



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
Year Ended September 30, 2018**



City of Kerrville, Texas



City of Kerrville, Texas

Comprehensive Annual Financial Report

Year Ended September 30, 2018

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

Amy Dozier, Chief Financial Officer



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Comprehensive Annual Financial Report
Year Ended September 30, 2018

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Introductory Section



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City of Kerrville

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Letter of Transmittal

February 26, 2019

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, 2018, 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 unmodified opinions on the City's financial statements for the year ended September 30, 2018. 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, 2018, 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, 2018, 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 22,347 respectively. The 2018 population estimate was 24,796, representing an increase of 4,371 (21%) over 2000 and 2,449 (11%) 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 services and golf. Solid waste 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 bill.

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 budget priorities set by City Council. 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 a budget committee that includes 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 Secretary 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 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, 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 3.3% continues to remain below state and national averages.

Economic and recreation opportunities continue to expand in Kerrville. In addition to recently renovated parks and a six mile long River Trail, the City opened a youth baseball and soccer complex in January 2018. In 2018, the Sports Complex hosted almost 600 tournament teams, resulting in significant impact to the Kerrville area. Additionally, the City began pumping water from its new reuse pond in July 2018. The reuse pond is a significant component of the City's overall water plan. It allows the City to send treated water from the Water Reclamation Plant into a holding pond, rather back into the Guadalupe River. From there, the treated non-potable water is used to irrigate large areas such as golf courses and schools, thereby reducing the demand for the valuable potable water supply. All of these projects were at least partially funded by Kerrville's EIC.

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

Long-term Financial Planning

The City's fund balance reserve policy sets the minimum reserve at 25% for each fund, which exceeds the Government Finance Officers Association of the United States and Canada (GFOA) recommended best practice minimum of 15%. GFOA recommends that "general-purpose governments, regardless of size, maintain unassigned fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." This policy allows the City to better weather economic downturns and strategically handle contingencies and unforeseen emergencies. The City's General Fund's unassigned fund balance is approximately \$8.4 million or 31% of General Fund operating expenditures as of September 30, 2018. 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 ten year Community Investment Plan (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 and project affordability. 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 2019 budget book identified approximately \$67 million in projects during the next ten years. This list focuses on water and sewer infrastructure improvements including the construction of a new lift station and installation of a new water filtration system in FY 2019. General Fund projects include the construction of a new public safety building. The City anticipates funding these improvements with both cash and debt. Debt obligations include both self-supporting debt (e.g., water and sewer improvements) and general obligation debt (e.g., public safety building). This CIP was reviewed and updated in the FY 2019 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, 2017, and a reproduction of the certificate is included in this report. The City has received a Certificate of Achievement for thirty-four consecutive fiscal years (FY 1984 through FY 2017).

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,



Mark McDaniel
City Manager



Amy Dozier
Chief Financial Officer



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, 2017

Christopher P. Morrill

Executive Director/CEO

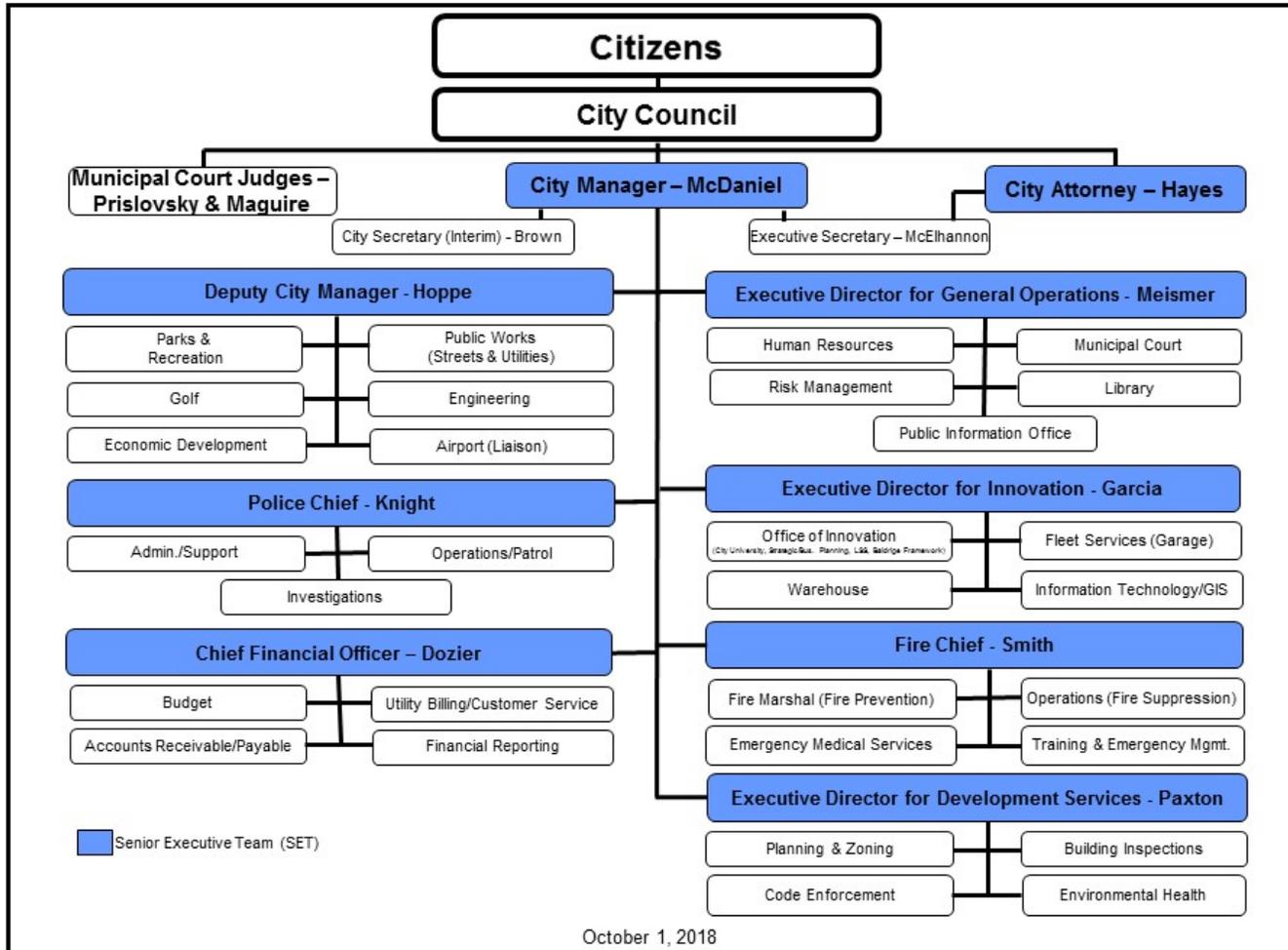


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City of Kerrville, Texas

Organization Chart

Year Ended September 30, 2018





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City of Kerrville, Texas
List of Principal Officials
Year Ended September 30, 2018

Elected Officials

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Bill Blackburn	Mayor	May 2020
Vincent C. Voelkel	Place 1	May 2019
George Baroody	Place 2, Mayor Pro Tem	May 2019
Judy Eychner	Place 3	May 2020
Delayne Sigerman	Place 4	May 2020

Appointed Officials

Mark McDaniel	City Manager
Mike Hayes	City Attorney
E.A. Hoppe	Deputy City Manager
Kim Meismer	Executive Director for General Operations
Cheryl Brown	Interim City Secretary
Amy Dozier	Chief Financial Officer
David Knight	Police Chief
Dannie Smith	Fire Chief



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Financial Section



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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 (City), as of and for the year ended September 30, 2018, 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 \$17,823,919 of which 50% (\$8,911,960) is recorded in the statement of net position and represents 7.0% of the governmental activities total assets. We also did not audit the financial statements of Kerrville Public Utility Board (KPUB), a discretely presented component unit, which represents approximately 93%, 92% and 92%, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included as equity in joint venture and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of KPUB were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, 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 2018 the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 comparison, pension and other postemployment benefit information and modified approach for capital assets as 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.

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, combining statements, budgetary comparison schedules, financial statements of the Economic Improvement Corporation and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory information and statistical section have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
February 26, 2019



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City of Kerrville, Texas

Management's Discussion and Analysis

Year Ended September 30, 2018

Introduction

As management of the City of Kerrville, Texas (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, 2018. 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 and deferred inflows at the close of the 2018 fiscal year by \$149,428,371. Of this amount, \$30,039,882 (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 2018, the City's total net position increased by \$1,088,955 or 0.7%. The net position of business-type activities increased by \$2,039,837 or 4.0%. The net position of governmental activities decreased by \$950,882 or 1.0%. These changes include the impact resulting from implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in a restatement decreasing beginning net position by \$955,943.
- Total expenses of all the City's programs were \$43,191,590 in 2018 as compared to \$39,398,636 in 2017.

Fund Statements

- As of September 30, 2018, the City's governmental funds reported combined ending fund balances of \$22,935,854. Of this total amount, \$8,419,116 or approximately 36.7%, 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 \$8,419,116 or 31.5% 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, liabilities and deferred inflows, with the difference between assets plus deferred outflows of resources, less liabilities less deferred inflows 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 culture 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 in 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 – 65 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 and deferred inflows by \$149,428,371 at the close of the most recent fiscal year.

