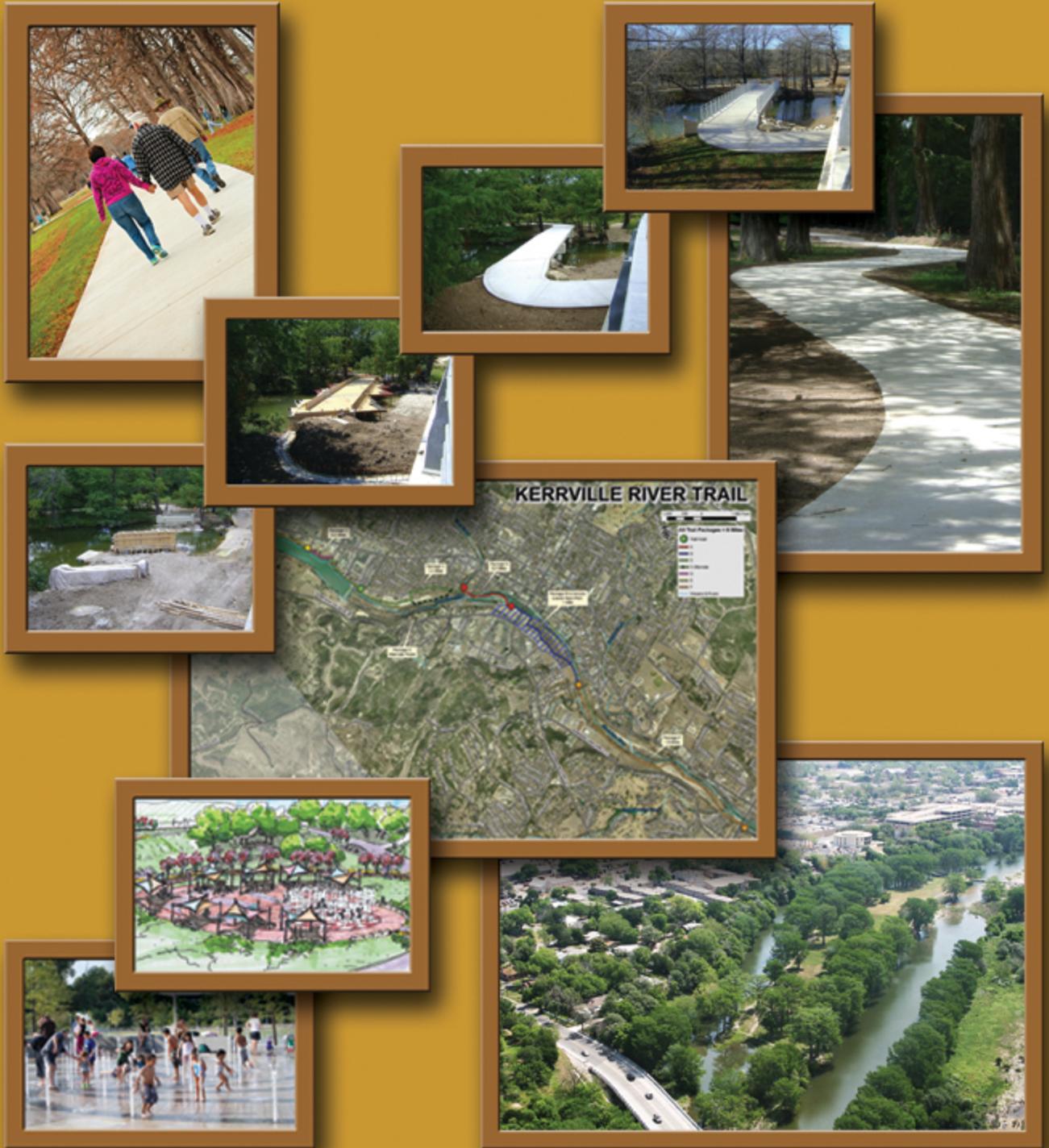


CITY OF KERRVILLE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year Ended September 30, 2015



City of Kerrville, Texas

Comprehensive Annual Financial Report

Year Ended September 30, 2015

**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, 2015

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>		
Texas Municipal Retirement System – Schedule of Changes in Net		
Pension Liability and Related Ratios – City	61	Exhibit B-1
Texas Municipal Retirement System – Schedule of Contributions – City.....	62	Exhibit B-2
Texas Municipal Retirement System – Schedule of Changes in Net		
Pension Liability and Related Ratios – KPUB.....	63	Exhibit B-3
Texas Municipal Retirement System – Schedule of Contributions – KPUB.....	64	Exhibit B-4

City of Kerrville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2015

Table of Contents

	<u>Page</u>	<u>Exhibit/Table</u>
Schedule of Revenues, Expenditures and Changes in Fund		
Balances – Budget and Actual (General Fund)	65	Exhibit B-5
Notes to Required Supplementary Information	67	
Modified Approach for Capital Assets – Street System.....	68	Exhibit B-6
 <u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information</u>		
Combining Balance Sheet – Nonmajor Governmental Funds	69	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) – Nonmajor Governmental Funds	71	Exhibit C-2
 <u>Budgetary Comparison Schedules</u>		
Special Revenue Funds:		
Library Memorial.....	73	Exhibit C-3
Hotel/Motel Tax.....	74	Exhibit C-4
Hotel Reserve.....	75	Exhibit C-5
History Center.....	76	Exhibit C-6
PEG Fund.....	77	Exhibit C-7
Debt Service Fund.....	78	Exhibit C-8
 <u>Internal Service Funds</u>		
Combining Statement of Net Position.....	79	Exhibit C-9
Combining Statement of Revenues, Expenses and Changes in Net Position.....	80	Exhibit C-10
Combining Statement of Cash Flows.....	81	Exhibit C-11
 <u>Economic Improvement Corporation</u>		
Balance Sheet.....	82	Exhibit C-12
Statement of Revenues, Expenditures and Changes in Fund Balance	83	Exhibit C-13

Statistical Section

Net Position by Component	84		Table D-1
Expenses, Program Revenues and Net (Expense) Revenue.....	85		Table D-2
General Revenues and Total Change in Net Position	87		Table D-3
Fund Balances of Governmental Funds	89		Table D-4
Changes in Fund Balances of Governmental Funds	90		Table D-5
Tax Revenues by Source, Governmental Funds	92		Table D-6
Assessed Value and Estimated Actual Value of Taxable Property.....	93		Table D-7
Direct and Overlapping Property Tax Rates	94		Table D-8
Principal Property Tax Payers.....	95		Table D-9

City of Kerrville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2015

Table of Contents

	<u>Page</u>	<u>Exhibit/Table</u>
Property Tax Levies and Collections	96	Table D-10
Taxable Sales by Category	97	Table D-11
Ratios of Outstanding Debt by Type	99	Table D-12
Ratios of General Bonded Debt Outstanding	100	Table D-13
Direct and Overlapping Governmental Activities Debt	101	Table D-14
Legal Debt Margin Information	102	Table D-15
Pledged-Revenue Coverage	103	Table D-16
Demographic and Economic Statistics	104	Table D-17
Principal Employers – Kerr County	105	Table D-18
Budgeted Full-time – Equivalent Employees by Function/Program	106	Table D-19
Operating Indicators by Function/Program	108	Table D-20
Capital Asset Statistics by Function/Program	109	Table D-21



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Introductory Section



City of Kerrville
Finance
700 Main Street
Kerrville, Texas 78028
www.kerrvilletx.gov

Letter of Transmittal

March 9, 2016

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, 2015, 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, 2015. 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, 2015, 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, 2015, 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 22,828, respectively. The 2015 population estimate was 23,808, representing an increase of 3,113 (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 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 3.4% 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 opened in 2015. Major park renovations at our City's centrally located Louise Hays Park and a six mile long river trail running from Kerrville-Schreiner Park through town were completed in June 2015. 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 began 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 the 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 \$6.78 million or 28% of General Fund operating expenditures as of September 30, 2015. 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 FY 2016 budget book identified over \$48 million of capital improvements already in progress with approved funding. In addition, the CIP lists \$40.9 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 waste water 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 FY 2016 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, 2014, and a reproduction of the certificate is included in this report. The City has received a Certificate of Achievement for thirty-one consecutive fiscal years (FY 1984 through FY 2014).

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.

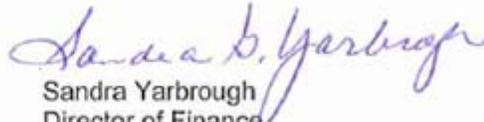
Acknowledgment and appreciation is also given to representatives of **BKD, LLP**, Certified Public Accountants, for their dedicated assistance and input into the preparation of this report.

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

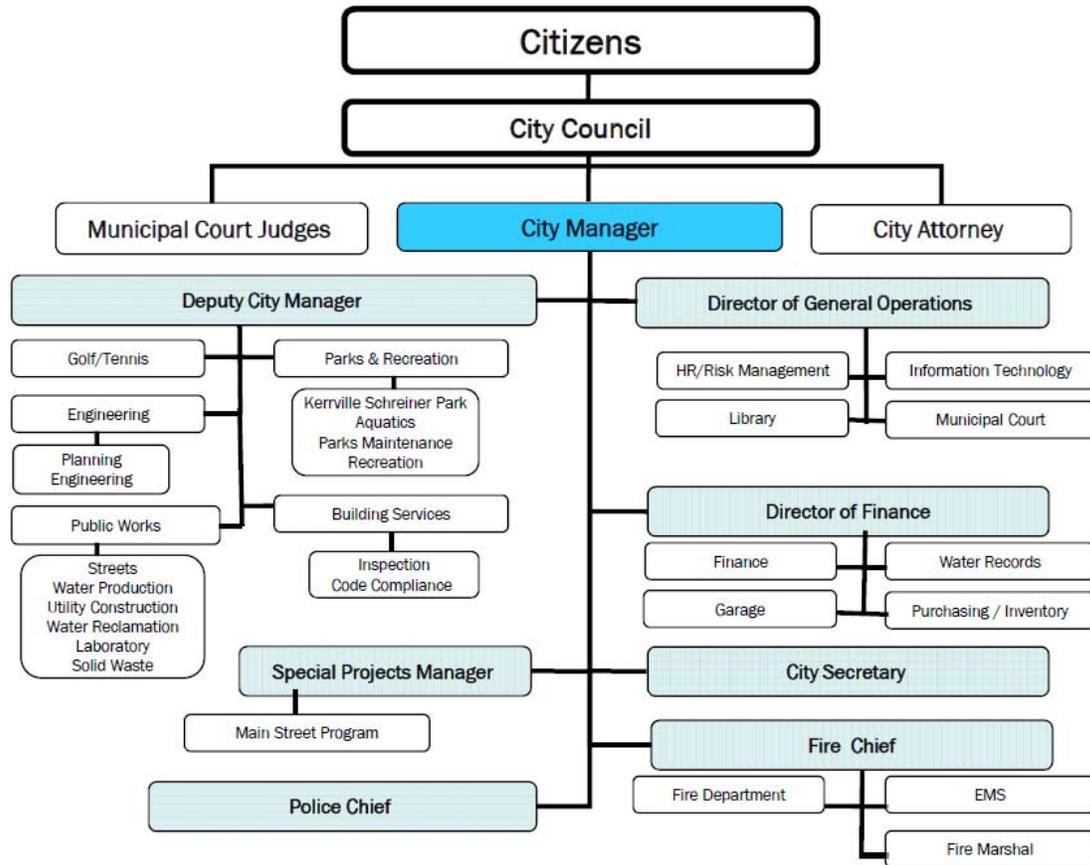
September 30, 2014

Executive Director/CEO

City of Kerrville, Texas

Organization Chart

Year Ended September 30, 2015



CITY OF KERRVILLE, TEXAS

List of Principal Officials Year Ended September 30, 2015

ELECTED OFFICIALS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
JACK PRATT	MAYOR	MAY 2016
STEPHEN FINE	PLACE 1	MAY 2017
BONNIE WHITE	PLACE 2	MAY 2017
GARY STORK	PLACE 3, MAYOR PRO TEM	MAY 2016
GENE ALLEN	PLACE 4	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
DAVID KNIGHT	POLICE CHIEF
DANNIE SMITH	FIRE CHIEF



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 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 \$18,396,226 of which 50% (\$9,198,113) is recorded in the statement of net position and represents 4.6% 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 Kerrville Public Utility Board (KPUB), a component unit included in the financial statements of the aggregate discretely presented component units, 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 report 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, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2015, the City changed its method of accounting for pensions with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended. Our opinions are not modified with respect to this matter.

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 financial statements that collectively comprise the City's basic financial statements. 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 March 9, 2016 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
March 9, 2016

City of Kerrville, Texas

Management's Discussion and Analysis

Year Ended September 30, 2015

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, 2015. 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 2015 fiscal year by \$135,946,532. Of this amount, \$30,726,155 (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 2015, the City's total net position increased by \$6,111,678 or 4.7%. Of this amount, \$4,955,675 was related to operations and \$1,156,003 was related to the cumulative effect of a change in accounting principle. The net position of business-type activities increased by \$1,241,216 or 2.5% (\$1,044,695 from operations and \$196,521 related to the cumulative effect of a change in accounting principle). The net position of governmental activities increased by \$4,870,462 or 6.0% (\$3,910,980 from operations and \$959,482 related to the cumulative effect of a change in accounting principle).
- Total expenses of all the City's programs were \$35,959,115 in 2015.

Fund Statements

- As of September 30, 2015, the City's governmental funds reported combined ending fund balances of \$25,870,423. Of this total amount, \$6,782,843 or approximately 26%, 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 \$6,785,822 or 28% 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 assets plus deferred outflows of resources, less liabilities 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, and cultural 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 twelve 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 ten 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 Water and Sewer Fund and the Golf Course Fund. The Water and Sewer 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 – 60 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 \$135,946,532 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.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 38,658,226	\$ 30,395,536	\$ 17,036,600	\$ 23,729,142	\$ 55,694,826	\$ 54,124,678
Capital assets	78,055,802	75,013,396	67,655,680	61,876,451	145,711,482	136,889,847
Deferred outflows of resources	1,720,235	250,570	495,023	245,630	2,215,258	496,200
Total assets and deferred outflows of resources	118,434,263	105,659,502	85,187,303	85,851,223	203,621,566	191,510,725
Long-term liabilities	28,268,033	19,462,254	30,812,661	33,034,856	59,080,694	52,497,110
Other liabilities	4,549,718	5,451,198	4,044,622	3,727,563	8,594,340	9,178,761
Total liabilities	32,817,751	24,913,452	34,857,283	36,762,419	67,675,034	61,675,871
Net position						
Net investment in capital assets	61,339,335	60,765,043	39,106,212	37,156,612	100,445,547	97,921,655
Restricted for debt service	1,324,468	1,385,583	3,450,362	3,788,860	4,774,830	5,174,443
Unrestricted	22,952,709	18,595,424	7,773,446	8,143,332	30,726,155	26,738,756
Total net position	\$ 85,616,512	\$ 80,746,050	\$ 50,330,020	\$ 49,088,804	\$ 135,946,532	\$ 129,834,854

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:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue						
Charges for services	\$ 5,997,917	\$ 4,434,801	\$ 11,902,283	\$ 11,963,694	\$ 17,900,200	\$ 16,398,495
Operating grants and contributions	141,033	72,200	-	-	141,033	72,200
Capital grants and contributions	772,266	970,605	-	10,070	772,266	980,675
General revenue						
Property tax	10,108,053	9,751,801	-	-	10,108,053	9,751,801
Sales tax	6,201,119	5,786,539	-	-	6,201,119	5,786,539
Hotel occupancy tax	1,080,836	1,045,911	-	-	1,080,836	1,045,911
Franchise tax	1,741,795	1,775,520	-	-	1,741,795	1,775,520
Alcoholic beverage tax	74,021	68,661	-	-	74,021	68,661
Unrestricted investment earnings	57,226	58,136	49,067	65,895	106,293	124,031
Miscellaneous revenue	2,789,174	1,509,703	-	197,529	2,789,174	1,707,232
Total revenue	28,963,440	25,473,877	11,951,350	12,237,188	40,914,790	37,711,065
Expenses						
General government	6,272,205	5,158,955	-	-	6,272,205	5,158,955
Public safety	13,168,482	12,364,758	-	-	13,168,482	12,364,758
Cultural and recreation	3,404,868	3,065,837	-	-	3,404,868	3,065,837
Public works	3,490,145	3,159,162	-	-	3,490,145	3,159,162
Interest on long-term debt	519,320	564,565	-	-	519,320	564,565
Water and sewer operations	-	-	8,240,698	8,983,829	8,240,698	8,983,829
Golf course	-	-	863,397	907,686	863,397	907,686
Total expenses	26,855,020	24,313,277	9,104,095	9,891,515	35,959,115	34,204,792
Excess before transfers	2,108,420	1,160,600	2,847,255	2,345,673	4,955,675	3,506,273
Transfers	1,802,560	1,125,310	(1,802,560)	(1,125,310)	-	-
Changes in Net Position	3,910,980	2,285,910	1,044,695	1,220,363	4,955,675	3,506,273
Net Position, As Previously Reported	80,746,050	78,460,140	49,088,804	47,868,441	129,834,854	126,328,581
Cumulative Effect Adjustment	959,482	-	196,521	-	1,156,003	-
Net Position, Beginning of Year	81,705,532	78,460,140	49,285,325	47,868,441	130,990,857	126,328,581
Net Position, End of Year	\$ 85,616,512	\$ 80,746,050	\$ 50,330,020	\$ 49,088,804	\$ 135,946,532	\$ 129,834,854

Overall Financial Position and Results of Operations

Governmental Activities

Governmental activities operations increased the City's net position by \$3,910,980. The increase was due to strong sales tax collections and lower than anticipated expenses due to staff vacancies in multiple departments. Charges for services increased due to increased volume and improved collections for Emergency Medical Services as well as a renegotiated contract with Kerr County for these services. Miscellaneous income increased due to increased funding from the EIC for debt service related to the River Trail and Athletic Complex as well as a distribution from KPUB related to a legal settlement between KPUB and the Lower Colorado River Authority.

