603
2006	0.5126	0.0452	0.5578	1.5000	0.3896	0.0275	2.4749
2007	0.5149	0.0364	0.5513	1.1500	0.3896	0.0363	2.1272
2008	0.4932	0.0568	0.5500	1.1800	0.4293	0.0329	2.1922
2009	0.4891	0.0609	0.5500	1.1800	0.4293	0.0329	2.1922
2010	0.4851	0.0774	0.5625	1.1800	0.4443	0.0329	2.2197
2011	0.4890	0.0735	0.5625	1.1800	0.4443	0.0324	2.2192
2012	0.4890	0.0735	0.5625	1.1800	0.4443	0.0324	2.2192
2013	0.4890	0.0735	0.5625	1.1800	0.4443	0.0324	2.2192
2014	0.4890	0.0735	0.5625	1.1800	0.4443	0.0318	2.2186

Source: Kerr County Central Appraisal District

Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

City of Kerrville, Texas
Principal Property Tax Payers
Current Year and Nine Years Ago

Table D-9

Taxpayer	2014			2005		
	Assessed Value	Rank	Percentage of Total City Assessed Value	Assessed Value	Rank	Percentage of Total City Assessed Value
James Avery Craftsman, Inc.	\$ 16,095,208	1	0.85%			
Windstream	11,836,479	2	0.62%	\$ 27,571,088	1	2.08%
Emeritus	9,131,033	3	0.48%			
Wal-Mart Inc.	7,784,640	4	0.41%	7,784,640	4	0.59%
Wal-Mart Stores Inc. # 508	7,400,696	5	0.39%	6,787,268	6	0.51%
Home Depot, USA, INC	7,079,265	6	0.37%	7,389,167	5	0.56%
Commanche Trace Ranch & Golf Club	6,720,346	7	0.35%			
River Oaks Kerrville Limited	6,634,329	8	0.35%			
Lowe's Home Centers, Inc.	6,270,099	9	0.33%	6,469,084	7	0.49%
Atmos Energy/Mid-Tex Division	5,755,847	10	0.30%			
Mooney Aircraft Corp.				13,170,812	2	0.99%
Parsons House Kerrville, LP				9,115,000	3	0.69%
Lowe's Home Centers, Inc.				5,889,825	8	0.44%
Home Depot, USA, INC				4,782,018	9	0.36%
Butt, Charles C. etal				4,770,053	10	0.36%
	84,707,942		4.45%	93,728,955		7.07%
All Other	1,812,015,058		95.55%	1,233,225,045		92.93%
Total	\$ 1,896,723,000		100.00%	\$ 1,326,954,000		100.00%

Source: Kerr Central Appraisal District



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City of Kerrville, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Table D-10

Fiscal Years	Taxes Levied for the Fiscal Year	Collected Within Year of the Levy			Total Collections to Date		
		Current Year Amount	Percentage of Levy	Delinquent Collections in Subsequent Years	Combined Amount	Percentage of Levy	
2005	\$ 6,811	\$ 6,742	98.99%	53	\$ 6,795	99.77%	
2006	7,384	7,339	99.39%	22	7,361	99.69%	
2007	7,895	7,785	98.61%	86	7,871	99.70%	
2008	8,455	8,362	98.90%	40	8,402	99.37%	
2009	9,040	8,861	98.02%	5	8,866	98.08%	
2010	9,398	9,275	98.69%	-	9,275	98.69%	
2011	9,439	9,298	98.51%	14	9,312	98.65%	
2012	9,537	9,404	98.61%	22	9,426	98.84%	
2013	9,679	9,417	97.29%	93	9,510	98.25%	
2014	9,688	9,545	98.52%	11	9,556	98.64%	