By far, the largest portion of the City’s net position (77.9%) 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 34,607,238	\$ 36,144,638	\$ 12,973,630	\$ 22,950,556	\$ 47,580,868	\$ 59,095,194
Capital assets	92,168,392	92,308,217	83,808,592	75,723,522	175,976,984	168,031,739
Total assets	126,775,630	128,452,855	96,782,222	98,674,078	223,557,852	227,126,933
Deferred outflows of resources	2,474,938	5,076,759	727,788	1,103,620	3,202,726	6,180,379
Long-term liabilities	26,307,415	30,874,141	40,199,354	43,501,844	66,506,769	74,375,985
Other liabilities	4,364,967	4,688,714	4,578,170	5,903,197	8,943,137	10,591,911
Total liabilities	30,672,382	35,562,855	44,777,524	49,405,041	75,449,906	84,967,896
Deferred inflows of resources	1,562,309	-	319,992	-	1,882,301	-
Net position						
Net investment in capital assets	71,381,407	69,695,250	45,057,360	37,218,598	116,438,767	106,913,848
Restricted for debt service	1,144,467	1,138,463	1,805,255	1,805,255	2,949,722	2,943,718
Unrestricted	24,490,003	27,133,046	5,549,879	11,348,804	30,039,882	38,481,850
Total net position	\$ 97,015,877	\$ 97,966,759	\$ 52,412,494	\$ 50,372,657	\$ 149,428,371	\$ 148,339,416

During 2018, the water and sewer system utilized bond proceeds for significant capital items which caused a decrease in current and other assets and an increase in capital assets. Both governmental activities and business-type activities saw a decrease in long-term liabilities due to a debt refinancing and a reduction in net pension liability.

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 primarily attributable to business-type activities as shown in the following table:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue						
Program revenue						
Charges for services	\$ 6,375,410	\$ 6,490,553	\$ 12,740,076	\$ 12,748,271	\$ 19,115,486	\$ 19,238,824
Operating grants and contributions	272,964	348,256	-	-	272,964	348,256
Capital grants and contributions	1,314,445	2,594,597	1,500,000	1,500,000	2,814,445	4,094,597
General revenue						
Property tax	10,990,038	10,768,613	-	-	10,990,038	10,768,613
Sales tax	6,899,129	6,721,841	-	-	6,899,129	6,721,841
Hotel occupancy tax	1,333,802	1,218,988	-	-	1,333,802	1,218,988
Franchise tax	1,950,886	1,733,644	-	-	1,950,886	1,733,644
Alcoholic beverage tax	87,059	72,427	-	-	87,059	72,427
Unrestricted investment earnings	391,070	243,925	228,855	222,091	619,925	466,016
Miscellaneous revenue	1,152,754	2,064,119	-	-	1,152,754	2,064,119
Total revenue	30,767,557	32,256,963	14,468,931	14,470,362	45,236,488	46,727,325
Expenses						
General government	\$ 6,988,212	5,804,497	-	-	6,988,212	5,804,497
Public safety	14,242,578	14,239,827	-	-	14,242,578	14,239,827
Cultural and recreation	5,111,916	4,542,728	-	-	5,111,916	4,542,728
Public works	5,617,405	4,002,088	-	-	5,617,405	4,002,088
Interest on long-term debt	605,985	722,457	-	-	605,985	722,457
Water and sewer operations	-	-	9,579,018	8,997,499	9,579,018	8,997,499
Golf course	-	-	1,046,476	1,089,540	1,046,476	1,089,540
Total expenses	32,566,096	29,311,597	10,625,494	10,087,039	43,191,590	39,398,636
Excess (deficiencies) before transfers	(1,798,539)	2,945,366	3,843,437	4,383,323	2,044,898	7,328,689
Transfers	1,641,090	3,934,338	(1,641,090)	(3,934,338)	-	-
Changes in Net Position	(157,449)	6,879,704	2,202,347	448,985	2,044,898	7,328,689
Net Position, Beginning of Year, as adjusted*	97,173,326	91,087,055	50,210,147	49,923,672	147,383,473	141,010,727
Net Position, End of Year	\$ 97,015,877	\$ 97,966,759	\$ 52,412,494	\$ 50,372,657	\$ 149,428,371	\$ 148,339,416

*Net position was adjusted for adoption of GASB No. 75 for 2018. 2017 has not been adjusted for GASB No. 75.

Overall Financial Position and Results of Operations

Governmental Activities

Governmental activities operations decreased the City's net position by \$157,449. The total decrease of \$950,882 was primarily due to implementation of GASB 75 which resulted in a decrease in net position of \$793,433. In fiscal year 2017, the City received miscellaneous revenue related to the sale of property that formerly housed City Hall and insurance proceeds to cover extensive damage from a hail storm. These miscellaneous revenue items did not occur in fiscal year 2018. General government expense increased from fiscal year 2017 for several reasons including expenditures for the Kerrville 2050 Comprehensive Plan, additional landfill permitting, downtown parking garage repairs and merit increases for General Government employees. Public works increased significantly in fiscal year 2018 primarily due to additional street maintenance expense incurred by outsourcing several large projects. The City saved funds for several years in order to pay cash for the outsourced projects.

Business-type Activities

Business-type activities operations increased its net position by \$2,039,837 (\$2,202,347 from operations less \$162,510 for implementation of GASB 75) primarily due to a capital contribution from the Economic Improvement Corporation (EIC) of \$1,500,000 for the construction of reuse water distribution lines and reduced debt service cost due to a debt refinancing in December 2017.

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 \$22,935,854, a decrease of \$375,784 in comparison with the prior year. Approximately 36.7% of total fund balance or \$8,419,116 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 been committed for restricted purposes (debt service, capital projects).

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 \$8,419,116. 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 31.5% or more than three months of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$1,608,231 during the current fiscal year. Key factors are as follows:

- EIC contributions of \$950,000 for capital projects
- \$382,892 donation from a private foundation for the Kerrville Sports Complex

The Governmental IP Fund’s fund balance decreased approximately \$2.4 million in fiscal year 2018 due primarily to projects that were funded in previous years, but completed in 2018. The projects included the Kerrville Sports Complex, an extension of the River Trail and several large street maintenance projects.

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 \$5,549,879 with unrestricted net position of the Water and Sewer Fund at the end of the year amounting to \$5,649,283.

Overall, Water and Sewer Fund net position increased from operations by \$2,113,687 compared to an increase of \$674,837 in fiscal year 2017. The increase is due to a capital contribution of \$1,500,000 from the EIC as earlier discussed.

General Fund Budgetary Analysis

In fiscal year 2018, fund balance increased by \$1,608,231, which is \$1,475,942 higher than budgeted. This is due to higher than anticipated revenues combined with lower than anticipated expenditures.

Actual revenues exceeded budget by \$649,456, primarily due to better than forecast charges for service revenue because of a \$254,041 payment received from the Ambulance Supplemental Payment Program and higher than budgeted investment income due to rising interest rates during fiscal year 2018.

Actual expenditures were \$826,485 less than budgeted, due primarily to lower than anticipated capital outlays and staffing vacancies in the Police department.

Capital Asset and Long-term Debt Administration

Major Capital Additions

In fiscal year 2018, the City recognized asset additions for a River Trail extension, and the Kerrville Sports Complex. In addition, the Water and Sewer Fund recorded assets related to the reuse pond, Legion Lift Station and a new water filtration system.

Capital Assets

As of September 30, 2018, total capital assets of the City’s governmental and business-type amount to \$175,976,984 (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	
	2018	2017	2018	2017	2018	2017
Land	\$ 7,535,757	\$ 7,535,757	\$ 488,831	\$ 488,831	\$ 8,024,588	\$ 8,024,588
Construction in progress	1,584,053	13,118,424	684,570	10,591,376	2,268,623	23,709,800
Streets	34,425,208	34,425,208	-	-	34,425,208	34,425,208
Buildings	13,265,236	11,893,012	2,303,767	1,677,479	15,569,003	13,570,491
Improvements other than buildings	31,123,008	20,951,223	79,071,442	61,434,325	110,194,450	82,385,548
Vehicles	2,367,302	2,425,968	414,090	492,100	2,781,392	2,918,068
Machinery and equipment	1,604,318	1,702,008	840,870	1,033,654	2,445,188	2,735,662
Office equipment	263,510	256,617	5,022	5,757	268,532	262,374
Total	<u>\$ 92,168,392</u>	<u>\$ 92,308,217</u>	<u>\$ 83,808,592</u>	<u>\$ 75,723,522</u>	<u>\$ 175,976,984</u>	<u>\$ 168,031,739</u>

Additional information on the City’s capital assets can be found in Note 4 on pages 44 – 46 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 \$20,145,408, which the City expects to retire through the Debt Service Fund. The City also has business activity net bonded debt outstanding of \$34,528,255 at September 30, 2018. The City's net bonded debt decreased by approximately \$4,300,000 during the current fiscal year due to scheduled debt service payments and a debt refinancing in December 2017.

The City's financial policies limit Water and Sewer Fund 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 2018 and the City intends to comply with that policy with any future debt issuances.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Gross Bonded Debt						
General obligation	\$ 6,060,000	\$ 2,523,000	\$ 10,465,000	\$ 3,147,000	\$ 16,525,000	\$ 5,670,000
Certificates of obligation	13,430,000	18,890,000	22,810,000	33,335,000	36,240,000	52,225,000
Total bonded debt	19,490,000	21,413,000	33,275,000	36,482,000	52,765,000	57,895,000
Bond premium/discount	655,408	333,479	1,253,255	720,704	1,908,663	1,054,183
Net bonded debt	20,145,408	21,746,479	34,528,255	37,202,704	54,673,663	58,949,183
Other Long-term Debt						
Cailloux Foundation promissory note	279,881	529,881	-	-	279,881	529,881
Kerrville Public Utility Board note	-	-	7,500,000	7,500,000	7,500,000	7,500,000
State infrastructure bank loan	42,320	150,472	34,626	123,114	76,946	273,586
Compensated absences	1,022,058	873,172	190,291	168,380	1,212,349	1,041,552
Net pension liability	3,232,952	6,686,021	662,171	1,369,426	3,895,123	8,055,447
Total OPEB liability	934,521	-	191,409	-	1,125,930	-
Landfill closure and post-closure costs	3,361,624	3,357,569	-	-	3,361,624	3,357,569
Total	\$ 29,018,764	\$ 33,343,594	\$ 43,106,752	\$ 46,363,624	\$ 72,125,516	\$ 79,707,218

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

The City's ten-year Community Investment Plan identified almost \$67 million of capital improvements through 2028. The City plans to use a combination of debt, cash and grant/donation funding to pay for the projects. In January 2018, Standard & Poor's confirmed the City's general obligation bond rating of an AA.