Business-type Activities

Business-type activities operations increased its net position by \$1,044,695 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 \$25,870,423, an increase of \$7,540,017 in comparison with the prior year. Approximately 26% of total fund balance or \$6,785,822 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, committed or assigned to indicate that it is not available for new spending because it has already been committed for restricted purposes (debt service, capital projects). The increase in the fund balance of the Governmental IP Fund is related to the issuance of bonds to fund the construction of an athletic complex.

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 \$6,785,822. 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 28% or more than three months of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$1,144,253 during the current fiscal year. Key factors are as follows:

- Lower than anticipated expenditures due to staff vacancies
- Slightly higher than anticipated revenues due to strong sales tax and building permit collections

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 \$7,773,446 with unrestricted net position of the water and sewer fund at the end of the year amounting to \$7,721,941.

Overall, water and sewer net position increased from operations by \$1,124,262 compared to an increase of \$1,229,581 in fiscal year 2014. The increase in 2015 was due to intentional budgeting designed to build net position to pay cash for future capital projects.

General Fund Budgetary Analysis

In fiscal year 2015, fund balance increased by \$1,144,253, which is \$1,105,603 higher than budgeted. This is due to slightly higher than anticipated revenues combined with lower than anticipated expenditures.

Actual revenues exceeded budget by \$266,431, primarily due to better than expected sales tax collections at existing businesses. In addition, building and construction permit revenue was stronger than expected due to several commercial projects.

Actual expenditures were \$757,037 less than budgeted, due primarily to staff vacancies in several departments.

Capital Asset and Long-term Debt Administration

Major Capital Additions

In fiscal year 2015, the City recognized asset additions for the river trail and Louise Hays Park improvements. In addition, the Water and Sewer Fund recognized significant construction in progress related to improvements at the reclamation plant as well as a new lift station and transmission lines.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$145,711,482 (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.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 6,463,225	\$ 6,251,959	\$ 488,831	\$ 488,831	\$ 6,952,056	\$ 6,740,790
Construction in progress	448,040	5,317,642	12,192,860	6,648,129	12,640,900	11,965,771
Streets	34,425,208	34,425,208	-	-	34,425,208	34,425,208
Buildings	11,028,940	11,462,962	912,345	979,693	11,941,285	12,442,655
Improvements other than buildings	21,167,795	14,473,243	52,180,540	51,794,172	73,348,335	66,267,415
Vehicles	2,547,587	1,447,689	538,848	445,752	3,086,435	1,893,441
Machinery and equipment	1,842,686	1,518,382	1,319,185	1,497,051	3,161,871	3,015,433
Office equipment	132,321	116,311	23,071	22,823	155,392	139,134
Total	<u>\$ 78,055,802</u>	<u>\$ 75,013,396</u>	<u>\$ 67,655,680</u>	<u>\$ 61,876,451</u>	<u>\$ 145,711,482</u>	<u>\$ 136,889,847</u>

Additional information on the City's capital assets can be found in Note 4 on pages 45 – 48 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 \$24,779,143, which the City expects to retire through the Debt Service Fund. The City also has business activity net bonded debt outstanding of \$32,677,164 at September 30, 2015. The City's net bonded debt increased by approximately \$5,900,000 during the current fiscal year due to the issuance of debt that will be used to build an athletic complex.

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 2015 and the City intends to comply with that policy with any future debt issuances.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Gross Bonded Debt						
General obligation	\$ 3,373,100	\$ 3,775,825	\$ 4,206,900	\$ 4,709,175	\$ 7,580,000	\$ 8,485,000
Certificates of obligation	20,905,000	12,640,000	27,955,000	29,580,000	48,860,000	42,220,000
Total bonded debt	24,278,100	16,415,825	32,161,900	34,289,175	56,440,000	50,705,000
Bond premium/discount	501,043	274,325	515,264	554,733	1,016,307	829,058
Net bonded debt	24,779,143	16,690,150	32,677,164	34,843,908	57,456,307	51,534,058
Other Long-term Debt						
Cailloux Foundation promissory note	1,029,881	284,526	-	-	1,029,881	284,526
State infrastructure bank loan	354,166	450,036	289,772	368,211	643,938	818,247
Compensated absences	824,097	810,057	180,097	168,647	1,004,194	978,704
Net pension liability	362,458	-	74,239	-	436,697	-
Landfill closure and post-closure cost	3,265,667	3,244,607	-	-	3,265,667	3,244,607
Total	\$ 30,615,412	\$ 21,479,376	\$ 33,221,272	\$ 35,380,766	\$ 63,836,684	\$ 56,860,142

Additional information on the City's long-term debt can be found in Note 6 on pages 49 – 52 of this report.

The City's five-year capital improvement plan had identified almost \$40.9 million of capital improvements through 2019. Previously, the majority of these improvements were anticipated to be funded by debt obligations. The City currently plans to use a combination of debt issuance, cash and grant/donation funding. In January 2016, Standard & Poor's confirmed the City's general obligation bond rating of an AA and utility certificate of obligations bond rating of an AA.

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 80 (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 2015 were \$945,027. In 2015, the City engaged an outside firm to complete a comprehensive study of the City's roads and their conditions. Results of this study and a prioritized list of maintenance activities will be available in 2016.

For historical information, please see page 68.

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 fiscal year 2016, which is the same as in fiscal year 2015.

Sales tax revenue in fiscal year 2015 is 7.2% higher than fiscal year 2014. The fiscal year 2016 budget projects an additional 0.9% increase over fiscal year 2015.

The number of utility accounts increased slightly from 9,886 in fiscal year 2014 to 9,977 in fiscal year 2015. Billed water usage decreased in fiscal year 2015 due to increased rainfall during the year. Water revenue is anticipated to increase in fiscal year 2016, but those revenues are highly dependent on weather and drought conditions.

Hotel/motel occupancy tax receipts collected in fiscal year 2015 were \$1,080,836, up 3.3% 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, 2015

Exhibit A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 14,951,611	\$ 1,043,933	\$ 15,995,544	\$ 3,623,708
Investments	7,702,345	889,940	8,592,285	25,630,489
Receivables (net of allowances for uncollectibles)				
Taxes	359,703	-	359,703	-
Accounts	611,626	1,368,824	1,980,450	5,895,299
Other	230,865	-	230,865	-
Due from other governments	1,027,594	-	1,027,594	501,477
Internal balances	80,172	(80,172)	-	-
Inventories	55,146	492,624	547,770	1,410,500
Prepaid expenses	-	3,250	3,250	-
Other assets	-	-	-	20,792
Restricted assets				
Cash and cash equivalents	-	7,650,523	7,650,523	-
Investments	4,441,052	5,667,678	10,108,730	6,205,451
Equity in joint venture	9,198,112	-	9,198,112	-
Capital assets (net of accumulated depreciation, where applicable)				
Depreciable	36,719,329	54,973,989	91,693,318	5,172,000
Non-depreciable	41,336,473	12,681,691	54,018,164	31,880,223
Total assets	<u>116,714,028</u>	<u>84,692,280</u>	<u>201,406,308</u>	<u>80,339,939</u>
Deferred Outflows of Resources				
Pension contributions after measurement date	819,996	167,952	987,948	371,790
Difference between projected/actual earnings – pensions	527,598	108,062	635,660	206,290
Difference between expected/actual experience – pensions	143,833	29,460	173,293	146,553
Deferred charges on refundings	228,808	189,549	418,357	-
Total deferred outflows of resources	<u>1,720,235</u>	<u>495,023</u>	<u>2,215,258</u>	<u>724,633</u>
Liabilities				
Accounts payable and accrued liabilities	1,969,806	1,498,457	3,468,263	11,006,192
Customer deposits	232,533	137,554	370,087	535,335
Noncurrent liabilities				
Due within one-year				
Bonds and notes payable	1,766,400	2,310,049	4,076,449	372,000
Compensated absences	580,979	98,562	679,541	-
Due in more than one year				
Bonds and notes payable	24,396,790	30,656,887	55,053,677	5,612,000
Net pension liability	362,458	74,239	436,697	1,256,279
Compensated absences	243,118	81,535	324,653	-
Landfill closure and post-closure costs	3,265,667	-	3,265,667	-
Total liabilities	<u>32,817,751</u>	<u>34,857,283</u>	<u>67,675,034</u>	<u>18,781,806</u>
Net Position				
Net investment in capital assets	61,339,335	39,106,212	100,445,547	32,815,076
Restricted for				
Debt service	1,324,468	3,450,362	4,774,830	343,223
Capital projects	-	-	-	3,985,357
Unrestricted	22,952,709	7,773,446	30,726,155	25,139,110
Total net position	<u>\$ 85,616,512</u>	<u>\$ 50,330,020</u>	<u>\$ 135,946,532</u>	<u>\$ 62,282,766</u>

City of Kerrville, Texas
Statement of Activities
Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 6,272,205	\$ 24,112	\$ 25,000	\$ -
Public safety	13,168,482	4,340,470	99,233	-
Cultural and recreation	3,404,868	464,681	16,800	386,266
Public works	3,490,145	1,168,654	-	386,000
Interest on long-term debt	519,320	-	-	-
Total expenses	<u>26,855,020</u>	<u>5,997,917</u>	<u>141,033</u>	<u>772,266</u>
Business-type Activities				
Water and sewer	8,240,698	11,118,453	-	-
Golf course	863,397	783,830	-	-
Total business-type activities	<u>9,104,095</u>	<u>11,902,283</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 35,959,115</u>	<u>\$ 17,900,200</u>	<u>\$ 141,033</u>	<u>\$ 772,266</u>
Component Units				
Economic Improvement Corporation	\$ 1,564,011	\$ -	\$ -	\$ -
Kerrville Public Utility Board	41,473,404	42,463,398	-	107,618
Total component units	<u>\$ 43,037,415</u>	<u>\$ 42,463,398</u>	<u>\$ -</u>	<u>\$ 107,618</u>

General Revenues
Property taxes
Sales and use taxes
Hotel occupancy taxes
Franchise taxes
Alcoholic beverage taxes
Unrestricted investment earnings
Miscellaneous income
Assignment of wholesale power rights

Transfers
Total general revenues and transfers

Change in net position

Net Position, As Previously Reported

Cumulative Effect Adjustment

Net Position, Beginning of Year, as Adjusted

Net Position, End of Year

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (6,223,093)	\$ -	\$ (6,223,093)	
(8,728,779)	-	(8,728,779)	
(2,537,121)	-	(2,537,121)	
(1,935,491)	-	(1,935,491)	
(519,320)	-	(519,320)	
<u>(19,943,804)</u>	<u>-</u>	<u>(19,943,804)</u>	
-	2,877,755	2,877,755	
-	(79,567)	(79,567)	
<u>-</u>	<u>2,798,188</u>	<u>2,798,188</u>	
<u>(19,943,804)</u>	<u>2,798,188</u>	<u>(17,145,616)</u>	
			\$ (1,564,011)
			<u>1,097,612</u>
			<u>(466,399)</u>
10,108,053	-	10,108,053	-
6,201,119	-	6,201,119	3,107,075
1,080,836	-	1,080,836	-
1,741,795	-	1,741,795	-
74,021	-	74,021	-
57,226	49,067	106,293	35,429
2,789,174	-	2,789,174	284,239
-	-	-	6,250,000
<u>1,802,560</u>	<u>(1,802,560)</u>	<u>-</u>	<u>-</u>
<u>23,854,784</u>	<u>(1,753,493)</u>	<u>22,101,291</u>	<u>9,676,743</u>
<u>3,910,980</u>	<u>1,044,695</u>	<u>4,955,675</u>	<u>9,210,344</u>
80,746,050	49,088,804	129,834,854	53,632,257
<u>959,482</u>	<u>196,521</u>	<u>1,156,003</u>	<u>(559,835)</u>
<u>81,705,532</u>	<u>49,285,325</u>	<u>130,990,857</u>	<u>53,072,422</u>
<u>\$ 85,616,512</u>	<u>\$ 50,330,020</u>	<u>\$ 135,946,532</u>	<u>\$ 62,282,766</u>

City of Kerrville, Texas
Balance Sheet – Governmental Funds
September 30, 2015

Exhibit A-3

	General Fund	Governmental IP Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,923,349	\$ 7,499,401	\$ 1,476,780	\$ 14,899,530
Investments	4,468,492	5,657,443	1,114,062	11,239,997
Receivables, net				
Taxes	301,908	-	57,795	359,703
Accounts	611,626	-	-	611,626
Other	230,865	-	-	230,865
Due from other funds	101,285	-	-	101,285
Due from other governments	1,027,594	-	-	1,027,594
Inventories	22,136	-	-	22,136
Total assets	<u>\$ 12,687,255</u>	<u>\$ 13,156,844</u>	<u>\$ 2,648,637</u>	<u>\$ 28,492,736</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,845,726	\$ 83,683	\$ 35,514	\$ 1,964,923
Due to other funds	-	-	15,479	15,479
Customer deposits	107,173	-	-	107,173
Total liabilities	<u>1,952,899</u>	<u>83,683</u>	<u>50,993</u>	<u>2,087,575</u>
Deferred Inflows of Resources				
Unavailable revenue	494,576	-	40,162	534,738
Fund Balances				
Nonspendable	22,136	-	-	22,136
Restricted for public safety	8,184	-	-	8,184
Restricted for landfill	3,071,706	-	-	3,071,706
Restricted for debt service	-	-	1,324,468	1,324,468
Restricted for tourism	-	-	930,766	930,766
Restricted for grant	-	-	3,082	3,082
Restricted for capital improvements	-	9,301,598	-	9,301,598
Restricted for police	-	-	18,482	18,482
Restricted for municipal court	-	-	15,217	15,217
Committed for park improvements	-	-	35,173	35,173
Committed for history center	-	-	65,456	65,456
Committed for library	-	-	167,817	167,817
Committed for insurance reserve	100,527	-	-	100,527
Committed for capital improvements	210,701	3,771,563	-	3,982,264
Assigned	40,704	-	-	40,704
Unassigned	6,785,822	-	(2,979)	6,782,843
Total fund balances	<u>10,239,780</u>	<u>13,073,161</u>	<u>2,557,482</u>	<u>25,870,423</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,687,255</u>	<u>\$ 13,156,844</u>	<u>\$ 2,648,637</u>	<u>\$ 28,492,736</u>

City of Kerrville, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2015

Exhibit A-4

Total fund balances – governmental funds balance sheet	\$ 25,870,423
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.	78,052,763
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	965,901
Deferred outflows related to refundings are not reported in the funds.	228,808
Payables for debt principal, which are not due in the current period are not reported in the funds.	(26,163,190)
Payables for debt interest which are not due in the current period are not reported in the funds.	(131,661)
Payables for compensated absences, excluding the internal service fund, which are not due in the current period are not reported in the funds.	(802,684)
Landfill closure and post-closure costs which are not due and payable in the current period are not reported in the funds.	(3,265,667)
Net pension liabilities are not recorded in the funds	(362,458)
Deferred outflows related to pension contributions and investment losses and experience losses are not reported in the funds	1,491,427
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	307,500
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.	207,136
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	20,102
Equity in a joint venture is not reported in the funds.	<u>9,198,112</u>
Net position of governmental activities – SNP	<u><u>\$ 85,616,512</u></u>