City of Kerrville, Texas
Taxable Sales by Category
Last Ten Fiscal Years

Type	Fiscal Year			
	2005	2006	2007	2008
Accommodation/food services	\$ 65,101,091	\$ 68,172,280	\$ 72,472,587	\$ 79,709,250
Admin/support/waste mgmt/remediation srvc	12,323,806	13,299,811	13,813,495	14,511,132
Agriculture/forestry/fishing/hunting	22,116	35,417	1,455,359	1,783,726
Arts/entertainment/recreation	4,424,411	5,858,534	6,127,292	6,353,400
Construction	53,604,919	55,043,428	71,008,454	73,056,708
Educational services	15,144,648	15,412,866	12,533,142	21,199,623
Finance/insurance	623,206	585	4,500	-
Health care/social assistance	2,783,434	1,782,028	2,269,027	3,854,807
Information	29,256,311	32,558,327	33,926,843	31,220,301
Manufacturing	82,114,566	85,740,516	94,245,808	102,006,694
Mining/quarrying/oil and gas extraction	-	-	2,154,458	12,802,985
Other	194,943	2,656	-	-
Other services (except public administration)	60,017,991	57,201,113	57,953,413	47,552,517
Professional/scientific/technical services	17,326,184	22,360,842	8,346,513	25,606,137
Public administration	30,323,605	36,377,677	33,932,290	37,657,444
Real estate/rental/leasing	2,441,498	3,005,807	3,806,407	2,107,522
Retail trade	587,697,025	604,169,924	614,179,010	637,216,432
Transportation/warehousing	2,682,230	2,710,773	4,592,467	2,988,094
Wholesale trade	48,197,984	78,118,341	72,911,430	79,739,508
Management of companies/enterprises	9,627,348	-	-	-
Total	\$ 1,023,907,316	\$ 1,081,850,925	\$ 1,105,732,495	\$ 1,179,366,280
Direct sales tax rate	1.50%	1.50%	1.50%	1.50%

Source: Texas Comptroller of Public Accounts
 *** Third and fourth quarters not available

Table D-11

		Fiscal Year									
		2009	2010	2011	2012	2013	***2014				
\$	73,976,846	\$	74,777,208	\$	75,367,568	\$	77,902,407	\$	80,962,524	\$	41,089,034
	12,584,798		12,487,071		20,060,075		18,870,225		21,314,425		10,895,792
	155,040		40,197		33,643		352,751		714,641		429,935
	6,410,637		10,245,245		10,203,919		5,331,787		4,693,147		2,405,409
	82,928,490		60,295,196		78,350,310		72,304,961		92,022,514		50,365,459
	22,448,430		13,677,155		27,269,909		31,052,368		30,858,555		186,906
	636		192,706		6,275		12,973		58,606		59,666
	3,372,232		3,915,694		3,614,412		3,540,104		13,041,876		3,469,286
	30,481,547		24,866,344		23,979,339		23,287,473		23,351,651		13,022,901
	57,339,275		48,940,992		39,636,780		45,925,795		45,808,283		24,373,987
	7,150,181		398,584		-		-		-		-
	-		-		-		-		-		-
	42,876,628		44,416,436		44,651,159		46,341,559		44,994,901		25,775,708
	17,559,824		14,700,029		17,100,198		17,175,563		17,140,557		15,095,914
	122,436,391		31,580,361		38,957,201		44,214,112		41,666,600		20,822,840
	1,901,858		2,490,669		2,848,689		8,313,596		4,201,799		4,175,339
	567,285,481		636,717,056		672,668,692		678,913,289		727,859,577		396,860,310
	2,645,480		3,054,389		2,877,438		3,122,381		3,269,255		2,657,113
	58,580,998		55,808,281		48,756,748		52,800,978		53,131,891		33,455,419
	-		-		-		-		-		-
	<u>\$ 1,110,134,772</u>		<u>\$ 1,038,603,613</u>		<u>\$ 1,106,382,355</u>		<u>\$ 1,129,462,322</u>		<u>\$ 1,205,090,802</u>		<u>\$ 645,141,018</u>
	1.50%		1.50%		1.50%		1.50%		1.50%		1.50%

City of Kerrville, Texas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Table D-12