Modified Approach for 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 2018 were \$2,563,676. 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 have been used to develop a prioritized list of maintenance activities.

For historical information, please see page 75.

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 \$0.5514 per \$100 value for fiscal year 2019, which is the same rate as fiscal year 2018.

Sales tax revenue in fiscal year 2018 was 2.6% higher than fiscal year 2017. The City budgeted a 2.2% increase in for the 2019 budget year.

Due to a small rate increase, water revenue is budgeted to increase slightly in fiscal year 2019. However, record rainfall in the first quarter of the fiscal year has caused revenues to decrease significantly despite the rate increase.

Hotel/motel occupancy tax revenue in fiscal year 2018 was \$1,333,802, up 9.4% over the prior year. The City anticipates revenues to remain strong in fiscal year 2019.



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 Chief Financial Officer, City of Kerrville, 701 Main Street, Kerrville, Texas 78028, or you may call (830) 258-1121.



Basic Financial Statements



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City of Kerrville, Texas
Statement of Net Position
September 30, 2018

Exhibit A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 12,151,757	\$ 1,956,160	\$ 14,107,917	\$ 4,657,302
Investments	10,015,506	1,550,518	11,566,024	15,117,412
Receivables (net of allowances for uncollectibles)				
Taxes	371,861	-	371,861	-
Accounts	695,022	1,370,478	2,065,500	5,244,505
Other	260,263	-	260,263	-
Due from other governments	1,403,685	-	1,403,685	561,499
Internal balances	39,273	(39,306)	(33)	-
Inventories	33,487	535,197	568,684	1,159,338
Restricted assets				
Cash and cash equivalents	398,415	4,180,321	4,578,736	-
Investments	325,976	3,420,262	3,746,238	4,491,340
Equity in joint venture	8,911,960	-	8,911,960	-
Advance to the City of Kerrville	-	-	-	7,500,000
Capital assets (net of accumulated depreciation, where applicable)				
Depreciable	48,623,374	82,635,191	131,258,565	8,164,399
Non-depreciable	43,545,018	1,173,401	44,718,419	35,922,881
Total assets	<u>126,775,597</u>	<u>96,782,222</u>	<u>223,557,819</u>	<u>82,818,676</u>
Deferred Outflows of Resources				
Deferred outflows – pensions	2,256,453	461,589	2,718,042	1,116,243
Deferred outflows – OPEB	80,020	16,391	96,411	15,661
Deferred outflows – loss on refunding	138,465	249,808	388,273	-
Total deferred outflows of resources	<u>2,474,938</u>	<u>727,788</u>	<u>3,202,726</u>	<u>1,131,904</u>
Liabilities				
Accounts payable and accrued liabilities	1,584,914	1,410,841	2,995,755	5,004,450
Customer deposits	68,671	180,481	249,152	517,523
Unearned revenue	-	79,450	79,450	-
Noncurrent liabilities				
Due within one year				
Bonds and notes payable	2,085,766	2,832,704	4,918,470	385,000
Compensated absences	625,583	74,694	700,277	-
Due in more than one year				
Bonds and notes payable	18,381,843	39,230,177	57,612,020	4,473,000
Net pension liability	3,232,952	662,171	3,895,123	1,072,533
Total OPEB liability	934,521	191,409	1,125,930	236,491
Compensated absences	396,475	115,597	512,072	-
Landfill closure and post-closure costs	3,361,624	-	3,361,624	-
Total liabilities	<u>30,672,349</u>	<u>44,777,524</u>	<u>75,449,873</u>	<u>11,688,997</u>
Deferred Inflows of Resources				
Deferred inflows – pensions	1,562,309	319,992	1,882,301	1,521,303
Total deferred inflows of resources	<u>1,562,309</u>	<u>319,992</u>	<u>1,882,301</u>	<u>1,521,303</u>
Net Position				
Net investment in capital assets	71,381,407	45,057,360	116,438,767	39,229,280
Restricted for				
Debt service	1,144,467	1,805,255	2,949,722	398,560
Capital projects	-	-	-	2,100,001
Unrestricted	24,490,003	5,549,879	30,039,882	29,012,439
Total net position	<u>\$ 97,015,877</u>	<u>\$ 52,412,494</u>	<u>\$ 149,428,371</u>	<u>\$ 70,740,280</u>

City of Kerrville, Texas
Statement of Activities
Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 6,988,212	\$ 1,047	\$ -	\$ -
Public safety	14,242,578	4,233,332	70,692	28,304
Culture and recreation	5,111,916	612,818	185,430	336,141
Public works	5,617,405	1,528,213	16,842	950,000
Interest on long-term debt	605,985	-	-	-
Total expenses	<u>32,566,096</u>	<u>6,375,410</u>	<u>272,964</u>	<u>1,314,445</u>
Business-type Activities				
Water and sewer	9,579,018	11,884,940	-	1,500,000
Golf course	1,046,476	855,136	-	-
Total business-type activities	<u>10,625,494</u>	<u>12,740,076</u>	<u>-</u>	<u>1,500,000</u>
Total primary government	<u>\$ 43,191,590</u>	<u>\$ 19,115,486</u>	<u>\$ 272,964</u>	<u>\$ 2,814,445</u>
Component Units				
Economic Improvement Corporation	\$ 3,799,174	\$ -	\$ -	\$ -
Kerrville Public Utility Board	41,725,625	42,167,402	-	111,326
Total component units	<u>\$ 45,524,799</u>	<u>\$ 42,167,402</u>	<u>\$ -</u>	<u>\$ 111,326</u>

General Revenues

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

Transfers

Total general revenues and transfers

Change in net position

Net Position, Beginning of Year, As Previously Reported

Adjustment for Adoption of GASB 75

Net Position, Beginning of Year, As Adjusted

Net Position, End of Year

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (6,987,165)	\$ -	\$ (6,987,165)	
(9,910,250)	-	(9,910,250)	
(3,977,527)	-	(3,977,527)	
(3,122,350)	-	(3,122,350)	
<u>(605,985)</u>	<u>-</u>	<u>(605,985)</u>	
<u>(24,603,277)</u>	<u>-</u>	<u>(24,603,277)</u>	
-	3,805,922	3,805,922	
<u>-</u>	<u>(191,340)</u>	<u>(191,340)</u>	
-	3,614,582	3,614,582	
<u>(24,603,277)</u>	<u>3,614,582</u>	<u>(20,988,695)</u>	
			\$ (3,799,174)
			<u>553,103</u>
			<u>(3,246,071)</u>
10,990,038	-	10,990,038	-
6,899,129	-	6,899,129	3,449,171
1,333,802	-	1,333,802	-
1,950,886	-	1,950,886	-
87,059	-	87,059	-
391,070	228,855	619,925	627,137
1,152,754	-	1,152,754	40,825
1,641,090	(1,641,090)	-	-
<u>24,445,828</u>	<u>(1,412,235)</u>	<u>23,033,593</u>	<u>4,117,133</u>
<u>(157,449)</u>	<u>2,202,347</u>	<u>2,044,898</u>	<u>871,062</u>
97,966,759	50,372,657	148,339,416	70,624,109
<u>(793,433)</u>	<u>(162,510)</u>	<u>(955,943)</u>	<u>(754,891)</u>
<u>97,173,326</u>	<u>50,210,147</u>	<u>147,383,473</u>	<u>69,869,218</u>
<u>\$ 97,015,877</u>	<u>\$ 52,412,494</u>	<u>\$ 149,428,371</u>	<u>\$ 70,740,280</u>

City of Kerrville, Texas
Balance Sheet – Governmental Funds
September 30, 2018

Exhibit A-3

	General Fund	Governmental IP Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 7,521,504	\$ 2,696,193	\$ 2,111,915	\$ 12,329,612
Investments	6,547,923	2,033,971	1,593,200	10,175,094
Receivables, net				
Taxes	310,271	-	61,590	371,861
Accounts	695,022	-	-	695,022
Other	260,263	-	-	260,263
Due from other funds	42,610	-	-	42,610
Due from other governments	1,403,685	-	-	1,403,685
Inventories	12,311	-	-	12,311
Total assets	\$ 16,793,589	\$ 4,730,164	\$ 3,766,705	\$ 25,290,458
Liabilities				
Accounts payable and accrued liabilities	\$ 936,910	\$ 528,938	\$ 32,526	\$ 1,498,374
Customer deposits	68,671	-	-	68,671
Total liabilities	1,005,581	528,938	32,526	1,567,045
Deferred Inflows of Resources				
Unavailable revenue	739,287	-	48,272	787,559
Fund Balances				
Nonspendable	12,311	-	-	12,311
Restricted				
Landfill	2,818,791	-	-	2,818,791
Debt service	-	-	1,144,467	1,144,467
Tourism	-	-	1,561,638	1,561,638
Grants	-	-	3,117	3,117
Cailloux Theater	682,618	-	-	682,618
Police	-	-	60,978	60,978
PEG	-	-	51,595	51,595
Municipal court	-	-	79,021	79,021
Committed				
Park improvements	-	-	154,226	154,226
History center	-	-	199,146	199,146
Library	-	-	431,719	431,719
Insurance reserve	246,310	-	-	246,310
Capital improvements	2,869,575	4,201,226	-	7,070,801
Unassigned	8,419,116	-	-	8,419,116
Total fund balances	15,048,721	4,201,226	3,685,907	22,935,854
Total liabilities, deferred inflows of resources and fund balances	\$ 16,793,589	\$ 4,730,164	\$ 3,766,705	\$ 25,290,458