City of Kerrville, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2015

Exhibit A-5

	General Fund	Governmental IP Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes and penalties	\$ 16,729,936	\$ -	\$ 2,383,218	\$ 19,113,154
License and permits	532,607	-	18,575	551,182
Intergovernmental	1,373,334	150,000	-	1,523,334
Charges for services	3,412,045	-	75,516	3,487,561
Grants	141,033	-	411,000	552,033
Fines and forfeitures	351,266	-	-	351,266
Investment income	34,920	16,305	5,377	56,602
Miscellaneous	815,757	291,492	730,905	1,838,154
	<u>23,390,898</u>	<u>457,797</u>	<u>3,624,591</u>	<u>27,473,286</u>
Expenditures				
Current				
General government	4,661,935	858,167	30,732	5,550,834
Public safety	12,523,990	-	-	12,523,990
Cultural and recreation	2,241,214	-	979,609	3,220,823
Public works	3,162,298	-	-	3,162,298
Capital outlay	1,609,758	3,326,558	424,008	5,360,324
Debt service				
Principal	-	-	1,393,595	1,393,595
Interest	-	-	519,320	519,320
	<u>24,199,195</u>	<u>4,184,725</u>	<u>3,347,264</u>	<u>31,731,184</u>
Excess (deficiencies) of revenues over expenditures	<u>(808,297)</u>	<u>(3,726,928)</u>	<u>277,327</u>	<u>(4,257,898)</u>
Other Financing Sources (Uses)				
Issuance of debt	995,355	8,910,000	-	9,905,355
Bond premium	-	248,911	-	248,911
Bond issuance costs	-	(158,911)	-	(158,911)
Transfers in	1,884,695	1,012,000	-	2,896,695
Transfers out	(927,500)	-	(166,635)	(1,094,135)
	<u>1,952,550</u>	<u>10,012,000</u>	<u>(166,635)</u>	<u>11,797,915</u>
Net Change in Fund Balances	1,144,253	6,285,072	110,692	7,540,017
Fund Balances, Beginning of Year	<u>9,095,527</u>	<u>6,788,089</u>	<u>2,446,790</u>	<u>18,330,406</u>
Fund Balances, End of Year	<u>\$ 10,239,780</u>	<u>\$ 13,073,161</u>	<u>\$ 2,557,482</u>	<u>\$ 25,870,423</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, 2015

Exhibit A-6

Net change in fund balances – total governmental funds	\$ 7,540,017
Amounts reported for governmental activities in the statement of net activities (SOA) are different because	
Capital outlays (including \$842,889 included in government-wide activities during fiscal year 2014 because of contractual obligations) are not reported as expenses in the SOA.	5,360,324
The depreciation of capital assets used in governmental activities, excluding the Internal Service Fund, is not reported in the funds.	(1,589,774)
Loss on disposal of capital assets decrease net assets in the SOA but not in the funds.	(51,728)
Donations of capital assets increase net assets in the SOA but not in the funds.	211,266
Repayment of bond and note principal is an expenditure in the funds but is not an expense in the SOA.	1,393,595
Bond premiums and discounts and similar items are amortized in the SOA but are recognized as other financing sources (uses) in the funds.	(248,479)
Bond and loan proceeds provide current financial resources to the funds, but increase liabilities in the SOA	(9,905,355)
Increase in accrued interest from beginning of period to end of period.	(37,228)
The net income of the Internal Service Fund reported with governmental activities.	296,597
Compensated absence are reported as the amount earned in the SOA but as the amount paid in the funds.	(17,030)
Pension expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the SOA	167,445
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.	53,987
Change in joint venture equity is not reported in the funds.	758,403
Change in landfill post-closure costs is not reported in the funds.	(21,060)
Change in net position of governmental activities – SOA	\$ 3,910,980

City of Kerrville, Texas
Statement of Net Position – Proprietary Funds
Year Ended September 30, 2015

	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	\$ 1,007,834	\$ 36,099	\$ 1,043,933	\$ 544,624
Investments	862,707	27,233	889,940	410,857
Receivables (net of allowances for uncollectibles) accounts	1,368,824	-	1,368,824	-
Inventories	417,805	74,819	492,624	33,010
Prepaid expenses	-	3,250	3,250	-
Total current assets	<u>3,657,170</u>	<u>141,401</u>	<u>3,798,571</u>	<u>988,491</u>
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	7,650,523	-	7,650,523	-
Investments	5,667,678	-	5,667,678	-
Total restricted assets	<u>13,318,201</u>	<u>-</u>	<u>13,318,201</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	80,563,312	2,488,855	83,052,167	-
Vehicles	1,439,699	22,300	1,461,999	25,556
Machinery and equipment	2,890,977	410,477	3,301,454	20,522
Office equipment	165,343	-	165,343	-
Construction in progress	12,192,860	-	12,192,860	-
Accumulated depreciation	(33,623,116)	(1,942,413)	(35,565,529)	(202,039)
Net capital assets	<u>66,301,793</u>	<u>1,353,887</u>	<u>67,655,680</u>	<u>3,039</u>
Total noncurrent assets	<u>79,619,994</u>	<u>1,353,887</u>	<u>80,973,881</u>	<u>3,039</u>
Total assets	<u>83,277,164</u>	<u>1,495,288</u>	<u>84,772,452</u>	<u>991,530</u>
Deferred Outflows of Resources				
Deferred pension contributions	138,314	29,638	167,952	9,879
Deferred investment loss	88,992	19,070	108,062	6,357
Deferred experience loss	24,261	5,199	29,460	1,733
Deferred charges for refunding	189,549	-	189,549	-
Total deferred outflows of resources	<u>441,116</u>	<u>53,907</u>	<u>495,023</u>	<u>17,969</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	\$ 1,420,285	\$ 78,172	\$ 1,498,457	\$ 12,184
Accrued compensated absences	77,319	21,243	98,562	21,413
Due to other funds	66,458	13,714	80,172	5,634
Customer deposits	137,554	-	137,554	-
Bonds and notes – current	2,310,049	-	2,310,049	-
Total current liabilities	4,011,665	113,129	4,124,794	39,231
Noncurrent Liabilities				
Net pension liability	61,138	13,101	74,239	4,367
Bonds and notes – noncurrent	30,656,887	-	30,656,887	-
Accrued compensated absences	63,962	17,573	81,535	-
Total noncurrent liabilities	30,781,987	30,674	30,812,661	4,367
Total liabilities	34,793,652	143,803	34,937,455	43,598
Net Position				
Net investment in capital assets	37,752,325	1,353,887	39,106,212	3,039
Restricted for debt service	3,450,362	-	3,450,362	-
Unrestricted	7,721,941	51,505	7,773,446	962,862
Total net position	\$ 48,924,628	\$ 1,405,392	\$ 50,330,020	\$ 965,901

City of Kerrville, Texas
Statement of Revenues, Expenses and Changes
in Net Position – Proprietary Funds
Year Ended September 30, 2015

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	\$ 10,903,603	\$ 783,830	\$ 11,687,433	\$ 3,395,371
Miscellaneous	214,850	-	214,850	-
Total operating revenues	<u>11,118,453</u>	<u>783,830</u>	<u>11,902,283</u>	<u>3,395,371</u>
Operating Expenses				
Personnel services	2,812,988	528,280	3,341,268	233,450
Repairs and maintenance	841,967	27,927	869,894	7,937
Supplies and materials	614,082	49,128	663,210	7,471
Utilities	586,426	55,732	642,158	4,883
Depreciation	2,161,049	80,761	2,241,810	1,324
General administration	348,560	121,569	470,129	3,727
Premiums and other charges	-	-	-	2,839,982
Total operating expenses	<u>7,365,072</u>	<u>863,397</u>	<u>8,228,469</u>	<u>3,098,774</u>
Operating income (loss)	<u>3,753,381</u>	<u>(79,567)</u>	<u>3,673,814</u>	<u>296,597</u>
Nonoperating Revenues (Expenses)				
Investment income	49,067	-	49,067	-
Interest expense	(875,626)	-	(875,626)	-
Net nonoperating revenues (expenses)	<u>(826,559)</u>	<u>-</u>	<u>(826,559)</u>	<u>-</u>
Net income (loss) before contributions and transfers	<u>2,926,822</u>	<u>(79,567)</u>	<u>2,847,255</u>	<u>296,597</u>
Capital Contributions and Transfers				
Transfers out	(1,802,560)	-	(1,802,560)	-
Net transfers	<u>(1,802,560)</u>	<u>-</u>	<u>(1,802,560)</u>	<u>-</u>
Change in Net Position	<u>1,124,262</u>	<u>(79,567)</u>	<u>1,044,695</u>	<u>296,597</u>
Net Position, As Previously Reported	47,638,525	1,450,279	49,088,804	657,744
Cumulative Effect Adjustment	<u>161,841</u>	<u>34,680</u>	<u>196,521</u>	<u>11,560</u>
Net position, Beginning of Year, As Adjusted	<u>47,800,366</u>	<u>1,484,959</u>	<u>49,285,325</u>	<u>669,304</u>
Net Position, End of Year	<u>\$ 48,924,628</u>	<u>\$ 1,405,392</u>	<u>\$ 50,330,020</u>	<u>\$ 965,901</u>

City of Kerrville, Texas
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2015

Exhibit A-9

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Golf Course Fund	Total Enterprise Funds	Internal Service Funds
Operating Activities				
Cash received from customers	\$ 10,661,976	\$ 783,830	\$ 11,445,806	\$ 3,395,371
Cash payments to employees	(2,829,401)	(535,131)	(3,364,532)	(238,482)
Cash payments to other suppliers for goods and services	(2,177,510)	(266,020)	(2,443,530)	(2,866,192)
Other operating activities	230,422	-	230,422	-
Net cash provided by (used in) operating activities	<u>5,885,487</u>	<u>(17,321)</u>	<u>5,868,166</u>	<u>290,697</u>
Noncapital Financing Activities				
Transfers to other funds	(1,802,560)	-	(1,802,560)	-
Net cash used in noncapital financing activities	<u>(1,802,560)</u>	<u>-</u>	<u>(1,802,560)</u>	<u>-</u>
Capital and Related Financing Activities				
Principal and interest paid	(3,226,303)	-	(3,226,303)	-
Acquisition or construction of capital assets	(7,870,140)	-	(7,870,140)	-
Net cash used in capital and related financing activities	<u>(11,096,443)</u>	<u>-</u>	<u>(11,096,443)</u>	<u>-</u>
Investing Activities				
Investment income	49,067	-	49,067	-
Sales (purchases) of investments, net	(2,078,709)	189	(2,078,520)	(184,830)
Net cash provided by (used in) investing activities	<u>(2,029,642)</u>	<u>189</u>	<u>(2,029,453)</u>	<u>(184,830)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,043,158)	(17,132)	(9,060,290)	105,867
Cash and Cash Equivalents, Beginning of Year	<u>17,701,515</u>	<u>53,231</u>	<u>17,754,746</u>	<u>438,757</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,658,357</u>	<u>\$ 36,099</u>	<u>\$ 8,694,456</u>	<u>\$ 544,624</u>
Reconciliation to the Combining Statement of Net Position				
Cash and cash equivalents	\$ 1,007,834	\$ 36,099	\$ 1,043,933	\$ 544,624
Restricted cash and cash equivalents	7,650,523	-	7,650,523	-
	<u>\$ 8,658,357</u>	<u>\$ 36,099</u>	<u>\$ 8,694,456</u>	<u>\$ 544,624</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 3,753,381	\$ (79,567)	\$ 3,673,814	\$ 296,597
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation	2,161,049	80,761	2,241,810	1,324
Change in pension expense	(28,588)	(6,126)	(34,714)	(2,042)
Other	10,676	-	10,676	-
Change in assets and liabilities				
Decrease (increase) in receivables	(241,627)	-	(241,627)	-
Decrease (increase) in inventories	(57,661)	1,247	(56,414)	(3,411)
Increase (decrease) in accounts payable	271,186	(13,415)	257,771	1,219
Increase (decrease) in accrued compensated absences	12,175	(725)	11,450	(2,990)
Increase (decrease) in due to other funds	4,896	504	5,400	-
Total adjustments	<u>2,132,106</u>	<u>62,246</u>	<u>2,194,352</u>	<u>(5,900)</u>
Net cash provided by (used in) operating activities	<u>\$ 5,885,487</u>	<u>\$ (17,321)</u>	<u>\$ 5,868,166</u>	<u>\$ 290,697</u>

City of Kerrville, Texas
Statements of Net Position – Component Units
September 30, 2015

Exhibit A-10

	EIC	KPUB	Total
Assets			
Cash and cash equivalents	\$ 3,282,575	\$ 341,133	\$ 3,623,708
Investments	2,476,328	23,154,161	25,630,489
Receivables (net of allowances for uncollectible)			
Accounts	-	5,895,299	5,895,299
Due from other governments	501,477	-	501,477
Inventories	-	1,410,500	1,410,500
Other assets	-	20,792	20,792
Restricted assets			
Investments	-	6,205,451	6,205,451
Capital assets nondepreciable			
Land	1,138,436	233,398	1,371,834
Construction in progress	351,245	3,448,921	3,800,166
Depreciable (net of accumulated depreciation)			
Buildings	-	2,433,785	2,433,785
Improvements other than buildings	-	27,777,761	27,777,761
Vehicles	-	1,263,404	1,263,404
Machinery and equipment	-	405,273	405,273
Total assets	<u>7,750,061</u>	<u>72,589,878</u>	<u>80,339,939</u>
Deferred Outflows of Resources			
Deferred pension contributions	-	371,790	371,790
Deferred investment loss	-	206,290	206,290
Deferred experience loss	-	146,553	146,553
Total deferred outflows of resources	<u>-</u>	<u>724,633</u>	<u>724,633</u>
Liabilities			
Accounts payable and accrued liabilities	213,724	10,792,468	11,006,192
Payable from restricted assets			
Customer deposits	-	535,335	535,335
Bonds payable	-	372,000	372,000
Noncurrent liabilities			
Net pension liability	-	1,256,279	1,256,279
Bonds payable	-	5,612,000	5,612,000
Total liabilities	<u>213,724</u>	<u>18,568,082</u>	<u>18,781,806</u>
Net Position			
Net investment in capital assets	1,489,681	31,325,395	32,815,076
Restricted for			
Debt service	-	343,223	343,223
Capital projects	2,238,504	1,746,853	3,985,357
Unrestricted	<u>3,808,152</u>	<u>21,330,958</u>	<u>25,139,110</u>
Total net position	<u>\$ 7,536,337</u>	<u>\$ 54,746,429</u>	<u>\$ 62,282,766</u>

City of Kerrville, Texas
Statements of Activities – Component Units
Year Ended September 30, 2015

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	\$ 1,564,011	\$ -	\$ -	\$ (1,564,011)	\$ -	\$ (1,564,011)
Total EIC	1,564,011	-	-	(1,564,011)	-	(1,564,011)
Kerrville Public Utility Board						
Purchased power	29,138,645	42,463,398	107,618	-	13,432,371	-
Distribution	2,739,419	-	-	-	(2,739,419)	-
Administration and other	7,385,995	-	-	-	(7,385,995)	-
Depreciation and amortization	2,209,345	-	-	-	(2,209,345)	-
Total KPUB	41,473,404	42,463,398	107,618	-	1,097,612	1,097,612
Total Component Units	\$ 43,037,415	\$ 42,463,398	\$ 107,618	(1,564,011)	1,097,612	(466,399)
General Revenues						
Sales taxes				3,107,075	-	3,107,075
Assignment of wholesale power rights				-	6,250,000	6,250,000
Unrestricted investment earnings				5,669	29,760	35,429
Miscellaneous income				277,474	6,765	284,239
Total general revenues				3,390,218	6,286,525	9,676,743
Change in Net Position				1,826,207	7,384,137	9,210,344
Net Position, as Previously Reported				5,710,130	47,922,127	53,632,257
Cumulative Effect Adjustment				-	(559,835)	(559,835)
Net position, Beginning of Year, as Adjusted				5,710,130	47,362,292	53,072,422
Net Position, End of Year				\$ 7,536,337	\$ 54,746,429	\$ 62,282,766



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Notes to Basic Financial Statements

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

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, 2015

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 properly not 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, 2015

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, 2015

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, constant dollar local government investment pools.

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."

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

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.

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.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

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 2015, approximately \$160,000 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.

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.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

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 3.6% for the year ended September 30, 2015.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from the TMRS' fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

Deferred Outflows/Inflows of Resources

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

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and reported as a reduction in net pension liability or increase in net pension asset in the year subsequent to their deferral.
- Difference between projected and actual earnings on pension investments – This difference is deferred and amortized to pension expense over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction in pension expense) until that time. The City has no items that qualify for reporting in this category in the government-wide financial statements. In the fund financial statements, resources unavailable for revenue recognition are deferred and recognized as revenue when available.

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.

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.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

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, deferred outflows of resources 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.

Change in Accounting Principle

The GASB has issued the following statement which became effective for fiscal year 2015.

Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

The implementation of Statement No. 68 resulted in a restatement of beginning net position at October 1, 2014, for the recording of the beginning net pension asset (liability) and the beginning deferred outflow of resources for contributions made after the December 31, 2013 measurement date through September 30, 2014. Adjustments to beginning net position for the adoption of GASB 68 are as follows:

	Government-wide Statement of Activities		Discretely Presented Component Units
	Governmental Activities	Business-type Activities	
	<u></u>	<u></u>	
Net position at September 30, 2014 as previously reported	\$ 80,746,050	\$ 49,088,804	\$ 53,632,257
Recording of net pension asset (liability) as of September 30, 2014	172,017	35,232	(885,806)
Deferral for pension contributions made after the measurement date	<u>787,465</u>	<u>161,289</u>	<u>325,971</u>
Net position at September 30, 2014 as restated	<u>\$ 81,705,532</u>	<u>\$ 49,285,325</u>	<u>\$ 53,072,422</u>

	Fund Level Statement of Revenues, Expenses and Changes in Net Position		
	Enterprise Funds		Internal Service Fund
	Water and Sewer	Golf Course	Garage
	<u></u>	<u></u>	<u></u>
Net position at September 30, 2014 as previously reported	\$ 47,638,525	\$ 1,450,279	\$ 38,926
Recording of net pension asset as of September 30, 2014	29,015	6,217	2,072
Deferral for pension contributions made after the measurement date	<u>132,826</u>	<u>28,463</u>	<u>9,488</u>
Net position at September 30, 2014 as restated	<u>\$ 47,800,366</u>	<u>\$ 1,484,959</u>	<u>\$ 50,486</u>

Note 2: Deposits and Investments

At year-end, the carrying amount of the City's cash on hand and deposits with financial institutions was \$18,299,941 (including certificates of deposits of \$7,838,520). 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 depository'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.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

Investments as of September 30, 2015, are as follows:

Investment Type	Carrying Amount	Days to Maturity	Rating as of Year-End
Miscellaneous coupon securities	\$ 7,375,855	364	AAA - A1
Money market mutual fund	5,433,674	1	NA
TexPool local government pool	1,624,624	1	AAAm
TexPool Prime local government pool	3,322,143	1	AAAm
TexSTAR local government pool	<u>12,049,748</u>	1	AAAm
Total fair value	29,806,044		
Pool participants excluded from primary government			
Less: DCU (EIC)	<u>(5,758,903)</u>		
Total fair value – primary government	<u>\$ 24,047,141</u>		
Portfolio weighted-average maturity		91	

All of investments above are treated as cash equivalents for financial statement purposes except for the \$7,375,855 of coupon securities.

Deposits and investments as of September 30, 2015, are classified in the accompanying financial statements as follows:

Statement of Net Position

Cash and cash equivalents – primary government	\$ 15,995,544
Restricted cash and cash equivalents – primary government	7,650,523
Investments – primary government	8,592,285
Restricted investments – primary government	10,108,730
Cash and cash equivalents – EIC	3,282,575
Investments – EIC	<u>2,476,328</u>
	<u>\$ 48,105,985</u>

Deposits and investments as of September 30, 2015, consist of the following:

Deposits	\$ 10,461,421
Certificates of deposit	7,838,520
Investments	<u>29,806,044</u>
	<u>\$ 48,105,985</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

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 and TexPool Prime are 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.

- **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.
- **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.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

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	Water and Sewer	KPUB	EIC
Taxes receivable	\$ 477,909	\$ 79,322	\$ -	\$ -	\$ -
Allowance for uncollectible taxes	(176,001)	(21,527)	-	-	-
	<u>301,908</u>	<u>57,795</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounts receivable	723,442	-	1,524,630	5,938,799	-
Allowance for uncollectible accounts	(111,816)	-	(155,806)	(43,500)	-
	<u>611,626</u>	<u>-</u>	<u>1,368,824</u>	<u>5,895,299</u>	<u>-</u>
Other receivables	230,865	-	-	-	-
Due from other governments	<u>1,027,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>501,477</u>
Total	<u>\$ 2,171,993</u>	<u>\$ 57,795</u>	<u>\$ 1,368,824</u>	<u>\$ 5,895,299</u>	<u>\$ 501,477</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

Note 4: Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance September 30, 2014	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2015
Governmental Activities					
Capital assets not being depreciated					
Land and land improvements	\$ 6,251,959	\$ 211,266	\$ -	\$ -	\$ 6,463,225
Streets	34,425,208	-	-	-	34,425,208
Construction in progress	5,317,642	3,255,488	-	(8,125,090)	448,040
Total capital assets not being depreciated	<u>45,994,809</u>	<u>3,466,754</u>	<u>-</u>	<u>(8,125,090)</u>	<u>41,336,473</u>
Capital assets being depreciated					
Buildings	16,075,237	-	(6,675)	-	16,068,562
Improvements other than buildings	17,229,314	95,186	-	6,997,675	24,322,175
Vehicles	6,095,433	508,620	(810,168)	1,149,136	6,943,021
Machinery and equipment	3,269,171	586,803	(76,196)	(8,429)	3,771,349
Office equipment	514,291	71,338	(174,782)	-	410,847
Total capital assets being depreciated	<u>43,183,446</u>	<u>1,261,947</u>	<u>(1,067,821)</u>	<u>8,138,382</u>	<u>51,515,954</u>
Less: accumulated depreciation for					
Buildings	(4,599,867)	(443,036)	3,281	-	(5,039,622)
Improvements other than buildings	(2,756,071)	(398,309)	-	-	(3,154,380)
Vehicles	(4,647,744)	(473,295)	746,139	(20,534)	(4,395,434)
Machinery and equipment	(1,763,197)	(252,541)	76,196	10,879	(1,928,663)
Office equipment	(397,980)	(23,917)	143,371	-	(278,526)
Total accumulated depreciation	<u>(14,164,859)</u>	<u>(1,591,098)</u>	<u>968,987</u>	<u>(9,655)</u>	<u>(14,796,625)</u>
Capital assets being depreciated, net	<u>29,018,587</u>	<u>(329,151)</u>	<u>(98,834)</u>	<u>8,128,727</u>	<u>36,719,329</u>
Governmental activities capital assets, net	<u>\$ 75,013,396</u>	<u>\$ 3,137,603</u>	<u>\$ (98,834)</u>	<u>\$ 3,637</u>	<u>\$ 78,055,802</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

	Balance September 30, 2014	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2015
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 488,831	\$ -	\$ -	\$ -	\$ 488,831
Construction in progress	6,648,129	7,776,732	-	(2,232,001)	12,192,860
Total capital assets not being depreciated	<u>7,136,960</u>	<u>7,776,732</u>	<u>-</u>	<u>(2,232,001)</u>	<u>12,681,691</u>
Capital assets being depreciated					
Building	2,558,555	-	-	-	2,558,555
Improvements other than buildings	80,861,308	133,728	-	2,057,131	83,052,167
Vehicles	1,305,696	42,534	(39,380)	153,149	1,461,999
Machinery and equipment	3,307,460	71,372	(85,807)	8,429	3,301,454
Office equipment	157,994	7,349	-	-	165,343
Total capital assets being depreciated	<u>88,191,013</u>	<u>254,983</u>	<u>(125,187)</u>	<u>2,218,709</u>	<u>90,539,518</u>
Less: accumulated depreciation for					
Building	(1,578,862)	(67,348)	-	-	(1,646,210)
Improvements other than buildings	(29,067,136)	(1,804,491)	-	-	(30,871,627)
Vehicles	(859,944)	(121,859)	38,118	20,534	(923,151)
Machinery and equipment	(1,810,409)	(241,011)	80,030	(10,879)	(1,982,269)
Office equipment	(135,171)	(7,101)	-	-	(142,272)
Total accumulated depreciation	<u>(33,451,522)</u>	<u>(2,241,810)</u>	<u>118,148</u>	<u>9,655</u>	<u>(35,565,529)</u>
Capital assets being depreciated, net	<u>54,739,491</u>	<u>(1,986,827)</u>	<u>(7,039)</u>	<u>2,228,364</u>	<u>54,973,989</u>
Business-type activities capital assets, net	<u>\$ 61,876,451</u>	<u>\$ 5,789,905</u>	<u>\$ (7,039)</u>	<u>\$ (3,637)</u>	<u>\$ 67,655,680</u>

	Balance September 30, 2014	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2015
EIC					
Land	\$ 1,138,436	\$ -	\$ -	\$ -	\$ 1,138,436
Construction in progress	-	351,245	-	-	351,245
Total capital assets	<u>\$ 1,138,436</u>	<u>\$ 351,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,489,681</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 403,199
Public safety	644,492
Public works	235,296
Culture and recreation	306,787
Total depreciation expense – governmental activities	<u>\$ 1,589,774</u>
Business-type activities	
Water and Sewer	\$ 2,161,049
Golf course	80,761
Total depreciation expense – business-type activities	<u>\$ 2,241,810</u>
Internal Service Fund	
Garage fund	<u>\$ 1,324</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

Construction Commitments

The City has numerous active construction projects as of September 30, 2015. 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.

	<u>Spent to Date</u>	<u>Remaining Commitments</u>	<u>Total Commitments</u>
Governmental Activities			
Remedial Drainage Program	\$ 405,609	\$ 94,391	\$ 500,000
City Hall	3,145,855	13,378	3,159,233
Library Campus	237,532	475,674	713,206
Louise Hays/Lehman Park	2,606,676	77,239	2,683,915
River Trail	4,135,862	1,864,138	6,000,000
Riverhill Boulevard	69,589	30,411	100,000
Police Building Repair	31,115	168,885	200,000
City Garage Roof	36,000	6,124	42,124
Athletic Complex	-	9,000,000	9,000,000
Slurry Seal Project	-	73,800	73,800
	<u>\$ 10,668,238</u>	<u>\$ 11,804,040</u>	<u>\$ 22,472,278</u>
Business-type Activities			
Aquifer Storage Recovery Well	544,410	803,498	1,347,908
Water Supply Acquisition	114,363	36,302	150,665
High Service Pump-River Hill	356,024	23,976	380,000
Jefferson Lift Station	5,458,538	931,254	6,389,792
Ridgewood Transmission Line	3,223,909	401,091	3,625,000
Wastewater Treatment Plant Clarifier	2,094,848	2,134,852	4,229,700
Utility Construction Building	-	150,000	150,000
Wastewater Building	-	70,000	70,000
Tank Painting	20,215	1,743,885	1,764,100
Broadway Lift Station	23,526	476,474	500,000
G Street Interceptor	2,010,890	350,010	2,360,900
Spence St. Water Line	201,065	7,225	208,290
Reuse Pond	593,037	1,406,963	2,000,000
Direct Potable Reuse	9,910	169,646	179,556
	<u>\$ 14,650,735</u>	<u>\$ 8,705,176</u>	<u>\$ 23,355,911</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

	Balance September 30, 2014	Additions	Retirements	Balance September 30, 2015
KPUB				
Capital assets, not being depreciated				
Land	\$ 117,656	\$ 115,742	\$ -	\$ 233,398
Construction in progress	3,006,557	3,884,939	(3,442,575)	3,448,921
Total capital assets not being depreciated	3,124,213	4,000,681	(3,442,575)	3,682,319
Capital assets, being depreciated				
Buildings	5,055,589	234,228	(208,863)	5,080,954
Improvements other than buildings	52,856,310	3,425,626	(879,132)	55,402,804
Vehicles	1,916,036	357,161	-	2,273,197
Machinery and equipment	934,962	25,267	(150,460)	809,769
Total capital assets being depreciated	60,762,897	4,042,282	(1,238,455)	63,566,724
Less accumulated depreciation for				
Buildings	(2,512,601)	(161,360)	26,792	(2,647,169)
Improvements other than buildings	(26,915,181)	(2,058,060)	1,348,198	(27,625,043)
Vehicles	(847,056)	(162,737)	-	(1,009,793)
Machinery and equipment	(449,846)	(36,545)	81,895	(404,496)
Total accumulated depreciation	(30,724,684)	(2,418,702)	1,456,885	(31,686,501)
Total capital assets being depreciated, net	30,038,213	1,623,580	218,430	31,880,223
Business-type activities capital assets, net	\$ 33,162,426	\$ 5,624,261	\$ (3,224,145)	\$ 35,562,542

KPUB uses a composite rate to depreciate its investment in the electric plant. The composite rate was 3.6% for the year ended September 30, 2015.

Note 5: Interfund Receivables, Payables, and Transfers

Interfund receivables and payables:

Interfund Payable	Interfund Receivable General Fund
Water and Sewer Fund	\$ 66,458
Nonmajor Enterprise Funds	13,714
Nonmajor Governmental Funds	15,479
Internal Service Funds	5,634
	<u>\$ 101,285</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.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

Interfund transfers:

Transfer Fund	Transfer In	Transfer Out	Purpose of Transfer
General Fund	\$ 1,884,695	\$ 927,500	Budgetary
Governmental IP Fund	1,012,000	-	Capital Projects
Nonmajor Governmental Funds	-	166,635	Budgetary
Water and Sewer Fund	-	1,802,560	Budgetary
	<u>\$ 2,896,695</u>	<u>\$ 2,896,695</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.

In June 2015, the City issued \$8,910,000 of Series 2015, Combination Tax and Revenue Certificates of Obligation, with interest rates ranging from 2% to 3.625%. The debt was issued at a premium of \$248,911. The debt was issued for the purpose of acquiring, constructing and equipping an athletic complex.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

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	\$ 1,440,000	\$ -	\$ -
Combination Tax and Revenue Certificates of Obligation, Series 2008, 3.33%, maturing in annual installments of \$155,000 to \$225,000 through 2023	-	1,615,000	-
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	3,930,000	3,720,000	-
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	-	2,695,000	-
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	-	5,035,000	-
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	3,335,000	-	-
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	3,290,000	5,645,000	-
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	-	9,245,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2015, 2% to 3.625%, maturing in annual installments of \$305,000 to \$585,000 through 2035	8,910,000	-	-
	<u>\$ 20,905,000</u>	<u>\$ 27,955,000</u>	<u>\$ -</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

General Obligations

General Obligation Refunding Bonds, Series 2007, 4.00%, maturing in annual installments of \$30,000 to \$1,230,000 through 2022	\$ 2,554,300	\$ 3,185,700	\$ -
General Obligation Refunding Bonds, Series 2010, 2.00% to 4.00%, maturing in annual installments of \$30,000 to \$940,000 through 2017	<u>818,800</u>	<u>1,021,200</u>	<u>-</u>
	<u>\$ 3,373,100</u>	<u>\$ 4,206,900</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	<u>\$ 1,029,881</u>	<u>\$ -</u>	<u>\$ -</u>
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State Infrastructure Bank Loan

State Infrastructure Bank Loan, Series 2006, 4.1%, maturing in annual installments of \$76,945 to \$196,540 through 2018	<u>\$ 354,166</u>	<u>\$ 289,772</u>	<u>\$ -</u>
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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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,984,000</u>
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During the year ended September 30, 2015, the following changes occurred in business-type and governmental activities long-term debt:

	Beginning of Year (Restated)	Additions	Deletions	End of Year	Within One Year
Governmental Activities					
General obligation bonds	\$ 3,775,825	\$ -	\$ 402,725	\$ 3,373,100	\$ 416,075
Certificates of obligation	12,640,000	8,910,000	645,000	20,905,000	970,000
Cailloux Foundation promissory note	284,526	995,355	250,000	1,029,881	250,000
State infrastructure bank loan	450,036	-	95,870	354,166	99,801
Unamortized bond premium	<u>274,325</u>	<u>248,911</u>	<u>22,193</u>	<u>501,043</u>	<u>30,524</u>
Net bonds payable	17,424,712	10,154,266	1,415,788	26,163,190	1,766,400
Net pension (asset) liability	(172,017)	534,475	-	362,458	-
Compensated absences	810,057	585,121	571,081	824,097	580,979
Landfill closure and post-closure costs	<u>3,244,607</u>	<u>21,060</u>	<u>-</u>	<u>3,265,667</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 21,307,359</u>	<u>\$ 11,294,922</u>	<u>\$ 1,986,869</u>	<u>\$ 30,615,412</u>	<u>\$ 2,347,379</u>
Business-type Activities					
General obligation bonds	\$ 4,709,175	\$ -	\$ 502,275	\$ 4,206,900	\$ 518,925
Certificates of obligation	29,580,000	-	1,625,000	27,955,000	1,670,000
State infrastructure bank loan	368,211	-	78,439	289,772	81,655
Unamortized bond premium	<u>554,733</u>	<u>-</u>	<u>39,469</u>	<u>515,264</u>	<u>39,469</u>
Net bonds payable	35,212,119	-	2,245,183	32,966,936	2,310,049
Net pension (asset) liability	(35,232)	109,471	-	74,239	-
Compensated absences	<u>168,647</u>	<u>103,746</u>	<u>92,296</u>	<u>180,097</u>	<u>98,562</u>
Business-type activity long-term liabilities	<u>\$ 35,345,534</u>	<u>\$ 213,217</u>	<u>\$ 2,337,479</u>	<u>\$ 33,221,272</u>	<u>\$ 2,408,611</u>
Discrete Component Unit – KPUB					
Net pension liability	\$ 885,806	\$ 370,473	\$ -	\$ 1,256,279	\$ -
Revenue refunding bonds	<u>6,300,000</u>	<u>-</u>	<u>316,000</u>	<u>5,984,000</u>	<u>372,000</u>
	<u>\$ 7,185,806</u>	<u>\$ 370,473</u>	<u>\$ 316,000</u>	<u>\$ 7,240,279</u>	<u>\$ 372,000</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, 2015

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

Fiscal Years Ending September 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 1,735,876	\$ 1,102,212	\$ 2,838,088
2017	1,832,768	705,884	2,538,652
2018	1,898,177	658,221	2,556,398
2019	1,907,251	608,535	2,515,786
2020	1,627,850	559,642	2,187,492
2021 – 2025	7,160,225	2,095,179	9,255,404
2026 – 2030	6,275,000	1,054,017	7,329,017
2031 – 2035	<u>3,225,000</u>	<u>298,656</u>	<u>3,523,656</u>
Total	<u>\$ 25,662,147</u>	<u>\$ 7,082,346</u>	<u>\$ 32,744,493</u>