Fiscal Years	Governmental Activities			
	General	Certificates of	Bank Loans &	Capital Leases
	Obligation		Obligation	
	Bonds		Note	
2005	\$ -	\$ 6,542	\$ -	\$ 147
2006	-	6,277	-	128
2007	2,657	5,539	1,550	35
2008	2,646	5,255	1,498	26
2009	2,634	9,889	1,445	-
2010	2,623	9,424	802	26
2011	4,566	6,878	716	-
2012	4,539	13,230	631	-
2013	4,163	12,940	542	-
2014	3,933	12,757	735	-

Fiscal Years	Business-type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	General	Certificates of	Water & Sewer	Bank Loans	Capital Leases	Total Primary Government			
	Obligation		Obligation						
2005	\$ 1,046	\$ 8,084	\$ 2,611	\$ -	\$ -	\$ 18,430	4.58%	\$ 837	
2006	515	7,759	2,141	-	-	16,820	4.18%	751	
2007	3,062	4,333	1,651	1,250	-	20,077	4.70%	879	
2008	3,299	4,015	1,135	1,208	-	19,082	4.61%	819	
2009	3,286	10,918	580	1,165	-	29,917	6.48%	1,308	
2010	3,272	14,411	-	648	-	31,206	6.50%	1,346	
2011	5,694	17,022	-	585	-	35,461	7.22%	1,541	
2012	5,661	22,195	-	516	-	46,772	8.70%	2,084	
2013	5,192	31,060	-	444	-	54,341	9.40%	2,364	
2014	4,911	29,933	-	368	-	52,637	9.10%	2,234	

City of Kerrville, Texas
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Table D-13

Fiscal Years	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Available In Debt Service Fund	Total		
2005	\$ -	\$ 226	\$ -	0.13%	\$ -
2006	-	395	-	0.12%	-
2007	5,670	620	5,050	0.32%	221
2008	4,945	760	4,185	0.27%	180
2009	5,920	953	4,967	0.40%	217
2010	5,895	1,079	4,816	0.38%	208
2011	4,566	1,147	3,419	0.27%	153
2012	4,539	1,246	3,293	0.26%	147
2013	4,163	1,337	2,826	0.22%	123
2014 *	8,844	1,374	7,470	0.59%	317

* Includes government and business-type activities.
Years 2005 through 2013 only include governmental activities.

City of Kerrville, Texas
Direct and Overlapping
Governmental Activities Debt

Table D-14

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes			
Kerrville ISD	\$ 24,940,000	51%	\$ 12,806,690
Kerr County	12,740,000	44%	<u>5,592,860</u>
Subtotal, Overlapping Debt			18,399,550
City of Kerrville Direct Debt	17,424,712	100%	<u>17,424,712</u>
Total Direct and Overlapping Debt			<u><u>\$ 35,824,262</u></u>
Average Debt Per Capita			\$ 1,521

Sources: Assessed value data used to estimate applicable percentages provided by the Kerr Central Appraisal District.
Debt outstanding data provided by each governmental unit.

City of Kerrville, Texas
Legal Debt Margin Information
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Table D-15

	Fiscal Year				
	2005	2006	2007	2008	2009
Total Taxable Assessed Value	\$ 1,148,708	\$ 1,212,710	\$ 1,422,660	\$ 1,412,660	\$ 1,252,564
Annual payment	7,658	8,085	9,484	9,418	8,350
Debt limit	114,871	121,271	142,266	141,266	125,256
Total net debt applicable to limit	-	-	2,657	2,646	2,634
Legal debt margin	114,871	121,271	139,609	138,620	122,622

	Fiscal Year				
	2010	2011	2012	2013	2014
Total taxable assessed value	\$ 1,244,875	\$ 1,260,033	\$ 1,269,421	\$ 1,279,663	\$ 1,274,970
Annual payment	8,299	8,400	8,463	8,531	8,500
Debt limit	124,488	126,003	126,942	127,966	127,497
Total net debt applicable to limit	4,605	4,566	4,539	2,826	7,470
Legal debt margin	119,883	121,437	122,403	125,140	120,027