City of Kerrville, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2018

Exhibit A-4

Total fund balances – governmental funds balance sheet		\$ 22,935,854
Amounts reported for governmental activities in the statement of net position are different because		
Receivable balances unavailable to pay for current period expenditures are unavailable in the funds. Unavailable revenues at year-end consist of:		
Property taxes	367,018	
Ambulance fees	358,222	
Court fines	62,319	787,559
Capital assets used in governmental activities, excluding the internal service funds, are not reported in the funds.		92,161,610
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		340,896
The equity in a joint venture is not reported in the funds.		8,911,960
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end, excluding internal service funds, consist of:		
Deferred outflows - pensions	2,229,301	
Deferred outflows - OPEB	79,057	
Deferred outflows - loss on refunding	138,465	
Deferred inflows - pensions	(1,543,486)	903,337
Long-term liabilities are not due and payable in the current period and payable in the current period and therefore are not reported in the fund financial statements.		
Long-term liabilities, excluding internal service funds, at year-end consist of:		
Principal outstanding	(19,812,201)	
Bond premiums	(655,408)	
Land closure/post-closure costs	(3,361,624)	
Net pension liability	(3,194,001)	
Total OPEB liability	(923,263)	
Compensated absences	(1,006,368)	(28,952,865)
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(72,474)
Net position of governmental activities		\$ 97,015,877

City of Kerrville, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2018

Exhibit A-5

	General Fund	Governmental IP Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes and penalties	\$ 18,300,673	\$ -	\$ 2,851,786	\$ 21,152,459
Licenses and permits	581,014	-	46,096	627,110
Intergovernmental	1,372,133	1,278,892	-	2,651,025
Charges for services	4,158,789	-	54,723	4,213,512
Grants	123,353	-	135,650	259,003
Fines and forfeitures	612,061	-	-	612,061
Investment income	246,697	82,130	61,843	390,670
Miscellaneous	295,976	-	1,156,938	1,452,914
Total revenues	25,690,696	1,361,022	4,307,036	31,358,754
Expenditures				
Current				
General government	5,186,707	769,774	28,571	5,985,052
Public safety	13,100,154	23,947	-	13,124,101
Culture and recreation	3,435,179	-	1,109,703	4,544,882
Public works	4,161,108	1,044,974	-	5,206,082
Capital outlay	865,542	990,087	99,505	1,955,134
Debt service				
Principal	-	-	2,018,177	2,018,177
Interest	-	-	617,818	617,818
Total expenditures	26,748,690	2,828,782	3,873,774	33,451,246
Excess (deficiency) of revenues over (under) expenditures	(1,057,994)	(1,467,760)	433,262	(2,092,492)
Other Financing Sources (Uses)				
Issuance of long-term debt	-	-	6,750,000	6,750,000
Premium on issuance of debt	-	-	458,915	458,915
Payment to the refunded bond escrow agent	-	-	(7,133,297)	(7,133,297)
Transfers in	3,187,170	225,000	32,000	3,444,170
Transfers out	(520,945)	(1,200,000)	(82,135)	(1,803,080)
Net other financing sources	2,666,225	(975,000)	25,483	1,716,708
Net Change in Fund Balances	1,608,231	(2,442,760)	458,745	(375,784)
Fund Balances, Beginning of Year	13,440,490	6,643,986	3,227,162	23,311,638
Fund Balances, End of Year	\$ 15,048,721	\$ 4,201,226	\$ 3,685,907	\$ 22,935,854

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, 2018

Exhibit A-6

Net change in fund balances – total governmental funds	\$	(375,784)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		1,899,721
Governmental funds do not recognize contributed capital assets. However, in the statement of activities the acquisition value of those assets is recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.		52,584
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(1,988,357)
The issuance of long-term debt (bonds and related premium and capital leases) provides current financial resources to governmental funds, but has no effect on net position. The repayment of the principal of long-term debt, including amounts provided to bond escrow agent, consumes the current financial resources of governmental funds, but has no effect on net position.		1,942,559
Current year changes in joint venture equity are not reported in the governmental fund statements.		(226,511)
Amortization of bond premiums and effect of losses on refundings is reported in the statement of activities but is not recognized in the governmental funds.		88,832
Current year change in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(150,769)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		19,663
Current year pension & OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.		(913,632)
Current year changes in landfill post-closure costs do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(4,055)
Internal service funds are used by management to share the costs of certain activities including self-insurance and fleet maintenance to individual funds. This is a net loss for the year.		(219,513)
In the governmental fund financial statements the proceeds from sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported. This difference is the net book value of disposed assets.		(104,338)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.		(177,849)
Change in net position of governmental activities	<u>\$</u>	<u>(157,449)</u>

City of Kerrville, Texas
Statement of Net Position – Proprietary Funds
Year Ended September 30, 2018

	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	\$ 1,895,077	\$ 61,083	\$ 1,956,160	\$ 220,560
Investments	1,550,518		1,550,518	166,388
Receivables (net of allowances for uncollectibles)	1,370,478	-	1,370,478	-
Inventories	455,241	79,956	535,197	21,176
Total current assets	<u>5,271,314</u>	<u>141,039</u>	<u>5,412,353</u>	<u>408,124</u>
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	4,180,321	-	4,180,321	-
Investments	3,420,262	-	3,420,262	-
Total restricted assets	<u>7,600,583</u>	<u>-</u>	<u>7,600,583</u>	<u>-</u>
Capital assets				
Land	488,831	-	488,831	-
Buildings	3,784,733	374,668	4,159,401	159,000
Improvements other than buildings	113,661,997	2,488,855	116,150,852	-
Vehicles	1,522,943	22,300	1,545,243	34,130
Machinery and equipment	3,040,405	443,397	3,483,802	40,388
Office equipment	118,248	-	118,248	-
Construction in progress	684,570	-	684,570	-
Accumulated depreciation	(40,649,408)	(2,172,947)	(42,822,355)	(226,736)
Net capital assets	<u>82,652,319</u>	<u>1,156,273</u>	<u>83,808,592</u>	<u>6,782</u>
Total noncurrent assets	<u>90,252,902</u>	<u>1,156,273</u>	<u>91,409,175</u>	<u>6,782</u>
Total assets	<u>95,524,216</u>	<u>1,297,312</u>	<u>96,821,528</u>	<u>414,906</u>
Deferred Outflows of Resources				
Deferred outflows - pension	380,133	81,456	461,589	27,152
Deferred outflows - OPEB	13,497	2,894	16,391	963
Deferred charges for refunding	249,808	-	249,808	-
Total deferred outflows of resources	<u>\$ 643,438</u>	<u>\$ 84,350</u>	<u>\$ 727,788</u>	<u>\$ 28,115</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	\$ 1,381,720	\$ 29,121	\$ 1,410,841	\$ 14,099
Unearned revenue	30,958	48,492	79,450	-
Compensated absences – current	61,586	13,108	74,694	-
Due to other funds	32,622	6,684	39,306	3,304
Customer deposits	180,481	-	180,481	-
Bonds and notes – current	2,832,704	-	2,832,704	-
Total current liabilities	4,520,071	97,405	4,617,476	17,403
Noncurrent Liabilities				
Net pension liability	545,317	116,854	662,171	38,951
Total OPEB liability	157,630	33,779	191,409	11,258
Bonds and notes – noncurrent	39,230,177	-	39,230,177	-
Compensated absences – noncurrent	95,311	20,286	115,597	15,690
Total noncurrent liabilities	40,028,435	170,919	40,199,354	65,899
Total liabilities	44,548,506	268,324	44,816,830	83,302
Deferred Inflows of Resources				
Deferred inflows - pension	263,523	56,469	319,992	18,823
Total deferred inflows of resources	263,523	56,469	319,992	18,823
Net Position				
Net investment in capital assets	43,901,087	1,156,273	45,057,360	6,782
Restricted for debt service	1,805,255	-	1,805,255	-
Unrestricted	5,649,283	(99,404)	5,549,879	334,114
Total net position	\$ 51,355,625	\$ 1,056,869	\$ 52,412,494	\$ 340,896

City of Kerrville, Texas
Statement of Revenues, Expenses and Changes
in Net Position – Proprietary Funds
Year Ended September 30, 2018