Fiscal Years Ending September 30	Business-type Activities		
	Principal	Interest	Total
2016	\$ 2,270,580	968,614	\$ 3,239,194
2017	2,336,128	902,721	3,238,849
2018	2,413,463	834,353	3,247,816
2019	2,439,576	759,425	3,199,001
2020	2,477,150	683,516	3,160,666
2021 – 2025	9,534,775	2,403,668	11,938,443
2026 – 2030	8,405,000	1,096,109	9,501,109
2031 – 2033	<u>2,575,000</u>	<u>127,300</u>	<u>2,702,300</u>
Total	<u>\$ 32,451,672</u>	<u>\$ 7,775,706</u>	<u>\$ 40,227,378</u>

Fiscal Years Ending September 30	KPUB		
	Principal	Interest	Total
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	392,000	130,055	522,055
2021 – 2025	2,116,000	408,635	2,524,635
2026 – 2029	<u>1,965,000</u>	<u>297,504</u>	<u>2,262,504</u>
Total	<u>\$ 5,984,000</u>	<u>\$ 1,448,008</u>	<u>\$ 7,432,008</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

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 \$3,265,667 as of September 30, 2015, is based on 70% usage (filled) of the landfill. It is estimated that an additional \$1,368,346 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 \$4,634,013 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, 2015. 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, 2015

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 and KPUB, one of its discretely presented component units, participate as two of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS, an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) is an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

For the year ended September 30, 2015, the City and KPUB reported the following:

	<u>City</u>	<u>KPUB</u>	<u>Total Reporting Entity</u>
Pension liability	\$ 436,697	\$ 1,256,279	\$ 1,692,976
Deferred outflows of resources	1,796,901	724,633	2,521,534
Pension expense	1,120,803	454,974	1,575,777

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

Benefits Provided:

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

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

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

Employee Deposit Rate:	7.0%
Matching Ratio (City to employee):	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers
Annuity increase to retirees	0% of CPI

Employees covered by benefit terms:

At the December 31, 2014, valuation and measurement date, the following employees were covered by the benefit terms:

	<u>City</u>	<u>KPUB</u>
Retirees or beneficiaries currently receiving benefits	200	27
Inactive employees entitled to but not yet receiving benefits	150	23
Active employees	<u>285</u>	<u>61</u>
Total	<u>635</u>	<u>111</u>

Contributions

Employees for the City and KPUB were required to contribute 7% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined. For the fiscal year ended September 30, 2015, contributions of \$1,325,004 and \$486,427, were made by the City and KPUB, respectively, and were equal to the required contributions. The contribution rate for the City was 8.8% in calendar year 2015 and 8.9% in calendar year 2014. The contribution rate for KPUB was 11.8% in calendar year 2015 and 11.3% in calendar year 2014.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

Net Pension Liability

The City's net pension liability and KPUB's net pension liability at September 30, 2015, were measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year for the City and KPUB
Overall payroll growth	3.0% per year for the City; 3.5% for KPUB
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation for the City and KPUB

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

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy postretirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic equity	17.5%	4.8%
International equity	17.5%	6.1%
Core fixed income	30.0%	1.5%
Non-core fixed income	10.0%	2.5%
Real return	5.0%	1.8%
Real estate	10.0%	5.3%
Absolute return	5.0%	4.3%
Private equity	5.0%	8.5%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the City's Net Pension Liability (Asset):

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Liability (Asset) (a) – (b)</u>
Balances as of October 1, 2014	\$ 61,887,263	\$ 62,094,512	\$ (207,249)
Changes for the year:			
Service cost	1,951,508	-	1,951,508
Interest on total pension liability	4,299,140	-	4,299,140
Effect of difference in expected and actual experience	224,385	-	224,385
Benefit payments	(2,893,459)	(2,893,459)	-
Administrative expenses	-	(37,086)	37,086
Member contributions	-	1,033,371	(1,033,371)
Net investment income	-	3,552,041	(3,552,041)
Employer contributions	-	1,285,810	(1,285,810)
Other	-	(3,049)	3,049
Balances as of September 30, 2015	\$ 65,468,837	\$ 65,032,140	\$ 436,697

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

Changes in KPUB's Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of October 1, 2014	\$ 21,044,215	\$ 20,158,409	\$ 885,806
Changes for the year:			
Service cost	553,679	-	553,679
Interest on total pension liability	1,474,035	-	1,474,035
Effect of difference in expected and actual experience	190,503	-	190,503
Benefit payments	(526,824)	(526,824)	-
Administrative expenses	-	(12,040)	12,040
Member contributions	-	270,204	(270,204)
Net investment income	-	1,153,226	(1,153,226)
Employer contributions	-	437,344	(437,344)
Other	-	(990)	990
Balances as of September 30, 2015	<u>\$ 22,735,608</u>	<u>\$ 21,479,329</u>	<u>\$ 1,256,279</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City and KPUB, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>1% Decrease in Discount Rate (6%)</u>	<u>Current Discount Rate (7%)</u>	<u>1% Increase in Discount Rate (8%)</u>
City's net pension liability (asset)	\$9,389,790	\$436,697	\$(6,971,594)
KPUB's net pension liability (asset)	\$4,676,459	\$1,256,279	\$(1,536,717)

Pension Plan Fiduciary Net Position

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2015, the City and KPUB recognized pension expense of \$1,120,803 and \$454,974, respectively.

At September 30, 2015, the City and KPUB reported deferred outflows of resources related to pensions from the following sources:

	City	KPUB
	Deferred Outflows of Resources	Deferred Outflows of Resources
Differences between actuarial assumptions and actual experience	\$ 173,293	\$ 146,553
Differences between projected and actual investment earnings	635,660	206,290
Contributions subsequent to the measurement date through year-end	<u>987,948</u>	<u>371,790</u>
Total	<u><u>\$ 1,796,901</u></u>	<u><u>\$ 724,633</u></u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$987,948 and \$371,790 made by the City and KPUB, respectively, will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	City	KPUB
2016	\$ 210,007	\$ 95,523
2017	210,007	95,523
2018	210,007	95,523
2019	<u>178,932</u>	<u>66,274</u>
Total	<u><u>\$ 808,953</u></u>	<u><u>\$ 352,843</u></u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2015

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 beginning net position increased \$806,380 as the result of a prior period adjustment relating to the inclusion of land and certain hanger improvements. The following is condensed financial information for the airport as of and for the year ended September 30, 2015:

Assets		Revenues	
Cash	\$ 805,478	Capital grants and contributions	\$ 1,099,689
Receivables	8,090	Operating grants and contributions	94,957
Prepaid items	4,159	Charges for services	<u>337,340</u>
Nondepreciable property		Total Revenues	1,531,986
Land	2,872,627	Expenses	
CIP	803,817	Airport operations	<u>821,721</u>
Depreciable property, net		Operating income	710,265
Buildings	2,680,967	General Revenues	
Improvements	11,414,919	Unrestricted investment earnings	<u>163</u>
Vehicle	10,671	Change in Net Position	<u>710,428</u>
Machinery and equipment	<u>13,369</u>	Net Position, As Previously Reported	16,879,418
Total assets	<u>18,614,097</u>	Prior Period Adjustment	<u>806,380</u>
		Net Position, Beginning of Year, As Adjusted	<u>17,685,798</u>
Liabilities and Net Position		Net Position, End of Year	<u><u>\$ 18,396,226</u></u>
Liabilities			
Accounts payable	\$ 186,489		
Unearned revenue	20,773		
Other current liabilities	<u>10,610</u>		
Total liabilities	<u>217,872</u>		
Net Position			
Net investment in capital assets	17,796,370		
Restricted for capital projects	352,666		
Unrestricted	<u>247,189</u>		
Total net position	<u><u>\$ 18,396,225</u></u>		

Note 10: Subsequent Events

In January 2016, the City issued City of Kerrville, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2016 in the amount of \$9.59 million. Proceeds will be used for the City's waterworks and sewer system.

In January 2016, the City received donated property with an estimated fair market value of approximately \$1,000,000.



Required Supplementary Information



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City of Kerrville, Texas
Schedule of Changes in Net Pension Liability and Related Ratios – City
Texas Municipal Retirement System
Last Fiscal Year (Unaudited)

Exhibit B-1

	2015
Total Pension Liability:	
Service cost	\$ 1,951,508
Interest	4,299,140
Difference between expected and actual experience	224,385
Benefit payments, including refunds of employee contributions	(2,893,459)
Net Change in Total Pension Liability	3,581,574
Total Pension Liability – Beginning	61,887,263
Total Pension Liability – Ending (a)	65,468,837
Plan Fiduciary Net Position:	
Contributions – employer	1,285,810
Contributions – employee	1,033,371
Net investment income	3,552,041
Benefit payments, including refunds of employee contributions	(2,893,459)
Administrative expense	(37,086)
Other	(3,049)
Net Change in Plan Fiduciary Net Position	2,937,628
Plan Fiduciary Net Position – Beginning	62,094,512
Plan Fiduciary Net Position – Ending (b)	65,032,140
City’s Net Pension Liability – Ending (a) - (b)	\$ 436,697
Plan fiduciary net position as a percentage of total pension liability	99.3%
Covered employee payroll	\$ 14,762,442
City’s net pension liability as a percentage of covered employee payroll	3.0%

The information in this schedule has been determined as of the measurement date (December 31) of the City’s net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

City of Kerrville, Texas
Schedule of Contributions – City
Texas Municipal Retirement System
Last Fiscal Year (Unaudited)

Exhibit B-2

	Fiscal Year 2015
Actuarially determined contribution	1,325,004
Contribution in relation of the actuarially determined contribution	1,325,004
Contribution Deficiency (Excess)	\$ -
Covered employee payroll	15,367,386
Contributions as a percentage of covered employee payroll	8.6%

Notes to Schedule:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 – 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

City of Kerrville, Texas
Schedule of Changes in Net Pension Liability and Related Ratios – KPUB
Texas Municipal Retirement System
Last Fiscal Year (Unaudited)

Exhibit B-3

	2015
Total Pension Liability:	
Service cost	\$ 553,679
Interest	1,474,035
Difference between expected and actual experience	190,503
Benefit payments, including refunds of employee contributions	(526,824)
Net Change in Total Pension Liability	1,691,393
Total Pension Liability – Beginning	21,044,215
Total Pension Liability – Ending (a)	22,735,608
Plan Fiduciary Net Position:	
Contributions – employer	437,344
Contributions – employee	270,204
Net investment income	1,153,226
Benefit payments, including refunds of employee contributions	(526,824)
Administrative expense	(12,040)
Other	(990)
Net Change in Plan Fiduciary Net Position	1,320,920
Plan Fiduciary Net Position – Beginning	20,158,409
Plan Fiduciary Net Position – Ending (b)	21,479,329
KPUB’s Net Pension Liability – Ending (a) - (b)	\$ 1,256,279
Plan fiduciary net position as a percentage of total pension liability	94.5%
Covered employee payroll	\$ 3,860,050
KPUB’s net pension liability as a percentage of covered employee payroll	32.5%

The information in this schedule has been determined as of the measurement date (December 31) of KPUB’s net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.



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City of Kerrville, Texas
Schedule of Contributions – KPUB
Texas Municipal Retirement System
Last Fiscal Year (Unaudited)

Exhibit B-4

	Fiscal Year 2015
Actuarially determined contribution	486,427
Contribution in relation of the actuarially determined contribution	486,427
Contribution Deficiency (Excess)	\$ -
Covered employee payroll	4,165,019
Contributions as a percentage of covered employee payroll	11.7%

Notes to Schedule:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to KPUB's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 – 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.

The information in this schedule has been determined as of KPUB's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

City of Kerrville, Texas
Schedule of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual (General Fund)
Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Ad valorem taxes, penalties and interest	\$ 16,700,825	\$ 16,705,825	\$ 16,729,936	\$ 24,111
Intergovernmental	1,348,655	1,348,655	1,373,334	24,679
Licenses and permits	402,210	402,210	532,607	130,397
Charges for services	3,207,115	3,218,787	3,412,045	193,258
Fines and forfeitures	441,464	441,443	351,266	(90,177)
Grants	69,975	128,779	141,033	12,254
Investment income	51,750	51,750	34,920	(16,830)
Miscellaneous	442,925	827,018	815,757	(11,261)
Total revenues	<u>22,664,919</u>	<u>23,124,467</u>	<u>23,390,898</u>	<u>266,431</u>
Expenditures				
General government				
City council	5,595	6,409	6,455	(46)
City secretary	162,734	162,734	156,460	6,274
City attorney	253,993	258,521	209,933	48,588
Municipal court	378,436	378,436	349,307	29,129
City administration	626,699	634,811	612,549	22,262
Human resources	331,676	331,676	328,233	3,443
Finance	374,175	374,175	370,428	3,747
Information systems	881,897	886,417	872,535	13,882
Solid waste	410,708	403,892	270,065	133,827
General operations	2,144,869	1,305,810	1,485,970	(180,160)
Total general government	<u>5,570,782</u>	<u>4,742,881</u>	<u>4,661,935</u>	<u>80,946</u>
Public safety				
Police	5,421,056	5,590,416	5,273,680	316,736
Fire	4,266,023	4,458,159	4,470,602	(12,443)
Fire marshal	203,507	187,182	186,566	616
Emergency medical services	2,703,172	2,591,569	2,593,142	(1,573)
Total public safety	<u>12,593,758</u>	<u>12,827,326</u>	<u>12,523,990</u>	<u>303,336</u>
Public works				
Planning	204,519	148,519	148,134	385
Building services	298,217	341,361	325,960	15,401
Engineering	356,197	356,197	325,973	30,224
Streets	2,245,111	2,292,063	2,287,680	4,383
Code compliance	146,182	103,038	74,551	28,487
Total public works	<u>3,250,226</u>	<u>3,241,178</u>	<u>3,162,298</u>	<u>78,880</u>

Exhibit B-5

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Cultural and recreation				
Kerrville-Schreiner Park	\$ 382,167	\$ 392,167	\$ 383,048	\$ 9,119
Tennis center	31,650	35,434	19,887	15,547
Aquatics	106,679	100,371	95,992	4,379
Parks maintenance	1,126,162	1,117,840	1,052,910	64,930
Recreation	109,551	111,760	108,669	3,091
Library	616,339	617,303	539,268	78,035
Main street	34,158	34,158	41,440	(7,282)
	<u>2,406,706</u>	<u>2,409,033</u>	<u>2,241,214</u>	<u>167,819</u>
Capital outlay	<u>558,533</u>	<u>1,735,814</u>	<u>1,609,758</u>	<u>126,056</u>
Total expenditures	<u>24,380,005</u>	<u>24,956,232</u>	<u>24,199,195</u>	<u>757,037</u>
Excess (deficiency) of revenues over expenditures	<u>(1,715,086)</u>	<u>(1,831,765)</u>	<u>(808,297)</u>	<u>1,023,468</u>
Other Financing Sources (Uses)				
Issuance of debt	-	995,355	995,355	-
Transfers in	1,802,560	1,802,560	1,884,695	82,135
Transfers out	-	(927,500)	(927,500)	-
	<u>1,802,560</u>	<u>1,870,415</u>	<u>1,952,550</u>	<u>82,135</u>
Total other financing sources (uses)	<u>1,802,560</u>	<u>1,870,415</u>	<u>1,952,550</u>	<u>82,135</u>
Net Changes in Fund Balance	87,474	38,650	1,144,253	1,105,603
Fund Balance, Beginning of Year	<u>9,095,527</u>	<u>9,095,527</u>	<u>9,095,527</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 9,183,001</u>	<u>\$ 9,134,177</u>	<u>\$ 10,239,780</u>	<u>\$ 1,105,603</u>

City of Kerrville, Texas
Notes to Required Supplementary Information
September 30, 2015

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, PEG Fund) 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.