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed value	\$ 1,896,723
Exempt real property	(621,753)
	<u>1,274,970</u>
Debt limit (10% of assessed value)	<u>127,497</u>
Debt applicable to limit	
General obligation bonds	8,844
Less: Amount set aside for repayment of general obligation debt	<u>1,374</u>
Total net debt applicable to limit	<u>7,470</u>
Legal debt margin	<u>\$ 120,027</u>

Note:

The Constitution of Texas in Article 11, Section 5, limits the maximum amount that a home rule city can tax to \$2.50 per \$100 of valuation.

The Attorney General of Texas has created a rule for the guidance of home rule cities which states that bonds outstanding under this constitutional provision shall be on the basis of no greater than \$1.50 per \$100 of assessed valuation.

Calculations are based on a 20-year payment term and at an annual interest rate of 4%.

City of Kerrville, Texas
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Table D-16

Fiscal Years	Water and Sewer Revenue Bonds						
	Utility Service Charges	Less Operating Expenses*	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2005	\$ 6,679	\$ 3,727	\$ 2,952	\$ 1,497	\$ 588	1.42	
2006	7,935	4,357	3,578	1,350	525	1.91	
2007	7,785	4,700	3,085	530	65	5.18	
2008	8,803	5,030	3,773	530	57	6.43	
2009	8,757	6,849	1,908	555	32	3.25	
2010	8,943	5,468	3,475	580	5	5.94	
2011	10,536	6,459	4,077	-	-	N/A	
2012	10,009	5,843	4,166	-	-	N/A	
2013	11,072	5,311	5,761	-	-	N/A	
2014	11,080	5,512	5,568	-	-	N/A	

* Total operating expense excluding depreciation

* Refer to Table D-12 for total business-type debt

City of Kerrville, Texas
Demographic and Economic Statistics
Last Ten Fiscal Years

Table D-17

	Fiscal Year				
	2005	2006	2007	2008	2009
Population	22,010	22,391	22,846	23,303	22,927
Personal income (000s)	\$ 444,448	\$ 452,141	\$ 461,329	\$ 470,557	\$ 462,965
Per capita personal income	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193
Median age	43.8	43.8	43.8	45.0	45.0
Education level in years of schooling Percentage with high school diploma or greater	81.2%	81.2%	81.2%	81.2%	81.2%
School enrollment	5,662	5,791	5,726	5,834	5,976
Unemployment rate	4.2%	3.7%	3.5%	4.3%	5.6%

	Fiscal Year				
	2010	2011	2012	2013	2014
Population	22,347	22,347	22,347	22,983	23,558
Personal income (000s)	\$ 481,160	\$ 490,848	\$ 492,940	\$ 578,275	\$ 592,968
Per capita personal income	\$ 20,193	\$ 24,871	\$ 23,965	\$ 25,161	\$ 25,171
Median age	45.3	44.5	46.0	45.7	45.7
Education level in years of schooling Percentage with high school diploma or greater	81.2%	85.1%	85.6%	87.5%	85.1%
School enrollment	6,177	5,200	4,923	5,031	5,038
Unemployment rate	6.1%	6.3%	6.9%	5.60%	4.80%

Sources: U.S. Census, Texas Workforce Commission and Kerrville Independent School District
Population based on annual reports by City of Kerrville Planning and Development
Personal income based on U.S. Census Median Household Income

City of Kerrville, Texas
Principal Employers – Kerr County
Current Year and Eight Years Ago