Exhibit A-8

	Business-type Activities – Enterprise Funds			Governmental
	Water and Sewer	Nonmajor Golf Course Fund	Total Enterprise Funds	Internal Service Funds
Operating Revenues				
Charges for services	\$ 11,743,309	\$ 855,014	\$ 12,598,323	\$ 3,198,779
Miscellaneous	141,631	122	141,753	-
Total operating revenues	<u>11,884,940</u>	<u>855,136</u>	<u>12,740,076</u>	<u>3,198,779</u>
Operating Expenses				
Personnel services	3,159,323	575,797	3,735,120	304,144
Repairs and maintenance	1,103,162	31,950	1,135,112	22,397
Supplies and materials	640,631	150,237	790,868	28,624
Utilities	602,562	72,284	674,846	5,170
Depreciation	2,564,681	72,883	2,637,564	2,947
General administration	481,682	143,325	625,007	3,599
Premiums and other charges	-	-	-	3,051,411
Total operating expenses	<u>8,552,041</u>	<u>1,046,476</u>	<u>9,598,517</u>	<u>3,418,292</u>
Operating income (loss)	<u>3,332,899</u>	<u>(191,340)</u>	<u>3,141,559</u>	<u>(219,513)</u>
Nonoperating Revenues (Expenses)				
Investment income	228,855	-	228,855	-
Interest expense	(1,026,977)	-	(1,026,977)	-
Net nonoperating expenses	<u>(798,122)</u>	<u>-</u>	<u>(798,122)</u>	<u>-</u>
Net income (loss) before contributions and transfers	<u>2,534,777</u>	<u>(191,340)</u>	<u>2,343,437</u>	<u>(219,513)</u>
Capital Contributions and Transfers				
Capital contributions	1,500,000	-	1,500,000	-
Transfers in	19,649	280,000	299,649	-
Transfers out	(1,940,739)	-	(1,940,739)	-
Net transfers	<u>(421,090)</u>	<u>280,000</u>	<u>(141,090)</u>	<u>-</u>
Change in Net Position	<u>2,113,687</u>	<u>88,660</u>	<u>2,202,347</u>	<u>(219,513)</u>
Net Position, Beginning of Year, As Previously Reported	49,375,770	996,887	50,372,657	569,968
Adjustment for Adoption of GASB 75	<u>(133,832)</u>	<u>(28,678)</u>	<u>(162,510)</u>	<u>(9,559)</u>
Net Position, Beginning of Year, As Adjusted	<u>49,241,938</u>	<u>968,209</u>	<u>50,210,147</u>	<u>560,409</u>
Net Position, End of Year	<u>\$ 51,355,625</u>	<u>\$ 1,056,869</u>	<u>\$ 52,412,494</u>	<u>\$ 340,896</u>

City of Kerrville, Texas
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2018

Exhibit A-9

	Business-Type Activities – Enterprise Funds			Governmental
	Water and Sewer	Nonmajor Golf Course Fund	Total Enterprise Funds	Activities Internal Service Funds
Operating Activities				
Cash received from customers	\$ 11,728,981	\$ 855,014	\$ 12,583,995	\$ 3,198,779
Cash payments to employees	(2,980,833)	(542,485)	(3,523,318)	(294,857)
Cash payments to other suppliers for goods and services	(4,209,078)	(396,028)	(4,605,106)	(3,087,301)
Other operating activities	178,645	(135,418)	43,227	-
	<u>4,717,715</u>	<u>(218,917)</u>	<u>4,498,798</u>	<u>(183,379)</u>
Net cash provided by (used in) operating activities				
Noncapital Financing Activities				
Transfers from other funds	19,649	280,000	299,649	-
Transfers to other funds	(1,940,739)	-	(1,940,739)	-
	<u>(1,921,090)</u>	<u>280,000</u>	<u>(1,641,090)</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities				
Capital and Related Financing Activities				
Capital contributions	1,500,000	-	1,500,000	-
Principal and interest paid	(3,962,337)	-	(3,962,337)	-
Acquisition or construction of capital assets	(10,722,633)	-	(10,722,633)	(8,609)
	<u>(13,184,970)</u>	<u>-</u>	<u>(13,184,970)</u>	<u>(8,609)</u>
Net cash provided by (used in) capital and related financing activities				
Investing Activities				
Investment income	228,855	-	228,855	(13,490)
Sale of investments	16,020,000	-	16,020,000	96,044
Purchase of investments	(11,872,343)	-	(11,872,343)	-
	<u>4,376,512</u>	<u>-</u>	<u>4,376,512</u>	<u>82,554</u>
Net cash provided by investing activities				
Net Increase (Decrease) in Cash and Cash Equivalents	(6,011,833)	61,083	(5,950,750)	(109,434)
Cash and Cash Equivalents, Beginning of Year	12,087,231	-	12,087,231	329,994
Cash and Cash Equivalents, End of Year	<u>\$ 6,075,398</u>	<u>\$ 61,083</u>	<u>\$ 6,136,481</u>	<u>\$ 220,560</u>
Reconciliation to the Statement of Net Position				
Cash and cash equivalents	\$ 1,895,077	\$ 61,083	\$ 1,956,160	\$ 220,560
Restricted cash and cash equivalents	4,180,321	-	4,180,321	-
	<u>\$ 6,075,398</u>	<u>\$ 61,083</u>	<u>\$ 6,136,481</u>	<u>\$ 220,560</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 3,332,899	\$ (191,340)	\$ 3,141,559	\$ (219,513)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	2,564,681	72,883	2,637,564	2,947
Change in assets and deferred outflows				
(Increase) decrease in receivables	(14,328)	-	(14,328)	-
(Increase) decrease in inventories	25,851	(4,418)	21,433	16,854
(Increase) decrease in prepaid expenses	-	3,250	3,250	-
(Increase) decrease in deferred pension outflows	465,002	99,644	564,646	33,214
(Increase) decrease in deferred OPEB outflows	(10,376)	(2,225)	(12,601)	(740)
Change in liabilities and deferred inflows				
Increase (decrease) in accounts payable	(1,432,246)	2,936	(1,429,310)	7,046
Increase (decrease) in accrued compensated absences	78,422	2,153	80,575	(1,883)
Increase (decrease) in due to other funds	6,056	(137,892)	(131,836)	-
Increase (decrease) in net pension liability	(582,446)	(124,809)	(707,255)	(41,603)
Increase (decrease) in total OPEB liability	20,677	4,432	25,109	1,476
Increase (decrease) in deferred pension inflows	263,523	56,469	319,992	18,823
	<u>1,384,816</u>	<u>(27,577)</u>	<u>1,357,239</u>	<u>36,134</u>
Total adjustments				
Net cash provided by (used in) operating activities	<u>\$ 4,717,715</u>	<u>\$ (218,917)</u>	<u>\$ 4,498,798</u>	<u>\$ (183,379)</u>

City of Kerrville, Texas
Statements of Net Position – Component Units
September 30, 2018

Exhibit A-10

	EIC	K PUB	Total
Assets			
Cash and cash equivalents	\$ 4,092,649	\$ 564,653	\$ 4,657,302
Investments	-	15,117,412	15,117,412
Receivables (net of allowances for uncollectible)	-	5,244,505	5,244,505
Due from other governments	561,499	-	561,499
Inventories	-	1,159,338	1,159,338
Restricted assets			
Investments	-	4,491,340	4,491,340
Advance to City of Kerrville	-	7,500,000	7,500,000
Capital assets nondepreciable			
Land	1,138,436	233,398	1,371,834
Construction in progress	-	6,792,565	6,792,565
Depreciable (net of accumulated depreciation)			
Buildings	-	1,933,464	1,933,464
Improvements other than buildings	-	31,852,945	31,852,945
Vehicles	-	1,453,473	1,453,473
Machinery and equipment	-	682,999	682,999
Total assets	5,792,584	77,026,092	82,818,676
Deferred Outflows of Resources			
Deferred outflows – pensions	-	1,116,243	1,116,243
Deferred outflows – OPEB	-	15,661	15,661
Total deferred outflows of resources	-	1,131,904	1,131,904
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	-	5,004,450	5,004,450
Payable from restricted assets			
Customer deposits	-	517,523	517,523
Bonds payable, current	-	385,000	385,000
Total current liabilities	-	5,906,973	5,906,973
Noncurrent Liabilities			
Net pension liability	-	1,072,533	1,072,533
Net OPEB liability	-	236,491	236,491
Bonds payable, net of current portion	-	4,473,000	4,473,000
Total noncurrent liabilities	-	5,782,024	5,782,024
Total liabilities	-	11,688,997	11,688,997
Deferred Inflows of Resources			
Deferred inflows – pensions	-	1,521,303	1,521,303
Total deferred inflows of resources	-	1,521,303	1,521,303
Net Position			
Net investment in capital assets	1,138,436	38,090,844	39,229,280
Restricted for			
Debt service	-	398,560	398,560
Capital projects	2,100,001	-	2,100,001
Unrestricted	2,554,147	26,458,292	29,012,439
Total net position	\$ 5,792,584	\$ 64,947,696	\$ 70,740,280

City of Kerrville, Texas
Statements of Activities – Component Units
Year Ended September 30, 2018

Exhibit A-11

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	EIC	KPUB	Total
Kerrville Economic Incentive Corporation						
General government	\$ 3,799,174	\$ -	\$ -	\$ (3,799,174)	\$ -	\$ (3,799,174)
Total EIC	3,799,174	-	-	(3,799,174)	-	(3,799,174)
Kerrville Public Utility Board						
Purchased power	28,918,468	42,167,402	111,326	-	13,360,260	13,360,260
Distribution	2,568,044	-	-	-	(2,568,044)	(2,568,044)
Administration and other	6,247,628	-	-	-	(6,247,628)	(6,247,628)
Depreciation and amortization	3,991,485	-	-	-	(3,991,485)	(3,991,485)
Total KPUB	41,725,625	42,167,402	111,326	-	553,103	553,103
Total Component Units	\$ 45,524,799	\$ 42,167,402	\$ 111,326	(3,799,174)	553,103	(3,246,071)
General Revenues						
Sales taxes				3,449,171	-	3,449,171
Unrestricted investment earnings				76,844	550,293	627,137
Miscellaneous income				-	40,825	40,825
Total general revenues				3,526,015	591,118	4,117,133
Change in Net Position				(273,159)	1,144,221	871,062
Net Position, Beginning of Year, As Previously Reported				6,065,743	64,558,366	70,624,109
Adjustment for Adoption of GASB 75				-	(754,891)	(754,891)
Net Position, Beginning of Year, As Adjusted				6,065,743	63,803,475	69,869,218
Net Position, End of Year				\$ 5,792,584	\$ 64,947,696	\$ 70,740,280



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Notes to Basic Financial Statements



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City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

Note 1: Summary Of Significant Accounting Policies

General Statement

The City of Kerrville, Texas (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, culture 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. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, 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, 2018

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. 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, 2018

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 employee benefit 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, 2018

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.