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 council	\$ 46
General operations	\$ 180,160
Public Safety	
Emergency medical services	\$ 1,573
Fire	\$ 12,443
Main street	\$ 7,282

City of Kerrville, Texas
Modified Approach for Capital Assets – Street System
September 30, 2015

Exhibit B-6

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		
	2015	2014	2013
Secondary arterial	88	88	88
Collector	80	79	79
Industrial	88	88	88
Residential	81	80	79
Overall system	80	79	79

	Comparison of Needed-to-Actual Maintenance/Preservation				
	2015	2014	2013	2012	2011
Overall system					
Needed	\$ -	\$ -	\$ -	\$ -	\$ -
Actual	945,027	529,600	600,000	580,000	475,000

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, 2015

	Special Revenue Funds				
	Library Memorial	Hotel/Motel Tax	Hotel Reserve Fund	History Center	Grant
Assets					
Cash and cash equivalents	\$ 95,909	\$ 327,886	\$ 217,102	\$ 38,686	\$ 1,757
Investments	72,353	247,352	163,779	29,185	1,325
Taxes receivable	-	-	-	-	-
Total assets	<u>168,262</u>	<u>575,238</u>	<u>380,881</u>	<u>67,871</u>	<u>3,082</u>
Liabilities					
Accounts payable and accrued expenses	445	25,353	-	2,415	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>445</u>	<u>25,353</u>	<u>-</u>	<u>2,415</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	-
Fund Balances (Deficit)					
Restricted	-	549,885	380,881	-	3,082
Committed	167,817	-	-	65,456	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	<u>\$ 167,817</u>	<u>\$ 549,885</u>	<u>\$ 380,881</u>	<u>\$ 65,456</u>	<u>\$ 3,082</u>

Exhibit C-1

Special Revenue Funds			Capital Projects Fund	Debt Service Fund	Total Nonmajor Funds
Police	PEG	Municipal Court	Park Land Dedication	Debt Service Fund	
\$ 14,696	\$ -	\$ 8,674	\$ 20,049	\$ 752,021	\$ 1,476,780
11,087	-	6,543	15,124	567,314	1,114,062
-	12,500	-	-	45,295	57,795
<u>25,783</u>	<u>12,500</u>	<u>15,217</u>	<u>35,173</u>	<u>1,364,630</u>	<u>2,648,637</u>
7,301	-	-	-	-	35,514
-	15,479	-	-	-	15,479
<u>7,301</u>	<u>15,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,993</u>
-	-	-	-	40,162	40,162
18,482	-	15,217	-	1,324,468	2,292,015
-	-	-	35,173	-	268,446
-	(2,979)	-	-	-	(2,979)
<u>\$ 18,482</u>	<u>\$ (2,979)</u>	<u>\$ 15,217</u>	<u>\$ 35,173</u>	<u>\$ 1,324,468</u>	<u>\$ 2,557,482</u>

City of Kerrville, Texas
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit) – Nonmajor Governmental Funds
Year Ended September 30, 2015

	Special Revenue Funds				
	Library Memorial	Hotel/Motel Tax	Hotel Reserve Fund	History Center	Grant
Revenues					
Taxes and penalties	\$ -	\$ 1,080,836	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-
Charges for services	-	-	-	313	-
Grants	25,000	-	-	-	386,000
Investment income	428	469	990	265	-
Miscellaneous	28,566	-	-	64,529	-
	<u>53,994</u>	<u>1,081,305</u>	<u>990</u>	<u>65,107</u>	<u>386,000</u>
Total revenues					
	<u>53,994</u>	<u>1,081,305</u>	<u>990</u>	<u>65,107</u>	<u>386,000</u>
Expenditures					
Current					
Cultural and recreation	6,679	962,537	-	10,393	-
General government	-	-	-	-	-
Capital outlay	16,658	-	-	-	384,211
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
	<u>23,337</u>	<u>962,537</u>	<u>-</u>	<u>10,393</u>	<u>384,211</u>
Total expenditures					
	<u>23,337</u>	<u>962,537</u>	<u>-</u>	<u>10,393</u>	<u>384,211</u>
Excess (deficiency) of revenues over expenditures	<u>30,657</u>	<u>118,768</u>	<u>990</u>	<u>54,714</u>	<u>1,789</u>
Other Financing Sources (Uses)					
Transfers out	-	-	-	(34,500)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,500)</u>	<u>-</u>
Total other financing sources (uses)					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,500)</u>	<u>-</u>
Net Change in Fund Balances	30,657	118,768	990	20,214	1,789
Fund Balances, Beginning of Year	<u>137,160</u>	<u>431,117</u>	<u>379,891</u>	<u>45,242</u>	<u>1,293</u>
Fund Balances (Deficit), End of Year	<u>\$ 167,817</u>	<u>\$ 549,885</u>	<u>\$ 380,881</u>	<u>\$ 65,456</u>	<u>\$ 3,082</u>

Exhibit C-2

Special Revenue Funds			Capital Projects Fund	Debt Service Fund	Total Nonmajor Funds
Police	PEG	Municipal Court	Park Land Dedication	Debt Service Fund	
\$ -	\$ -	\$ -	\$ -	\$ 1,302,382	\$ 2,383,218
-	-	-	18,575	-	18,575
9,111	50,887	15,205	-	-	75,516
-	-	-	-	-	411,000
21	5	12	94	3,093	5,377
9,350	-	-	-	628,460	730,905
<u>18,482</u>	<u>50,892</u>	<u>15,217</u>	<u>18,669</u>	<u>1,933,935</u>	<u>3,624,591</u>
-	-	-	-	-	979,609
-	30,732	-	-	-	30,732
-	23,139	-	-	-	424,008
-	-	-	-	1,393,595	1,393,595
-	-	-	-	519,320	519,320
-	53,871	-	-	1,912,915	3,347,264
<u>18,482</u>	<u>(2,979)</u>	<u>15,217</u>	<u>18,669</u>	<u>21,020</u>	<u>277,327</u>
-	-	-	(50,000)	(82,135)	(166,635)
-	-	-	(50,000)	(82,135)	(166,635)
18,482	(2,979)	15,217	(31,331)	(61,115)	110,692
-	-	-	66,504	1,385,583	2,446,790
<u>\$ 18,482</u>	<u>\$ (2,979)</u>	<u>\$ 15,217</u>	<u>\$ 35,173</u>	<u>\$ 1,324,468</u>	<u>\$ 2,557,482</u>

City of Kerrville, Texas
Library Memorial
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2015

Exhibit C-3

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Grants	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Investment income	100	100	428	328
Miscellaneous	<u>3,240</u>	<u>28,240</u>	<u>28,566</u>	<u>326</u>
Total revenues	<u>28,340</u>	<u>53,340</u>	<u>53,994</u>	<u>654</u>
Expenditures				
Culture and recreation	8,250	8,250	6,679	1,571
Capital outlay	<u>16,750</u>	<u>16,750</u>	<u>16,658</u>	<u>92</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>23,337</u>	<u>1,663</u>
Net Change in Fund Balance	3,340	28,340	30,657	2,317
Fund Balance, Beginning of Year	<u>137,160</u>	<u>137,160</u>	<u>137,160</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 140,500</u></u>	<u><u>\$ 165,500</u></u>	<u><u>\$ 167,817</u></u>	<u><u>\$ 2,317</u></u>

City of Kerrville, Texas
Hotel/Motel Tax
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2015

Exhibit C-4

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Hotel/motel taxes	\$ 1,008,248	\$ 1,008,248	\$ 1,080,836	\$ 72,588
Investment income	1,000	1,000	469	(531)
Total revenues	<u>1,009,248</u>	<u>1,009,248</u>	<u>1,081,305</u>	<u>72,057</u>
Expenditures				
Culture and recreation	<u>931,000</u>	<u>979,210</u>	<u>962,537</u>	<u>16,673</u>
Total expenditures	<u>931,000</u>	<u>979,210</u>	<u>962,537</u>	<u>16,673</u>
Net Change in Fund Balance	78,248	30,038	118,768	88,730
Fund Balance, Beginning of Year	<u>431,117</u>	<u>431,117</u>	<u>431,117</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 509,365</u>	<u>\$ 461,155</u>	<u>\$ 549,885</u>	<u>\$ 88,730</u>

City of Kerrville, Texas
Hotel Reserve Fund
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2015

Exhibit C-5

	<u>Budgeted Amounts</u>		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 1,000	\$ 1,000	\$ 990	\$ (10)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>990</u>	<u>(10)</u>
Net Change in Fund Balance	1,000	1,000	990	(10)
Fund Balance, Beginning of Year	<u>379,891</u>	<u>379,891</u>	<u>379,891</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 380,891</u>	<u>\$ 380,891</u>	<u>\$ 380,881</u>	<u>\$ (10)</u>

City of Kerrville, Texas
History Center
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2015

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	\$ 10	\$ 10	\$ 313	\$ 303
Investment income	250	250	265	15
Miscellaneous	13,200	30,000	64,529	34,529
Total revenues	<u>13,460</u>	<u>30,260</u>	<u>65,107</u>	<u>34,847</u>
Expenditures				
Cultural and recreation	12,797	12,797	10,393	2,404
Total expenditures	<u>12,797</u>	<u>12,797</u>	<u>10,393</u>	<u>2,404</u>
Other Financing Sources (Uses)				
Transfers out	-	(34,500)	(34,500)	-
Net Change in Fund Balance	663	(17,037)	20,214	37,251
Fund Balance, Beginning of Year	<u>45,242</u>	<u>45,242</u>	<u>45,242</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 45,905</u>	<u>\$ 28,205</u>	<u>\$ 65,456</u>	<u>\$ 37,251</u>

City of Kerrville, Texas
PEG Fund
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2015

Exhibit C-7

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ 55,000	\$ 50,887	\$ (4,113)
Investment income	-	-	5	5
Total revenues	<u>-</u>	<u>55,000</u>	<u>50,892</u>	<u>(4,108)</u>
Expenditures				
General government	-	25,977	30,732	(4,755)
Capital outlay	-	28,023	23,139	4,884
Total expenditures	<u>-</u>	<u>54,000</u>	<u>53,871</u>	<u>129</u>
Net Change in Fund Balance (Deficit)	-	1,000	(2,979)	(3,979)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ (2,979)</u>	<u>\$ (3,979)</u>

City of Kerrville, Texas
Debt Service
Budgetary Comparison Schedule
Year Ended September 30, 2015

Exhibit C-8

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes and penalties	\$ 1,285,000	\$ 1,285,000	\$ 1,302,382	\$ 17,382
Investment income	-	-	3,093	3,093
Miscellaneous	<u>512,000</u>	<u>512,000</u>	<u>628,460</u>	<u>116,460</u>
Total revenues	<u>1,797,000</u>	<u>1,797,000</u>	<u>1,933,935</u>	<u>136,935</u>
Expenditures				
Debt service	<u>2,013,901</u>	<u>2,013,901</u>	<u>1,912,915</u>	<u>100,986</u>
Total expenditures	<u>2,013,901</u>	<u>2,013,901</u>	<u>1,912,915</u>	<u>100,986</u>
Other Financing Uses				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(82,135)</u>	<u>(82,135)</u>
Net Change in Fund Balance	(216,901)	(216,901)	(61,115)	155,786
Fund Balance, Beginning of Year	<u>1,385,583</u>	<u>1,385,583</u>	<u>1,385,583</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,168,682</u>	<u>\$ 1,168,682</u>	<u>\$ 1,324,468</u>	<u>\$ 155,786</u>

City of Kerrville, Texas
Combining Statement of Net Position
Internal Service Funds
September 30, 2015

Exhibit C-9

	Garage	Flexfund Insurance	Total Internal Service Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 26,120	518,504	\$ 544,624
Investments	19,704	391,153	410,857
Inventories	33,010	-	33,010
	<u>78,834</u>	<u>909,657</u>	<u>988,491</u>
Total current assets	<u>78,834</u>	<u>909,657</u>	<u>988,491</u>
Capital Assets			
Buildings	159,000	-	159,000
Vehicles	25,556	-	25,556
Machinery and equipment	20,522	-	20,522
Accumulated depreciation	(202,039)	-	(202,039)
	<u>3,039</u>	<u>-</u>	<u>3,039</u>
Net capital assets	<u>3,039</u>	<u>-</u>	<u>3,039</u>
Total assets	<u>81,873</u>	<u>909,657</u>	<u>991,530</u>
Deferred Outflows of Resources			
Deferred pension contributions	9,879	-	9,879
Deferred investment loss	6,357	-	6,357
Deferred experience loss	1,733	-	1,733
	<u>17,969</u>	<u>-</u>	<u>17,969</u>
Total deferred outflows of resources	<u>17,969</u>	<u>-</u>	<u>17,969</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	12,014	170	12,184
Due to other funds	5,634	-	5,634
	<u>17,648</u>	<u>170</u>	<u>17,818</u>
Total current liabilities	<u>17,648</u>	<u>170</u>	<u>17,818</u>
Noncurrent Liabilities			
Accrued compensated absences	21,413	-	21,413
Net pension liability	4,367	-	4,367
	<u>25,780</u>	<u>-</u>	<u>25,780</u>
Total noncurrent liabilities	<u>25,780</u>	<u>-</u>	<u>25,780</u>
Total liabilities	<u>43,428</u>	<u>170</u>	<u>43,598</u>
Net Position			
Net investment in capital assets	3,039	-	3,039
Unrestricted	53,375	909,487	962,862
	<u>56,414</u>	<u>909,487</u>	<u>965,901</u>
Total net position	<u>\$ 56,414</u>	<u>\$ 909,487</u>	<u>\$ 965,901</u>

City of Kerrville, Texas
Combining Statement of Revenues, Expenses and
Changes in Net Position
Internal Service Funds
Year Ended September 30, 2015

Exhibit C-10

	Garage	Flexfund Insurance	Total Internal Service Funds
Revenues			
Charges for services	\$ 264,720	\$ 3,130,651	\$ 3,395,371
Total revenues	<u>264,720</u>	<u>3,130,651</u>	<u>3,395,371</u>
Operating Expenses			
Personnel services	233,450	-	233,450
Repairs and maintenance	7,937	-	7,937
Supplies and materials	7,471	-	7,471
Utilities	4,883	-	4,883
Depreciation	1,324	-	1,324
General administration	3,727	-	3,727
Premiums and other charges	-	2,839,982	2,839,982
Total operating expenses	<u>258,792</u>	<u>2,839,982</u>	<u>3,098,774</u>
Operating income	<u>5,928</u>	<u>290,669</u>	<u>296,597</u>
Change in Net Position	<u>5,928</u>	<u>290,669</u>	<u>296,597</u>
Net Position, As Previously Reported	38,926	618,818	657,744
Cumulative Effect Adjustment	<u>11,560</u>	<u>-</u>	<u>11,560</u>
Net position, Beginning of Year, As Adjusted	<u>50,486</u>	<u>618,818</u>	<u>669,304</u>
Net Position, End of Year	<u>\$ 56,414</u>	<u>\$ 909,487</u>	<u>\$ 965,901</u>

City of Kerrville, Texas
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2015

Exhibit C-11

	Garage	Flexfund Insurance	Total Internal Service Funds
Operating Activities			
Cash received from customers	\$ 264,720	\$ 3,130,651	\$ 3,395,371
Cash payments to employees	(238,482)	-	(238,482)
Cash payments to suppliers for goods and services	(25,503)	(2,840,689)	(2,866,192)
Net cash provided by operating activities	<u>735</u>	<u>289,962</u>	<u>290,697</u>
Investing Activities			
Sales (purchases) of investments, net	(4,374)	(180,456)	(184,830)
Net cash used in investing activities	<u>(4,374)</u>	<u>(180,456)</u>	<u>(184,830)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(3,639)	109,506	105,867
Cash and Cash Equivalents, Beginning of Year	<u>29,759</u>	<u>408,998</u>	<u>438,757</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 26,120</u></u>	<u><u>\$ 518,504</u></u>	<u><u>\$ 544,624</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 5,928	\$ 290,669	\$ 296,597
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	1,324	-	1,324
Changes in pension expense	(2,042)	-	(2,042)
Changes in assets and liabilities			
Decrease (increase) in inventories	(3,411)	-	(3,411)
Increase (decrease) in accounts payable	1,926	(707)	1,219
Increase (decrease) in accrued wages payable	(2,990)	-	(2,990)
Total adjustments	<u>(5,193)</u>	<u>(707)</u>	<u>(5,900)</u>
Net cash provided by operating activities	<u><u>\$ 735</u></u>	<u><u>\$ 289,962</u></u>	<u><u>\$ 290,697</u></u>

City of Kerrville, Texas
Balance Sheet
Economic Improvement Corporation
September 30, 2015

Exhibit C-12

Assets

Cash and cash equivalents	\$ 3,282,575
Investments	2,476,328
Due from other governments	<u>501,477</u>
Total assets	<u><u>\$ 6,260,380</u></u>

Liabilities

Accounts payable and accrued liabilities	<u>\$ 213,724</u>
Total liabilities	<u><u>\$ 213,724</u></u>

Fund Balances

Restricted for capital projects	\$ 1,887,259
Unassigned	<u>4,159,397</u>
Total fund balance	<u>6,046,656</u>
Total liabilities and fund balance	<u><u>\$ 6,260,380</u></u>

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

Total fund balances – EIC balance sheet	\$ 6,046,656
---	--------------

**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>1,489,681</u>
EIC net position	<u><u>\$ 7,536,337</u></u>

City of Kerrville, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balance
Economic Improvement Corporation
Year Ended September 30, 2015

Exhibit C-13

Revenues	
Sales and other taxes	\$ 3,107,075
Investment income	5,669
Other income	<u>277,474</u>
Total revenues	<u>3,390,218</u>
Expenditures	
General government	1,564,011
Capital expenditure	<u>351,245</u>
Total expenditures	<u>1,915,256</u>
Excess of revenues over expenditures	<u>1,474,962</u>
Net Change in Fund Balance	1,474,962
Fund Balance, Beginning of Year	<u>4,571,694</u>
Fund Balance, End of Year	<u><u>\$ 6,046,656</u></u>
 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	\$ 1,474,962
 Amounts Reported for Governmental Activities in the Discretely Presented Component Unit Statement Activities are Different Because	
Capital outlays are not reported as expenses in the SOA.	<u>351,245</u>
EIC change in net position	<u><u>\$ 1,826,207</u></u>



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	84
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	92
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	99
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	104
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	108
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)

Table D-1

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net investment in capital assets	\$ 31,632	\$ 38,146	\$ 38,524	\$ 50,261	\$ 45,568	\$ 49,627	\$ 57,920	\$ 61,342	\$ 60,765	\$ 61,339
Restricted	3,446	1,468	3,640	2,207	5,712	6,251	1,509	1,434	1,386	1,324
Unrestricted	10,432	9,212	8,101	2,756	7,616	10,097	15,355	15,684	18,595	22,953
Total governmental activities net assets	<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>	<u>\$ 85,616</u>
Business-type Activities										
Net investment in capital assets	\$ 25,937	\$ 29,487	\$ 31,994	\$ 39,572	\$ 37,551	\$ 38,078	\$ 38,404	\$ 38,699	\$ 37,157	\$ 39,106
Restricted	-	-	-	-	-	-	2,898	4,105	3,789	3,451
Unrestricted	5,711	5,345	6,611	4,809	10,245	8,641	4,739	5,064	8,143	7,773
Total business-type activities net assets	<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>	<u>\$ 50,330</u>
Primary Government										
Net investment in capital assets	\$ 57,569	\$ 67,633	\$ 70,518	\$ 89,833	\$ 83,119	\$ 87,705	\$ 96,324	\$ 100,041	\$ 97,922	\$ 100,445
Restricted	3,446	1,468	3,640	2,207	5,712	6,251	4,407	5,539	5,175	4,775
Unrestricted	16,143	14,557	14,712	7,565	17,861	18,738	20,094	20,748	26,738	30,726
Total primary government net assets	<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>	<u>\$ 135,946</u>

Note: 2013 net position has been adjusted due to implementation of GASB Statements 65.
2015 net position has been adjusted due to implementation of GASB Statements 68.