Table D-18

Employer	2014			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Peterson Regional Medical Center	894	1	4.13%	837	1	-
Kerrville ISD	705	2	3.26%	731	2	-
Kerrville State Hospital	565	3	2.61%	565	3	-
So. Texas Veterans Health Care	400	4	1.85%	451	4	-
HEB Food and Drug Store	353	5	1.63%	318	7	-
James Avery Craftsman, Inc.	346	6	1.60%	371	5	-
City of Kerrville	304	7	1.40%	300	9	-
Kerr County	299	8	1.38%	297	10	-
Wal-Mart Inc.	250	9	1.16%	300	8	-
Lowe's	130	10	0.60%	-	-	-
Mooney Airplane Company				369	6	-
	4,246		19.62%	4,539		-
All others (not available in 2006)	17,396		80.38%			-
Total employed	21,642		100.00%			-

Source: City Economic Development Corporation

Note: Information not available prior to 2006.



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City of Kerrville, Texas
Full-Time Equivalent Employees by Function/Program
Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
City clerk	1	1	2	2
Legal services	3	3	3	3
City Manager	3	3	3	3
Human resources	4	4	4	4
Finance	5	5	5	5
Information systems	3	3	3	3
Purchasing	1	1	1	1
Municipal court	5	5	5	5
Kerrville Schreiner Park	8	8	8	8
Police	66	69	70	70
Fire	42	42	43	52
Fire prevention	2	2	2	2
EMS	21	21	21	21
Planning and GIS	1	3	3	3
Building inspection	6	5	5	5
Code enforcement	2	2	2	2
Environment health	2	2	2	2
Airport administration	1	1	1	1
Business programs	2	2	2	2
Parks and recreation	2	2	2	2
Swimming pools	1	1	1	1
Parks maintenance	12	12	13	13
Performing arts center	1	1	1	1
Recreation	3	3	3	3
Public works	7	7	7	8
Streets and drainage	11	11	11	11
Library	13	13	13	13
Total general fund	228	232	236	246
Water and Sewer Fund				
Water records	8	8	8	8
Utility administration	5	6	3	3
Water production	9	11	11	11
Utility construction	9	9	9	9
Wastewater services	13	12	11	11
Utility information system	-	-	3	3
Utility laboratory	4	4	4	4
Total water and sewer fund	48	50	49	49
Golf Course Fund				
Golf course maintenance	8	8	8	8
Pro shop	3	3	3	3
Total golf course fund	11	11	11	11
Landfill	4	5	5	5
Garage	4	4	4	4
Total	8	9	9	9
Grand total	295	302	305	315

Source: City Budget Office

Note: Kerrville Schreiner Park was moved to general fund in fiscal year 2011.

Table D-19

2009	2010	2011	2012	2013	2014
2	2	1	2	2	2
2	1	2	2	2	2
2	4	4	4	4	5
4	4	4	4	4	4
6	6	7	5	5	5
2	4	4	5	5	5
1	1	1	-	-	-
5	5	6	5	5	5
8	8	7	6	6	6
67	72	64	71	71	68
53	53	46	49	49	49
1	2	1	2	2	2
20	24	28	27	27	27
3	3	3	2	2	2
4	5	5	5	5	4
2	4	2	2	2	2
2	-	-	-	-	-
-	-	-	-	-	-
2	2	2	2	2	-
2	-	-	-	-	-
1	1	1	-	-	-
15	16	12	12	12	13
-	-	-	-	-	-
3	4	2	1	1	2
8	16	15	21	21	19
8	-	-	-	-	-
10	11	10	10	10	11
233	248	227	237	237	233
6	7	7	8	8	8
3	4	3	4	4	5
10	11	11	11	11	11
9	9	9	9	9	9
13	14	14	14	17	14
3	1	-	-	-	-
4	4	4	4	4	4
48	50	48	50	53	51
8	8	8	8	8	8
3	3	6	3	3	3
11	11	14	11	11	11
5	5	3	5	5	5
4	4	4	4	4	4
9	9	7	9	9	9
301	318	296	307	310	304

City of Kerrville, Texas
Operating Indicators by Function/Program
Last Ten Fiscal Years