State law and the City's investment policy restrict both time and demand deposits 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 the City and component unit(s) that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "advances to/from" (*i.e.*, loans due to component unit(s)). All other outstanding balances between funds of the City 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."

All trade receivables are shown net of an allowance for uncollectible amounts.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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 Central Appraisal District. Taxes are due without penalty by 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 acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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 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 5.7% for the year ended September 30, 2018.

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.

Unearned Revenue

Enterprise funds report unearned revenue in connection with resources that have been received, but not yet earned. Prepayment for golf course fees within the nonmajor Golf Course Fund are reported as unearned.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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 effective interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount balance at year end.

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.

Allocation of pension related balances to reporting units is determined on the basis of employee payroll funding.

Defined Benefit Other Postemployment Benefit Plan

The City has a single-employer defined benefit other postemployment benefit (OPEB) plan (Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Allocation of OPEB related balances to reporting units is determined on the basis of employee payroll funding.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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 and OPEB contributions after measurement date – These contributions are deferred and reported as a reduction in net pension liability or a reduction in total OPEB liabilities in the year subsequent to their deferral.
- 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.
- Change of assumptions – 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 one item that qualifies for reporting in this category in the government-wide financial statements which is the difference between projected and actual earnings on pension investments. This difference is deferred and amortized to pension expense over a closed five year period.

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.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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

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

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

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

Use of Estimates

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

New Financial Reporting Requirements

The GASB has issued the following statements which became effective for fiscal year 2018 and are applicable to the City.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The City has implemented this Statement in fiscal year 2018 and, accordingly, has restated amounts of affected balances within the government-wide financial statements as of October 1, 2017, of (\$793,433) related to Governmental Activities and (\$162,510) related to Business-Type Activities.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

Note 2: Deposits and Investments

At year-end, the carrying amount of the City’s cash on hand and deposits with financial institutions was \$3,711,354 (including certificates of deposits of \$493,552). At September 30, 2018, the City had approximately \$718,000 of uninsured and uncollateralized deposits due to a large deposit at the end of the last business day and the year-end falling on a weekend. Sufficient collateral was pledged the following week.

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

Investments as of September 30, 2018, are as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Days to Maturity</u>	<u>Rating as of Year-End</u>
Miscellaneous coupon securities	\$ 14,818,710	335	AAA - A1
TexPool Prime local government pool	6,904,792	30	AAAm
Texas CLASS local government pool	10,497,796	22	AAAm
LOGIC local government pool	2,158,912	34	AAAm
Certificates of deposit	<u>493,552</u>	365	N/A
Total fair value	<u>\$ 34,873,762</u>		
Portfolio weighted-average maturity		162	

Deposits and investments as of September 30, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position

Cash and cash equivalents – primary government	\$ 14,107,917
Restricted cash and cash equivalents – primary government	4,578,736
Investments – primary government	11,566,024
Restricted investments – primary government	3,746,238
Cash and cash equivalents – EIC	<u>4,092,649</u>
	<u>\$ 38,091,564</u>

Deposits and investments as of September 30, 2018, consist of the following:

Deposits (excluding certificates of deposits)	\$ 3,217,802
Investments	<u>34,873,762</u>
	<u>\$ 38,091,564</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. The State Comptroller has established an advisory board composed of both participants in TexPool and others not otherwise associated. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

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

The City is invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC investments are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City has not issued securities, but rather it owns an individual beneficial interest in the assets of the related investment pools. LOGIC uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares.

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

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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

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

Note 3: Receivables

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

	Governmental			Business-type Activities	Component Units	
	General	Other Governmental Funds	Total Governmental	Water and Sewer	KPUB	EIC
Taxes receivable	\$ 460,262	\$ 82,038	\$ 542,300	\$ -	\$ -	\$ -
Allowance for uncollectible taxes	(149,991)	(20,448)	(170,439)	-	-	-
	<u>310,271</u>	<u>61,590</u>	<u>371,861</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounts receivable	2,510,060	-	2,510,060	1,618,243	5,330,849	-
Allowance for uncollectible accounts	(1,815,038)	-	(1,815,038)	(247,765)	(86,344)	-
	<u>695,022</u>	<u>-</u>	<u>695,022</u>	<u>1,370,478</u>	<u>5,244,505</u>	<u>-</u>
Other receivables	1,832,740	-	1,832,740	-	-	-
Allowance for uncollectible accounts	(1,572,477)	-	(1,572,477)	-	-	-
	<u>260,263</u>	<u>-</u>	<u>260,263</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due from other governments	1,403,685	-	1,403,685	-	-	561,499
Total	<u>\$ 2,669,241</u>	<u>\$ 61,590</u>	<u>\$ 2,730,831</u>	<u>\$ 1,370,478</u>	<u>\$ 5,244,505</u>	<u>\$ 561,499</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

Note 4: Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance September 30, 2017	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2018
Governmental Activities					
Capital assets not being depreciated					
Land and land improvements	\$ 7,535,757	\$ -	\$ -	\$ -	\$ 7,535,757
Streets	34,425,208	-	-	-	34,425,208
Construction in progress	13,118,424	1,005,882	-	(12,540,253)	1,584,053
Total capital assets not being depreciated	<u>55,079,389</u>	<u>1,005,882</u>	<u>-</u>	<u>(12,540,253)</u>	<u>43,545,018</u>
Capital assets being depreciated					
Buildings	17,806,204	-	-	1,851,543	19,657,747
Improvements other than buildings	25,308,287	123,020	-	10,688,710	36,120,017
Vehicles	7,122,941	541,634	(271,424)	-	7,393,151
Machinery and equipment	4,123,372	226,121	(108,323)	-	4,241,170
Office equipment	481,858	55,648	(11,880)	-	525,626
Total capital assets being depreciated	<u>54,842,662</u>	<u>946,423</u>	<u>(391,627)</u>	<u>12,540,253</u>	<u>67,937,711</u>
Less: accumulated depreciation for					
Buildings	(5,913,192)	(479,319)	-	-	(6,392,511)
Improvements other than buildings	(4,357,064)	(639,945)	-	-	(4,997,009)
Vehicles	(4,696,973)	(499,374)	170,498	-	(5,025,849)
Machinery and equipment	(2,421,364)	(323,911)	108,423	-	(2,636,852)
Office equipment	(225,241)	(48,755)	11,880	-	(262,116)
Total accumulated depreciation	<u>(17,613,834)</u>	<u>(1,991,304)</u>	<u>290,801</u>	<u>-</u>	<u>(19,314,337)</u>
Capital assets being depreciated, net	<u>37,228,828</u>	<u>(1,044,881)</u>	<u>(100,826)</u>	<u>12,540,253</u>	<u>48,623,374</u>
Governmental activities capital assets, net	<u>\$ 92,308,217</u>	<u>\$ (38,999)</u>	<u>\$ (100,826)</u>	<u>\$ -</u>	<u>\$ 92,168,392</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

	Balance September 30, 2017	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2018
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 488,831	\$ -	\$ -	\$ -	\$ 488,831
Construction in progress	10,591,376	10,620,728	(112,455)	(20,415,079)	684,570
Total capital assets not being depreciated	<u>11,080,207</u>	<u>10,620,728</u>	<u>(112,455)</u>	<u>(20,415,079)</u>	<u>1,173,401</u>
Capital assets being depreciated					
Building	3,435,609	-	-	723,792	4,159,401
Improvements other than buildings	96,334,377	125,188	-	19,691,287	116,150,852
Vehicles	1,538,436	55,235	(48,428)	-	1,545,243
Machinery and equipment	3,461,123	42,545	(19,866)	-	3,483,802
Office equipment	118,248	-	-	-	118,248
Total capital assets being depreciated	<u>104,887,793</u>	<u>222,968</u>	<u>(68,294)</u>	<u>20,415,079</u>	<u>125,457,546</u>
Less: accumulated depreciation for					
Building	(1,758,130)	(97,504)	-	-	(1,855,634)
Improvements other than buildings	(34,900,052)	(2,179,358)	-	-	(37,079,410)
Vehicles	(1,046,336)	(133,247)	48,430	-	(1,131,153)
Machinery and equipment	(2,427,469)	(226,720)	11,257	-	(2,642,932)
Office equipment	(112,491)	(735)	-	-	(113,226)
Total accumulated depreciation	<u>(40,244,478)</u>	<u>(2,637,564)</u>	<u>59,687</u>	<u>-</u>	<u>(42,822,355)</u>
Capital assets being depreciated, net	<u>64,643,315</u>	<u>(2,414,596)</u>	<u>(8,607)</u>	<u>20,415,079</u>	<u>82,635,191</u>
Business-type activities capital assets, net	<u>\$ 75,723,522</u>	<u>\$ 8,206,132</u>	<u>\$ (121,062)</u>	<u>\$ -</u>	<u>\$ 83,808,592</u>
EIC					
Land	1,138,436	-	-	-	1,138,436
Total capital assets	<u>\$ 1,138,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,138,436</u>

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

General government	\$ 700,336
Public safety	634,520
Public works	377,089
Culture and recreation	276,412
Total depreciation expense – governmental activities	<u>\$ 1,988,357</u>
Business-type activities	
Water and Sewer	\$ 2,564,681
Golf course	72,883
Total depreciation expense – business-type activities	<u>\$ 2,637,564</u>
Internal Service Fund	
Garage fund	<u>\$ 2,947</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