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			
	2006	2007	2008	2009
Expenses				
Governmental Activities				
General government	\$ 5,345	\$ 8,253	\$ 4,938	\$ 4,927
Public safety	8,122	9,854	11,533	12,001
Culture and recreation	3,023	3,685	3,262	3,656
Public works	2,311	2,417	3,009	4,277
Business programs	211	314	180	189
Interest on long-term debt	467	572	459	372
Total governmental activities expenses	<u>19,479</u>	<u>25,095</u>	<u>23,381</u>	<u>25,422</u>
Business-type Activities				
Water and sewer services	5,709	6,104	6,612	8,601
Emergency medical services	1,863	-	-	-
Kerrville-Schreiner Park	450	492	545	582
Golf course	923	929	898	996
Total business-type activities expenses	<u>8,945</u>	<u>7,525</u>	<u>8,055</u>	<u>10,179</u>
Total primary government expenses	<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	\$ 2,376	\$ 2,486	\$ 2,474	\$ 1,599
Public safety	761	3,399	2,339	2,448
Cultural and recreation	479	172	150	214
Public works	417	359	85	45
Operating grants and contributions	879	205	904	1,564
Capital grants and contributions	382	1,707	1,234	6,883
Total governmental activities program revenues	<u>5,294</u>	<u>8,328</u>	<u>7,186</u>	<u>12,753</u>
Business-type Activities				
Charges for services				
Water and sewer services	7,714	7,537	8,803	8,758
Emergency medical services	1,493	-	-	-
Kerrville-Schreiner Park	352	357	403	371
Golf course	852	794	912	937
Operating grants and contributions	779	32	685	-
Capital grants and contributions	38	2,077	1,421	5,935
Total business-type activities program revenues	<u>11,228</u>	<u>10,797</u>	<u>12,224</u>	<u>16,001</u>
Total primary government program revenues	<u>\$ 16,522</u>	<u>\$ 19,125</u>	<u>\$ 19,410</u>	<u>\$ 28,754</u>
Net (Expense)/Revenue				
Governmental activities	\$ (14,185)	\$ (16,767)	\$ (16,195)	\$ (12,669)
Business-type activities	<u>2,283</u>	<u>3,272</u>	<u>4,169</u>	<u>5,822</u>
Total primary government net expense	<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	2015	
\$ 4,594	\$ 4,022	\$ 4,077	\$ 4,667	\$ 5,159	\$ 6,272	
11,880	12,632	11,312	11,631	12,365	13,169	
2,707	3,461	3,082	3,371	3,066	3,405	
3,635	3,104	3,004	3,327	3,159	3,490	
183	177	167	-	-	-	
655	717	645	566	564	519	
<u>23,654</u>	<u>24,113</u>	<u>22,287</u>	<u>23,562</u>	<u>24,313</u>	<u>26,855</u>	
7,582	8,198	8,737	8,442	8,984	8,241	
-	-	-	-	-	-	
542	1	-	-	-	-	
990	952	1,041	934	908	863	
<u>9,114</u>	<u>9,151</u>	<u>9,778</u>	<u>9,376</u>	<u>9,892</u>	<u>9,104</u>	
<u>\$ 32,768</u>	<u>\$ 33,264</u>	<u>\$ 32,065</u>	<u>\$ 32,938</u>	<u>\$ 34,205</u>	<u>\$ 35,959</u>	
\$ 5,200	\$ 2,638	\$ 2,126	\$ 1,054	\$ 100	\$ 24	
2,589	2,225	1,327	2,442	3,391	4,340	
134	75	583	410	425	465	
-	435	470	359	519	1,169	
1,473	1,461	303	719	72	141	
351	2,959	5,553	2,000	971	772	
<u>9,747</u>	<u>9,793</u>	<u>10,362</u>	<u>6,984</u>	<u>5,478</u>	<u>6,911</u>	
8,943	10,536	10,009	11,072	11,080	11,118	
-	-	-	-	-	-	
344	-	-	-	-	-	
784	903	1,031	877	884	784	
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>11,902</u>	
<u>\$ 22,545</u>	<u>\$ 21,232</u>	<u>\$ 21,402</u>	<u>\$ 19,441</u>	<u>\$ 17,452</u>	<u>\$ 18,813</u>	
\$ (13,907)	\$ (14,320)	\$ (11,925)	\$ (16,578)	\$ (18,835)	\$ (19,944)	
3,684	2,288	1,262	3,081	2,082	2,798	
<u>\$ (10,223)</u>	<u>\$ (12,032)</u>	<u>\$ (10,663)</u>	<u>\$ (13,497)</u>	<u>\$ (16,753)</u>	<u>\$ (17,146)</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			
	2006	2007	2008	2009
Net (Expense)/Revenue				
Governmental activities	\$ (14,185)	\$ (16,767)	\$ (16,195)	\$ (12,669)
Business-type activities	2,283	3,272	4,169	5,822
Total primary government net expense	<u>(11,902)</u>	<u>(13,495)</u>	<u>(12,026)</u>	<u>(6,847)</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes levied for general purposes	6,913	7,433	7,693	8,130
Property taxes levied for debt service	609	527	894	1,006
Sales and use taxes	6,967	7,212	4,966	4,926
Hotel occupancy taxes	906	938	977	882
Franchise taxes	1,749	1,752	2,019	1,930
Alcoholic beverage taxes	66	89	72	67
Unrestricted investment earnings	588	850	392	168
Miscellaneous income	201	525		115
Gain/(loss) on sale of assets	70	11	(202)	13
Transfers	(501)	984	824	390
Total governmental activities	<u>17,568</u>	<u>20,321</u>	<u>17,635</u>	<u>17,627</u>
Business-type Activities				
Unrestricted investment earnings	302	289	251	138
Miscellaneous income	256	257	212	205
Gain/(loss) on sale of assets	-	(7)	(35)	2
Transfers	501	(839)	(824)	(390)
Total business-type activities	<u>1,059</u>	<u>(300)</u>	<u>(396)</u>	<u>(45)</u>
Total primary government	<u>\$ 18,627</u>	<u>\$ 20,021</u>	<u>\$ 17,239</u>	<u>\$ 17,582</u>
Change in Net Position				
Governmental activities	\$ 3,383	\$ 3,554	\$ 1,440	\$ 4,958
Business-type activities	3,342	2,972	3,773	5,777
Total primary government	<u>\$ 6,725</u>	<u>\$ 6,526</u>	<u>\$ 5,213</u>	<u>\$ 10,735</u>

Table D-3

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ (13,907)	\$ (14,320)	\$ (11,925)	\$ (16,578)	\$ (18,835)	\$ (19,944)
3,684	2,288	1,262	3,081	2,082	2,798
<u>(10,223)</u>	<u>(12,032)</u>	<u>(10,663)</u>	<u>(13,497)</u>	<u>(16,753)</u>	<u>(17,146)</u>
8,255	8,314	8,439	8,427	8,459	7,725
1,301	1,242	1,216	1,262	1,293	2,383
4,537	4,773	5,120	5,554	5,787	6,201
873	846	854	958	1,046	1,081
1,764	1,836	1,826	1,716	1,776	1,742
60	58	53	55	68	74
78	52	56	44	58	57
229	1,427	1,257	1,322	1,509	2,789
(19)	-	(235)	-	-	-
447	4,259	2,149	1,250	1,125	1,802
<u>17,525</u>	<u>22,807</u>	<u>20,735</u>	<u>20,588</u>	<u>21,121</u>	<u>23,854</u>
72	9	23	50	66	49
226	69	186	333	197	-
-	-	-	-	-	-
<u>(447)</u>	<u>(4,259)</u>	<u>(2,149)</u>	<u>(1,250)</u>	<u>(1,125)</u>	<u>(1,802)</u>
<u>(149)</u>	<u>(4,181)</u>	<u>(1,940)</u>	<u>(867)</u>	<u>(862)</u>	<u>(1,753)</u>
<u>\$ 17,376</u>	<u>\$ 18,626</u>	<u>\$ 18,795</u>	<u>\$ 19,721</u>	<u>\$ 20,259</u>	<u>\$ 22,101</u>
\$ 3,618	\$ 8,487	\$ 8,810	\$ 4,010	\$ 2,286	\$ 3,910
3,535	(1,893)	(678)	2,214	1,220	1,045
<u>\$ 7,153</u>	<u>\$ 6,594</u>	<u>\$ 8,132</u>	<u>\$ 6,224</u>	<u>\$ 3,506</u>	<u>\$ 4,955</u>



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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				
	2006	2007	2008	2009	2010
General fund					
Reserved	\$ 1,475	\$ 1,812	\$ 71	\$ 2,335	\$ 1,353
Unreserved	5,859	5,837	6,494	3,755	3,157
Total general fund	\$ 7,334	\$ 7,649	\$ 6,565	\$ 6,090	\$ 4,510
All other governmental funds					
Reserved	\$ 4,540	\$ 6,425	\$ 969	\$ 1,390	\$ 1,494
Unreserved, reported in					
Special revenue funds	2,632	3,219	536	706	875
Capital projects funds	-	-	2,929	5,970	4,670
Total all other governmental funds	\$ 7,172	\$ 9,644	\$ 4,434	\$ 8,066	\$ 7,039
	Fiscal Year				
	2011	2012	2013	2014	2015
General fund					
Nonspendable	\$ 35	\$ 33	\$ 35	\$ 17	\$ 22
Restricted	1,667	2,340	2,657	2,476	3,079
Committed	715	666	580	633	311
Assigned					41
Unassigned	3,719	5,701	6,294	5,969	6,786
Total general fund	\$ 6,136	\$ 8,740	\$ 9,566	\$ 9,095	\$ 10,239
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,901	9,266	8,923	5,946	11,593
Committed	5,093	762	1,638	3,289	4,040
Unassigned	-	-	-	-	(3)
Total all other governmental funds	\$ 6,994	\$ 10,028	\$ 10,561	\$ 9,235	\$ 15,630

Note: The City implemented GASB Statement No. 54 which amended fund balance classifications in 2011.

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			
	2006	2007	2008	2009
Revenues				
Taxes and penalties	\$ 17,201	\$ 17,936	\$ 16,554	\$ 16,987
Licenses and permits	624	501	491	428
Intergovernmental	1,357	830	937	1,243
Charges for services	1,523	3,084	1,938	1,964
Grants	961	422	341	409
Fines and forfeitures	307	341	420	506
Investment income	581	820	392	168
Miscellaneous	875	906	1,250	1,307
Total revenues	<u>23,429</u>	<u>24,840</u>	<u>22,323</u>	<u>23,012</u>
Expenditures				
General government	4,422	5,755	4,439	4,576
Public safety	7,839	10,243	10,775	11,042
Culture and recreation	3,036	3,717	3,147	3,336
Public works	2,199	2,297	4,731	4,562
Business programs	212	323	180	189
Nondepartmental	862	890	-	-
Capital outlay	2,365	2,814	363	432
Debt service				
Principal	605	629	347	456
Interest	456	436	460	371
Other charges	1	166	1	1
Total expenditures	<u>21,997</u>	<u>27,270</u>	<u>24,443</u>	<u>24,965</u>
Excess (deficiencies) of revenues over expenditures	<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	5,796	4,410	2,479	1,817
Transfers out	(6,296)	(3,343)	(1,655)	(1,427)
Total other financing sources (uses)	<u>(430)</u>	<u>4,853</u>	<u>857</u>	<u>5,181</u>
Net change in fund balances	<u>\$ 1,002</u>	<u>\$ 2,423</u>	<u>\$ (1,263)</u>	<u>\$ 3,228</u>
Debt Service as a Percentage of Noncapital Expenditures	5.4%	5.0%	3.7%	3.5%

Table D-5

Fiscal Year						
2010	2011	2012	2013	2014	2015	
\$ 16,790	\$ 17,026	\$ 17,558	\$ 17,981	\$ 18,526	\$ 19,113	
346	366	328	359	519	551	
1,289	2,364	1,535	1,120	1,004	1,523	
1,850	2,629	2,549	2,564	2,261	3,488	
258	484	786	719	1,005	552	
507	656	467	433	355	351	
78	52	56	44	58	57	
1,345	1,270	1,211	1,405	1,479	1,838	
<u>22,463</u>	<u>24,847</u>	<u>24,490</u>	<u>24,625</u>	<u>25,207</u>	<u>27,473</u>	
4,304	3,704	3,716	4,360	4,534	5,656	
11,645	11,591	10,666	11,138	12,001	12,678	
2,685	3,071	2,815	3,163	3,155	3,383	
2,745	2,724	2,806	2,992	3,007	3,162	
183	177	167	-	-	-	
-	-	-	-	-	-	
2,503	841	6,536	1,519	4,497	4,939	
1,119	582	725	754	779	1,393	
653	719	619	590	565	520	
1	-	155	-	-	-	
<u>25,838</u>	<u>23,409</u>	<u>28,205</u>	<u>24,516</u>	<u>28,538</u>	<u>31,731</u>	
<u>(3,375)</u>	<u>1,438</u>	<u>(3,715)</u>	<u>109</u>	<u>(3,331)</u>	<u>(4,258)</u>	
-	1,983	6,965	-	284	9,746	
-	151	138	-	-	249	
-	-	-	-	-	-	
-	(2,090)	-	-	-	-	
1,530	2,070	2,856	2,523	3,582	2,897	
<u>(1,082)</u>	<u>(1,164)</u>	<u>(606)</u>	<u>(1,273)</u>	<u>(2,332)</u>	<u>(1,094)</u>	
<u>448</u>	<u>950</u>	<u>9,353</u>	<u>1,250</u>	<u>1,534</u>	<u>11,798</u>	
<u>\$ (2,927)</u>	<u>\$ 2,388</u>	<u>\$ 5,638</u>	<u>\$ 1,359</u>	<u>\$ (1,797)</u>	<u>\$ 7,540</u>	
7.5%	5.9%	7.4%	5.9%	5.7%	7.3%	

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
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
2015	10,108	6,201	1,081	1,742	74	19,206
Percent Change 2006 – 2015	34.4%	33.5%	19.3%	-0.4%	12.1%	29.0%

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
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%
2015	2,024,552	661,361	1,363,191	0.5625	1,363,191	100%

Source: Kerr 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 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	
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
2015	0.4890	0.0735	0.5625	1.1800	0.4850	0.0318	2.2593