Table D-20

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Calls for service	23,117	23,658	24,442	26,483	24,886	15,277	15,308	15,937	16,126	14,820
Avg. response time per call (minutes)	5.1	4.9	4	4	4.6	4.6	8.0	8.0	9.0	6.2
Clearance rate	60%	60%	48%	49%	48%	57%	67%	62%	54%	55%
Fire										
Number of calls answered	6,456	6,790	7,540	7,580	7,701	7,823	7,986	7,989	8,118	7,669
Reports processed	6,793	6,800	7,592	7,581	8,007	7,837	7,986	7,989	8,118	7,669
Inspections	1,079	634	314	538	428	326	471	568	458	393
Highway and Streets										
Street maintenance – man hours	20,083	21,085	21,170	21,360	18,930	7,192	1,391	2,000	1,749	6,224
Pothole repairs – man hours	1,549	1,626	2,109	1,936	1,450	1,549	1,459	1,800	1,323	2,109
Traffic control (signs) – man hours	2,021	2,122	2,294	2,102	1,900	2,022	1,625	1,722	1,804	1,722
Sanitation										
Annual tonnage at landfill	48,200	54,429	51,992	57,984	55,840	51,484	7,939	8,000	7,500	8,279
Annual tonnage diverted by recycling	1,950	1,968	1,963	1,666	2,376	2,353	1,908	1,700	1,200	1,383
Culture and Recreation										
Park maintenance – man hours	24,532	24,437	26,525	22,464	27,391	25,175	19,148	20,785	17,675	25,033
Golf course – rounds of golf played	37,812	38,387	35,570	37,999	36,643	32,464	33,270	36,262	32,509	29,489
Swimming pool attendance	18,257	16,586	11,476	12,204	13,461	10,753	9,071	7,613	9,719	15,290
Kerrville Schreiner Park										
Entrance permits processed	39,824	39,495	31,593	45,100	6,396	5,674	4,183	5,407	7,263	12,507
Reservations processed	3,274	3,026	3,235	6,004	4,254	3,087	3,628	3,340	3,421	11,954
Water										
Water meters read	105,648	106,705	108,839	113,790	114,654	114,916	115,295	115,777	116,563	117,459
Work orders processed	7,812	7,910	7,864	8,147	12,011	11,477	10,281	10,221	10,672	10,737
Water main breaks	64	65	48	28	58	118	71	53	42	21
Total water consumption (thousands of gallons)	1,013,137	1,126,497	1,063,816	1,181,774	1,288,848	1,096,605	1,368,522	1,289,982	1,302,333	1,243,039
Cost per thousand gallons	\$ 1.05	\$ 1.20	\$ 1.25	\$ 1.30	\$ 1.16	\$ 1.25	\$ 1.03	\$ 1.10	\$ 1.07	\$ 1.22
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,400	2,400	2,770	2,254	2,287	2,400	2,016	2,148	2,199	2,132

City of Kerrville, Texas

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Table D-21

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	3	3	3	4	4	4	4	4	4	4
Highway and Streets										
Streets (miles)	130	135	138	140	142	142	142	142	142	142
Area in square miles	18.8	19.5	19.5	20.6	21.1	21.1	21.1	21.1	21.1	21.3
Culture and Recreation										
Parks acreage	917	917	917	937	937	937	937	937	937	937
Swimming pools	2	2	2	2	2	1	1	1	1	1
Picnic areas and playgrounds	21	21	21	38	36	36	36	36	36	36
Municipal auditoriums	1	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	1	1
Tennis center	1	1	1	1	1	1	1	1	1	1
Water										
Water main (miles)	217	218	220	227	234	234	238	241	246	246
Average daily consumption (millions of gallons)	3.71	4.20	2.90	4.18	3.45	2.73	3.24	3.82	3.88	3.17
Sewer										
Sanitary sewers (miles)	186	189	191	196	195	194	202	194	214	209
Storm sewers (miles)	9	10	10	12	13	13	13	13	13	13
Maximum treatment capacity (millions of gallons)	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.5	4.5	4.5

Sources: Various city departments



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