	Balance September 30, 2017	Additions	Transfers	Retirements	Balance September 30, 2018
KPUB					
Capital assets, not being depreciated					
Land	\$ 233,398	\$ -	\$ -	\$ -	\$ 233,398
Construction in progress	2,422,143	8,305,144	(3,589,804)	344,918	6,792,565
Total capital assets not being depreciated	2,655,541	8,305,144	(3,589,804)	344,918	7,025,963
Capital assets, being depreciated					
Buildings	5,914,627	-	2,516,849	566,531	7,864,945
Improvements other than buildings	61,963,865	-	669,194	74,809	62,558,250
Vehicles	2,540,703	-	381,314	139,715	2,782,302
Machinery and equipment	1,090,909	-	23,899	4,852	1,109,956
Total capital assets being depreciated	71,510,104	-	3,591,256	785,907	74,315,453
Less accumulated depreciation for					
Buildings	(3,781,120)	(3,061,810)	-	911,449	(5,931,481)
Improvements other than buildings	(30,151,606)	(630,806)	-	77,107	(30,705,305)
Vehicles	(1,049,526)	(419,018)	-	139,715	(1,328,829)
Machinery and equipment	(369,821)	(60,538)	-	3,402	(426,957)
Total accumulated depreciation	(35,352,073)	(4,172,172)	-	1,131,673	(38,392,572)
Total capital assets being depreciated, net	36,158,031	(4,172,172)	3,591,256	1,917,580	35,922,881
Business-type activities capital assets, net	\$ 38,813,572	\$ 4,132,972	\$ 1,452	\$ 2,262,498	\$ 42,948,844

KPUB uses a composite rate to depreciate its investment in the electric plant. The composite rate was 5.7% for the year ended September 30, 2018.

Construction Commitments

The City has numerous active construction projects as of September 30, 2018. The projects include street, water and sewer projects, park and other improvements. These improvements are being paid with bond proceeds, EIC contributions and internally generated sources.

	Spent to Date	Remaining Commitments	Total Commitments
Governmental IP Fund			
River Trail	\$ 5,834,051	\$ 138,867	\$ 5,972,918
Street Maintenance	471,106	335,443	806,549
Parking Garage Repairs	620,796	512,347	1,133,143
	<u>\$ 6,925,953</u>	<u>\$ 986,657</u>	<u>\$ 7,912,610</u>
Water and Sewer Fund			
Reuse Pond	19,933,028	1,022,394	20,955,422
	<u>\$ 19,933,028</u>	<u>\$ 1,022,394</u>	<u>\$ 20,955,422</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

Note 5: Interfund Receivables, Payables, and Transfers

Interfund receivables and payables:

Interfund Payable	Interfund Receivable General Fund
Water and Sewer Fund	\$ 32,622
Nonmajor Enterprise Funds	6,684
Internal Service Funds	3,304
	\$ 42,610

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

Interfund transfers:

Transfer Fund	Transfer In	Transfer Out	Purpose of Transfer
General Fund	\$ 3,187,170	\$ 520,945	Budgetary
Governmental IP Fund	225,000	1,200,000	Capital Projects
Debt Service Fund	32,000	82,135	Budgetary
Golf Fund	280,000	-	Budgetary
Water and Sewer Fund	19,649	1,940,739	Budgetary
	\$ 3,743,819	\$ 3,743,819	

- **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 largest of which was \$1,200,000 originally reserved for a fire department capital project. The project amount was repurposed to purchase two fire trucks and moved to the asset replacement fund. The Water and Sewer Fund provides transfer to the General Fund to support overall operations. Debt Service Fund transfers relate to landfill post-closure costs.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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 December 2017, the City issued \$17,215,000 of Series 2017, General Obligation Refunding Bonds, with interest rates ranging from 2% to 5%. The debt was issued at a premium of \$1,324,740. The debt was issued for the purpose to refund certain maturities of the City's currently outstanding indebtedness. The issuance of the bonds will result in a net present value debt service savings of approximately \$1,070,000.

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 2008, 3.33%, maturing in annual installments of \$185,000 to \$225,000 through 2023	\$ -	\$ 1,060,000	\$ -
Combination Tax and Revenue Certificates of Obligation, Series 2010, 2.00% to 4.25%, maturing in annual installments of \$90,000 to \$345,000 through 2030	-	330,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2011, 2.00% to 4.125%, maturing in annual installments of \$255,000 to \$435,000 through 2030	-	280,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2011A, 2.00% to 3.50%, maturing in annual installments of \$175,000 to \$255,000 through 2031	2,810,000	-	-
Combination Tax and Revenue Certificates of Obligation, Series 2012, 2.00% to 2.50%, maturing in annual installments of \$465,000 to \$645,000 through 2032	2,745,000	4,795,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2013, 1.50% to 2.75%, maturing in annual installments of \$450,000 to \$610,000 through 2033	-	7,895,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2015, 2% to 3.625%, maturing in annual installments of \$360,000 to \$585,000 through 2035	7,875,000	-	-
Combination Tax and Revenue Certificates of Obligation, Series 2016, 2% to 3.625%, maturing in annual installments of \$370,000 to \$610,000 through 2035	-	8,450,000	-
	<u>\$ 13,430,000</u>	<u>\$ 22,810,000</u>	<u>\$ -</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

	<u>Governmental</u>	<u>Business-type</u>	<u>Component Units</u>
General Obligations			
General Obligation Refunding Bonds, Series 2017, 2.00% to 5.00%, maturing in annual installments of \$190,000 to \$1,755,000 through 2030	\$ 6,060,000	\$ 10,465,000	\$ -
	<u>\$ 6,060,000</u>	<u>\$ 10,465,000</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	\$ 279,881	\$ -	\$ -
	<u>\$ 279,881</u>	<u>\$ -</u>	<u>\$ -</u>
State Infrastructure Bank Loan			
State Infrastructure Bank Loan, Series 2006, 4.1%, maturing in annual installments of \$188,896 to \$196,540 through 2019	\$ 42,320	\$ 34,626	\$ -
	<u>\$ 42,320</u>	<u>\$ 34,626</u>	<u>\$ -</u>
Revenue Bonds			
City of Kerrville, Texas Electric System Revenue Refunding Bonds, Series 2013, 0.49% to 4.13%; maturing in annual installments of \$375,000 to \$520,000 through 2029	\$ -	\$ -	\$ 4,858,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,858,000</u>
Kerrville Public Utility Board Loan			
Kerrville Public Utility Board Loan, 2.4%, maturing in annual installments of \$1,072,428 beginning 2020 through 2026	\$ -	\$ 7,500,000	\$ -
	<u>\$ -</u>	<u>\$ 7,500,000</u>	<u>\$ -</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

During the year ended September 30, 2018, the following changes occurred in business-type and governmental activities long-term debt:

	Beginning of Year	Additions	Deletions	End of Year	Within One Year
Governmental Activities					
General obligation bonds	\$ 2,523,000	\$ 6,750,000	\$ 3,213,000	\$ 6,060,000	\$ 840,000
Certificates of obligation	18,890,000	-	5,460,000	13,430,000	745,000
Cailloux Foundation promissory note	529,881	-	250,000	279,881	279,881
State Infrastructure Bank loan	150,472	-	108,152	42,320	42,320
Unamortized bond premium	333,479	458,915	136,986	655,408	178,565
Net bonds payable	22,426,832	7,208,915	9,168,138	20,467,609	2,085,766
Compensated absences	873,172	700,176	551,290	1,022,058	625,583
Landfill closure and post-closure costs	3,357,569	4,055	-	3,361,624	-
Governmental activity long-term liabilities	\$ 26,657,573	\$ 7,913,146	\$ 9,719,428	\$ 24,851,291	\$ 2,711,349
Business-type Activities					
General obligation bonds	\$ 3,147,000	\$ 10,465,000	\$ 3,147,000	\$ 10,465,000	\$ -
Certificates of obligation	33,335,000	-	10,525,000	22,810,000	2,600,000
State Infrastructure Bank loan	123,114	-	88,488	34,626	34,626
Kerrville Public Utility Board note	7,500,000	-	-	7,500,000	-
Unamortized bond premium	720,704	865,825	333,274	1,253,255	198,078
Net bonds payable	44,825,818	11,330,825	14,093,762	42,062,881	2,832,704
Compensated absences	168,380	133,214	111,303	190,291	74,694
Business-type activity long-term liabilities	\$ 44,994,198	\$ 11,464,039	\$ 14,205,065	\$ 42,253,172	\$ 2,907,398
Discrete Component Unit – KPUB					
Revenue refunding bonds	\$ 5,237,000	\$ -	\$ 379,000	\$ 4,858,000	\$ 385,000
	<u>\$ 5,237,000</u>	<u>\$ -</u>	<u>\$ 379,000</u>	<u>\$ 4,858,000</u>	<u>\$ 385,000</u>

For the governmental activities, compensated absences and landfill closure and post-closure costs are generally liquidated by the General Fund.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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

Fiscal Years Ending September 30	Governmental Activities		
	Principal	Interest	Total
2019	1,907,201	567,275	2,474,476
2020	1,530,000	531,164	2,061,164
2021	1,570,000	494,416	2,064,416
2022	1,610,000	452,861	2,062,861
2023	1,200,000	417,511	1,617,511
2024 – 2028	6,485,000	1,484,941	7,969,941
2029 – 2033	4,365,000	538,479	4,903,479
2034 – 2035	1,145,000	60,513	1,205,513
Total	\$ 19,812,201	\$ 4,547,160	\$ 24,359,361

Fiscal Years Ending September 30	Business-type Activities		
	Principal	Interest	Total
2019	2,634,626	1,110,958	3,745,584
2020	2,925,000	1,040,203	3,965,203
2021	2,725,000	972,477	3,697,477
2022	2,810,000	899,834	3,709,834
2023	2,891,429	829,054	3,720,483
2024 – 2028	15,917,142	2,891,418	18,808,560
2029 – 2033	9,701,429	854,478	10,555,907
2034 – 2035	1,205,000	54,450	1,259,450
Total	\$ 40,809,626	\$ 8,652,872	\$ 49,462,498

Fiscal Years Ending September 30	KPUB		
	Principal	Interest	Total
2019	385,000	145,543	530,543
2020	392,000	138,448	530,448
2021	401,000	130,055	531,055
2022	411,000	120,325	531,325
2023	422,000	109,197	531,197
2024 – 2028	2,327,000	327,430	2,654,430
2029	520,000	10,738	530,738
Total	\$ 4,858,000	\$ 981,736	\$ 5,839,736

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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 60% 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 \$3,361,624 as of September 30, 2018, is based on 70% usage (filled) of the landfill. It is estimated that an additional \$1,444,563 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 \$4,806,187 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, 2018. 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. For the governmental activities of the City, landfill closure and post-closure costs are generally liquidated by the General Fund.