Source: Kerr Central Appraisal District

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

Table D-9

Taxpayer	2015			2006		
	Assessed Value	Rank	Percentage of Total City Assessed Value	Assessed Value	Rank	Percentage of Total City Assessed Value
James Avery Craftsman	18,227,060	1	0.90%			
Mooney Aviation Company	12,946,405	2	0.64%	13,170,812	2	0.95%
Windstream Comm Kerrville LP	10,560,553	3	0.52%	27,571,088	1	2.00%
Wal-Mart Stores Inc	8,561,493	4	0.42%	7,784,640	4	0.56%
S-H Forty-Nine Properties LLC	8,400,000	5	0.41%			0.00%
Wal-Mart Stores Inc. #508	7,651,458	6	0.38%	6,787,268	6	0.49%
Comanche Trace Ranch	6,757,609	7	0.33%			
Atmos Energy/Mid-Tex Division	6,561,388	8	0.32%			
Home Depot USA, Inc.	6,440,116	9	0.32%	7,389,167	5	0.54%
Lowe's Home Centers, Inc	6,270,099	10	0.31%	6,469,084	7	0.47%
Parsons House Kerrville, LP				9,115,000	3	0.66%
Lowe's Home Centers, Inc				5,889,825	8	0.43%
Home Depot USA, Inc.				4,782,018	9	0.35%
Butt, Charles C TTE ETAL				4,770,053	10	0.35%
	92,376,181		4.54%	93,728,955		6.80%
All Other	1,932,175,819		95.46%	1,286,628,045		93.20%
Total	\$ 2,024,552,000		100.00%	\$ 1,380,357,000		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	
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%	
2015	10,024	9,840	98.16%	12	9,852	98.28%	

Source: Kerr Central Appraisal District

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

Type	Fiscal Year			
	2006	2007	2008	2009
Accommodation/food services	\$ 68,172,280	\$ 72,472,587	\$ 79,709,250	\$ 73,976,846
Admin/support/waste mgmt/remediation srvc	13,299,811	13,813,495	14,511,132	12,584,798
Agriculture/forestry/fishing/hunting	35,417	1,455,359	1,783,726	155,040
Arts/entertainment/recreation	5,858,534	6,127,292	6,353,400	6,410,637
Construction	55,043,428	71,008,454	73,056,708	82,928,490
Educational services	15,412,866	12,533,142	21,199,623	22,448,430
Finance/insurance	585	4,500	-	636
Health care/social assistance	1,782,028	2,269,027	3,854,807	3,372,232
Information	32,558,327	33,926,843	31,220,301	30,481,547
Manufacturing	85,740,516	94,245,808	102,006,694	57,339,275
Mining/quarrying/oil and gas extraction	-	2,154,458	12,802,985	7,150,181
Other	2,656	-	-	-
Other services (except public administration)	57,201,113	57,953,413	47,552,517	42,876,628
Professional/scientific/technical services	22,360,842	8,346,513	25,606,137	17,559,824
Public administration	36,377,677	33,932,290	37,657,444	122,436,391
Real estate/rental/leasing	3,005,807	3,806,407	2,107,522	1,901,858
Retail trade	604,169,924	614,179,010	637,216,432	567,285,481
Transportation/warehousing	2,710,773	4,592,467	2,988,094	2,645,480
Wholesale trade	78,118,341	72,911,430	79,739,508	58,580,998
Total	\$ 1,081,850,925	\$ 1,105,732,495	\$ 1,179,366,280	\$ 1,110,134,772
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					
2010	2011	2012	2013	2014	***2015
\$ 74,777,208	\$ 75,367,568	\$ 77,902,407	\$ 77,902,407	\$ 86,830,157	\$ 43,509,752
12,487,071	20,060,075	18,874,150	21,314,425	22,330,457	10,090,789
40,197	33,643	352,751	714,641	563,751	524,935
10,245,245	10,203,919	5,331,787	4,692,190	4,631,708	2,651,854
60,295,196	78,350,310	72,304,961	92,022,514	98,568,873	52,023,917
13,677,155	27,269,909	31,052,368	30,859,006	32,115,711	17,413,375
192,706	6,275	12,973	58,606	89,760	35,626
3,915,694	3,614,412	3,540,104	13,042,833	4,821,994	2,766,719
24,866,344	23,979,339	23,287,473	23,351,651	25,079,870	13,393,925
48,940,992	39,636,780	45,925,795	45,808,283	52,076,758	29,342,981
398,584	-	-	-	1,925,007	-
-	-	-	-	-	-
44,416,436	44,651,159	45,168,666	44,899,714	51,574,901	26,245,475
14,700,029	17,100,198	17,224,688	17,823,513	19,382,626	15,929,685
31,580,361	38,957,201	44,214,112	41,666,600	42,307,481	22,192,081
2,490,669	2,848,689	8,313,596	4,201,799	12,231,231	4,126,288
636,717,056	672,668,692	680,086,182	727,865,044	827,476,804	396,932,774
3,054,389	2,877,438	3,122,381	3,269,255	3,835,865	1,556,466
55,808,281	48,756,748	52,800,978	53,131,891	58,330,703	34,164,651
<u>\$ 1,038,603,613</u>	<u>\$ 1,106,382,355</u>	<u>\$ 1,129,515,372</u>	<u>\$ 1,202,624,372</u>	<u>\$ 1,344,173,657</u>	<u>\$ 672,901,293</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 Obligation Bonds	Certificates of Obligation	Bank Loans & Promissory Note	Capital Leases
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	-
2015	3,519	21,260	1,384	-

Fiscal Years	Business-type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Water & Sewer Bonds	Bank Loans	Capital Leases				
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	6.49%	1,346
2011	5,694	17,022	-	585	-	-	35,461	7.22%	1,541
2012	5,661	22,195	-	516	-	-	46,772	8.70%	2,086
2013	5,192	31,060	-	444	-	-	54,341	9.40%	2,364
2014	4,911	29,933	-	368	-	-	52,637	8.88%	2,234
2015	4,390	28,286	-	290	-	-	59,129	9.82%	2,484

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		
2006	\$ 515	\$ 1,524	\$ (1,009)	-0.08%	\$ -
2007	5,719	1,461	4,258	0.27%	186
2008	5,945	1,516	4,429	0.28%	194
2009	5,920	1,480	4,440	0.35%	194
2010	5,895	1,698	4,197	0.33%	188
2011	10,260	2,632	7,628	0.61%	341
2012	10,200	4,144	6,056	0.48%	270
2013	9,355	5,443	3,912	0.31%	170
2014	8,844	5,162	3,682	0.29%	156
2015	7,909	4,770	3,139	0.23%	132

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	\$ 22,475,000	74.04%	\$ 16,640,490
Kerr County	25,275,000	39.82%	<u>10,064,505</u>
Subtotal, Overlapping Debt			26,704,995
City of Kerrville Direct Debt	26,163,190	100%	<u>26,163,190</u>
Total Direct and Overlapping Debt			<u><u>\$ 52,868,185</u></u>
Average Debt Per Capita			\$ 2,221

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				
	2006	2007	2008	2009	2010
Total Taxable Assessed Value	\$ 1,212,710	\$ 1,422,660	\$ 1,412,660	\$ 1,252,564	\$ 1,244,875
Annual payment	8,085	9,484	9,418	8,350	8,299
Debt limit	121,271	142,266	141,266	125,256	124,488
Total net debt applicable to limit	-	2,657	2,646	2,634	4,605
Legal debt margin	121,271	139,609	138,620	122,622	119,883

	Fiscal Year				
	2011	2012	2013	2014	2015
Total taxable assessed value	\$ 1,260,033	\$ 1,269,421	\$ 1,279,663	\$ 1,274,970	\$ 1,363,191
Annual payment	8,400	8,463	8,531	8,500	9,088
Debt limit	126,003	126,942	127,966	127,497	136,319
Total net debt applicable to limit	4,566	4,539	2,826	7,470	6,590
Legal debt margin	121,437	122,403	125,140	120,027	129,729

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed value	\$ 2,024,552
Exempt real property	(661,361)
	<u>1,363,191</u>
Debt limit (10% of assessed value)	<u>136,319</u>
Debt applicable to limit	
General obligation bonds	7,909
Less: Amount set aside for repayment of general obligation debt	<u>1,319</u>
Total net debt applicable to limit	<u>6,590</u>
Legal debt margin	<u>\$ 129,729</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

Water and Sewer Revenue Bonds							
Fiscal Years	Utility Service Charges	Less		Net Available Revenue	Debt Service		Coverage
		Operating Expenses*			Principal	Interest	
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	
2015	10,904	5,204	5,700	-	-	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				
	2006	2007	2008	2009	2010
Population	22,391	22,846	23,303	22,927	22,347
Personal income (000s)	\$ 452,141	\$ 461,329	\$ 470,557	\$ 462,965	\$ 481,160
Per capita personal income	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193
Median age	43.8	43.8	45.0	45.0	45.3
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	5,791	5,726	5,834	5,976	6,177
Unemployment rate	3.7%	3.5%	4.3%	5.6%	6.1%

	Fiscal Year				
	2011	2012	2013	2014	2015
Population	22,347	22,347	22,983	23,558	23,808
Personal income (000s)	\$ 490,848	\$ 492,940	\$ 578,275	\$ 592,968	\$ 602,414
Per capita personal income	\$ 24,871	\$ 23,965	\$ 25,161	\$ 25,171	\$ 25,303
Median age	44.5	46.0	45.7	45.7	46.5
Education level in years of schooling Percentage with high school diploma or greater	85.1%	85.6%	87.5%	85.1%	85.4%
School enrollment	5,200	4,923	5,031	5,038	5,029
Unemployment rate	6.3%	6.9%	5.6%	4.8%	3.8%

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



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

Table D-18

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Peterson Regional Medical Center	894	1	4.42%	837	1	
Kerrville ISD	705	2	3.48%	731	2	
Kerrville State Hospital	565	3	2.79%	565	3	
So. Texas Veterans Health Care	400	4	1.98%	451	4	
HEB Food and Drug Store	353	5	1.74%	318	7	
James Avery Craftsman, Inc.	346	6	1.71%	371	5	
City of Kerrville	308	7	1.52%	297	9	
Kerr County	299	8	1.48%	300	10	
Wal-Mart Inc.	250	9	1.24%	300	8	
Mooney Airplane Company	150	10	0.74%	369	6	
	4,270		21.10%	4,539		
All others (not available in 2006)	15,970		78.90%			-
Total employed	20,240		100.00%			-

Source: Kerr Economic Development Corporation

Note: Information not available prior to 2006.

City of Kerrville, Texas

Budgeted Full-time Equivalent Employees by Function/Program Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
General Fund				
City secretary	1	2	2	2
City attorney	3	3	3	2
City administration	3	3	3	2
Human resources	4	4	4	4
Finance	5	5	5	6
Information technology	3	3	3	2
Purchasing	1	1	1	1
Municipal court	5	5	5	5
Kerrville-Schreiner Park	8	8	8	8
Police	69	70	70	67
Fire	42	43	52	53
Fire marshal	2	2	2	1
Emergency Medical Services	21	21	21	20
Solid waste	5	5	5	5
Planning	3	3	3	3
Building services	5	5	5	4
Code compliance	2	2	2	2
Environment health	2	2	2	2
Airport administration	1	1	1	-
Business programs	2	2	2	2
Parks and recreation	2	2	2	2
Aquatics	1	1	1	1
Parks maintenance	12	13	13	15
Performing arts center	1	1	1	-
Recreation	3	3	3	3
Engineering	7	7	8	8
Streets	11	11	11	8
Library	13	13	13	10
	<u>237</u>	<u>241</u>	<u>251</u>	<u>238</u>
Total general fund	237	241	251	238
Water and Sewer Fund				
Water records	8	8	8	6
Utility administration	6	3	3	3
Water production	11	11	11	10
Utility construction	9	9	9	9
Water reclamation	12	11	11	13
Utility information system	-	3	3	3
Utility laboratory	4	4	4	4
	<u>50</u>	<u>49</u>	<u>49</u>	<u>48</u>
Total water and sewer fund	50	49	49	48
Golf Course Fund				
Golf course maintenance	8	8	8	8
Pro shop	3	3	3	3
	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
Total golf course fund	11	11	11	11
Solid Waste				
	5	5	5	5
Garage				
	4	4	4	4
	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>
Total	9	9	9	9
Grand total	<u>307</u>	<u>310</u>	<u>320</u>	<u>306</u>

Source: City Budget Book

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

Solid Waste was moved to general fund in fiscal year 2015.

Table D-19

Fiscal Year						
2010	2011	2012	2013	2014	2015	
2	1	2	2	2	2	2
1	2	2	2	2	2	1
4	4	4	4	5	6	6
4	4	4	4	4	4	4
6	7	5	5	5	5	5
4	4	5	5	5	5	5
1	1	-	-	-	-	-
5	6	5	5	5	5	5
8	7	6	6	6	6	6
72	64	71	71	68	70	70
53	46	49	49	49	48	48
2	1	2	2	2	2	2
24	28	27	27	27	28	28
5	5	5	5	5	5	5
3	3	2	2	2	2	2
5	5	5	5	4	4	4
4	2	2	2	2	2	2
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2	2	2	2	-	-	-
-	-	-	-	-	-	-
1	1	-	-	-	-	-
16	12	12	12	13	18	18
-	-	-	-	-	-	-
4	2	1	1	2	1	1
16	15	21	21	19	4	4
-	-	-	-	-	18	18
11	10	10	10	11	9	9
253	232	242	242	238	245	
7	7	8	8	8	8	8
4	3	4	4	5	3	3
11	11	11	11	11	11	11
9	9	9	9	9	9	9
14	14	14	17	14	14	14
1	-	-	-	-	-	-
4	4	4	4	4	4	4
50	48	50	53	51	49	
8	8	8	8	8	7	7
3	6	3	3	3	3	3
11	14	11	11	11	10	10
5	3	5	5	5	0	0
4	4	4	4	4	4	4
9	7	9	9	9	4	4
323	301	312	315	309	308	

City of Kerrville, Texas

Operating Indicators by Function/Program

Last Ten Fiscal Years

Table D-20

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Calls for service	23,658	24,442	26,483	24,886	15,277	15,308	15,937	16,126	14,820	16,220
Avg. response time per call (minutes)	4.9	4	4	4.6	4.6	8.0	8.0	9.0	6.2	8.3
Clearance rate	60%	48%	49%	48%	57%	67%	62%	54%	55%	54%
Fire										
Number of calls answered	6,790	7,540	7,580	7,701	7,823	7,986	7,989	8,118	7,669	8,629
Reports processed	6,800	7,592	7,581	8,007	7,837	7,986	7,989	8,118	7,669	8,629
Inspections	634	314	538	428	326	471	568	458	393	429
Highway and Streets										
Street maintenance – man hours	21,085	21,170	21,360	18,930	7,192	1,391	2,000	1,749	6,224	4,161
Pothole repairs – man hours	1,626	2,109	1,936	1,450	1,549	1,459	1,800	1,323	2,109	2,273
Traffic control (signs) – man hours	2,122	2,294	2,102	1,900	2,022	1,625	1,722	1,804	1,722	1,777
Sanitation										
Annual tonnage at landfill	54,429	51,992	57,984	55,840	51,484	7,939	8,000	7,500	8,279	8,242
Annual tonnage diverted by recycling	1,968	1,963	1,666	2,376	2,353	1,908	1,700	1,200	1,383	669
Culture and Recreation										
Park maintenance – man hours	24,437	26,525	22,464	27,391	25,175	19,148	20,785	17,675	25,033	27,622
Golf course – rounds of golf played	38,387	35,570	37,999	36,643	32,464	33,270	36,262	32,509	29,489	27,111
Swimming pool attendance	16,586	11,476	12,204	13,461	10,753	9,071	7,613	9,719	15,290	17,118
Kerrville-Schreiner Park										
Entrance permits processed	39,495	31,593	45,100	6,396	5,674	4,183	5,407	7,263	12,507	13,369
Reservations processed	3,026	3,235	6,004	4,254	3,087	3,628	3,340	3,421	11,954	13,482
Water										
Water meters read	106,705	108,839	113,790	114,654	114,916	115,295	115,777	116,563	117,459	119,126
Work orders processed	7,910	7,864	8,147	12,011	11,477	10,281	10,221	10,672	10,737	10,748
Water main breaks	65	48	28	58	118	71	53	42	21	28
Total water consumption (thousands of gallons)	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	1,072,229
Cost per thousand gallons	\$ 1.20	\$ 1.25	\$ 1.30	\$ 1.16	\$ 1.25	\$ 1.03	\$ 1.10	\$ 1.07	\$ 1.22	\$ 1.55
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,400	2,770	2,254	2,287	2,400	2,016	2,148	2,199	2,132	2,044

City of Kerrville, Texas

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Table D-21

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	3	3	4	4	4	4	4	4	4	4
Highway and Streets										
Streets (lane miles)	268	274	278	282	282	282	282	282	282	282
Area in square miles	19.5	19.5	20.6	21.1	21.1	21.1	21.1	21.1	21.3	21.8
Culture and Recreation										
Parks acreage	917	917	937	937	937	937	937	937	937	937
Swimming pools	2	2	2	2	1	1	1	1	1	1
Picnic areas and playgrounds	21	21	38	36	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)	218	220	227	234	234	238	241	246	249	253
Average daily consumption (millions of gallons)	4.20	2.90	4.18	3.45	2.73	3.24	3.82	3.88	3.17	3.67
Sewer										
Sanitary sewers (miles)	189	191	196	195	194	202	194	214	209	227
Storm sewers (miles)	10	10	12	13	13	13	13	13	13	13
Maximum treatment capacity (millions of gallons)	4.50	4.50	4.50	4.50	4.50	4.50	4.5	4.5	4.5	4.5

Sources: Various city departments



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