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, 2018

Contingent Liabilities and Commitments

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 880 plans in the nontraditional, joint contributory, hybrid agent multiple-employer defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title 8, Texas Government Code (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’ defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. The plan provisions as adopted by the City and KPUB are within the options available in the governing state statutes of TMRS.

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

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

For the year ended September 30, 2018, the City and KPUB reported the following:

	City		KPUB
Pension liability	\$ 3,895,123		\$ 1,072,533
Deferred outflows of resources	2,718,042		1,116,243
Deferred inflows of resources	1,882,301		1,521,303
Pension expense	2,720,975		590,282

For the governmental activities of the City, the pension liability is generally liquidated by the General Fund.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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 payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

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, 2017, 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	240	35
Inactive employees entitled to but not yet receiving benefits	175	30
Active employees	<u>304</u>	<u>56</u>
Total	<u>719</u>	<u>121</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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, 2018, contributions of \$1,572,311 and \$537,357, were made by the City and KPUB, respectively, and were equal to the required contributions.

Net Pension Liability

The City's net pension liability and KPUB's net pension liability at September 30, 2018, were measured as of December 31, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year for the City and KPUB
Overall Payroll Growth	3.5% per year for the City and KPUB
Investment Rate of Return	6.75%, 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 Mortality Table with Blue Collar Adjustments, 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, 2017, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. 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.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Domestic equity	17.5%	4.55%
International equity	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	4.15%
Real return	10.0%	4.15%
Real estate	10.0%	4.75%
Absolute return	10.0%	4.00%
Private equity	5.0%	7.75%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7.00% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

Changes in the City'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, 2017	\$ 75,277,376	\$ 67,221,929	\$ 8,055,447
Changes for the year:			
Service cost	2,369,887	-	2,369,887
Interest on total pension liability	5,033,587	-	5,033,587
Effect of difference in expected and actual experience	413,315	-	413,315
Benefit payments	(3,781,320)	(3,781,320)	-
Administrative expenses	-	(48,283)	48,283
Member contributions	-	1,141,721	(1,141,721)
Net investment income	-	9,313,809	(9,313,809)
Employer contributions	-	1,572,311	(1,572,311)
Other	-	(2,445)	2,445
Balances as of September 30, 2018	<u>\$ 79,312,845</u>	<u>\$ 75,417,722</u>	<u>\$ 3,895,123</u>

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, 2017	\$ 25,454,331	\$ 22,776,940	\$ 2,677,391
Changes for the year:			
Service cost	638,277	-	638,277
Interest on total pension liability	1,711,786	-	1,711,786
Effect of difference in expected and actual experience	(22,320)	-	(22,320)
Benefit payments	(827,347)	(827,347)	-
Administrative expenses	-	(16,360)	16,360
Member contributions	-	512,666	(512,666)
Net investment income	-	3,157,178	(3,157,178)
Employer contributions	-	279,946	(279,946)
Other	-	(829)	829
Balances as of September 30, 2018	<u>\$ 26,954,727</u>	<u>\$ 25,882,194</u>	<u>\$ 1,072,533</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

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 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	\$ 14,798,589	\$ 3,895,123	\$ (5,093,836)
KPUB's net pension liability (asset)	\$ 4,956,059	\$ 1,072,533	\$ (2,113,025)

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.tmr.com.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2018, the City and KPUB recognized pension expense of \$2,720,975 and \$590,282, respectively.

At September 30, 2018, the City and KPUB reported deferred outflows of resources related to pensions from the following sources:

	City		KPUB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 976,979	\$ -	\$ 52,427	\$ 224,641
Changes of assumptions	416,899	-	43,806	-
Differences between projected and actual investment earnings	-	1,882,301	640,313	1,296,662
Contributions subsequent to the measurement date through year-end	1,324,164	-	379,697	-
	<u>\$ 2,718,042</u>	<u>\$ 1,882,301</u>	<u>\$ 1,116,243</u>	<u>\$ 1,521,303</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,324,164 and \$379,697 made by the City and KPUB, respectively, will be recognized as a reduction of the net pension liability for the year ending September 30, 2019.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	City	KPUB
2018	\$ 914,897	\$ 11,170
2019	353,914	(91,734)
2020	(819,768)	(379,339)
2021	<u>(937,466)</u>	<u>(324,854)</u>
Total	<u>\$ (488,423)</u>	<u>\$ (784,757)</u>

Note 9: Other Postemployment Benefit Plan

Plan Description

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

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

Benefits Provided:

The plan provides a \$7,500 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the SDBF. The OPEB benefit is a fixed \$7,500 lump-sum benefit and no future increases are assumed in the benefit amount.

The SDBF fund does not meet the requirements of a trust under Paragraph 4b of GASBS No. 75, as the assets of the SDBF can be used to pay active SDBF benefits which are not part of the OPEB plan. The contributions for retiree SDBF coverage are assigned to the OPEB plan under GASBS No. 75 and are used to determine the benefit payments shown in the changes in the total OPEB liability.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

Benefit terms are established under the TMRS Act. Participation in the retiree SDBF is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. KPUB's contribution rate for the retiree SDBF program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$7,500.

Contributions:

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

Employees Covered by Benefit Terms:

At the December 31, 2017, valuation and measurement date, the following employees were covered by the benefit terms:

	City	KPUB
Inactive employees or beneficiaries currently receiving benefits	189	31
Inactive employees entitled to but not yet receiving benefits	45	19
Active employees	304	56
Total employees	538	106

Total OPEB Liability:

The City's total OPEB liability and KPUB's total OPEB liability at September 30, 2018, were measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

	December 31, 2017
Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.31% as of December 31, 2017 (3.81% as of December 31, 2016)
Inflation	2.50%
Overall Payroll Growth	3.50% to 10.50%, including inflation
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates – Service Retirees	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.
Mortality Rates – Disabled Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASBS No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.31% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2017. At transition, GASBS No. 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index.

Changes in the City's Total OPEB Liability:

	Total OPEB Liability
Balance as of October 1, 2017	\$ 978,235
Changes for the year:	
Service cost	32,621
Interest on total OPEB liability	37,409
Effect of assumption changes and inputs	87,451
Benefit payments	(9,786)
Balance as of September 30, 2018	\$ 1,125,930

For the governmental activities of the City, the OPEB liability is generally liquidated by the General Fund.

Changes in the KPUB's Total OPEB Liability:

	Total OPEB Liability
Balance as of October 1, 2017	\$ 204,932
Changes for the year:	
Service cost	5,999
Interest on total OPEB liability	7,837
Effect of assumption changes and inputs	18,923
Benefit payments	(1,200)
Balance as of September 30, 2018	\$ 236,491

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

Sensitivity Analysis:

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.31%, as well as what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's net OPEB liability (asset)	\$ 1,348,959	\$ 1,125,930	\$ 951,079
KPUB's net OPEB liability (asset)	\$ 284,798	\$ 236,491	\$ 198,517

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

For the year ended September 30, 2018, the City and KPUB recognized OPEB expense of \$85,901 and \$17,941, respectively.

At September 30, 2018, the City and KPUB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	City		KPUB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 71,580	\$ -	\$ 14,818	\$ -
Contributions subsequent to the measurement date through year-end	24,831	-	843	-
Total	\$ 96,411	\$ -	\$ 15,661	\$ -

Contributions subsequent to the measurement date and before fiscal year-end will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

<u>Year Ended</u>	<u>City</u>	<u>KPUB</u>
2018	\$ 15,871	\$ 4,105
2019	15,871	4,105
2020	15,871	4,105
2021	15,871	2,503
2022	<u>8,096</u>	<u>-</u>
Total	<u>\$ 71,580</u>	<u>\$ 14,818</u>

Note 10: Investment in Joint Venture

The City and Kerr County operate a municipal airport under a joint venture agreement. Participants provide financial support and are entitled to an undivided 50% interest in net position. The following is condensed financial information for the airport as of and for the year ended September 30, 2018:

Assets

Cash	\$ 530,084
Receivables	4,930
Prepaid items	6,643
Nondepreciable property	
Land	2,872,627
Depreciable property, net	
Buildings	3,757,956
Improvements	10,677,924
Vehicle	10,035
Machinery and equipment	<u>17,551</u>
Total assets	<u>17,877,750</u>

Liabilities and Net Position

Liabilities

Accounts payable	\$ 11,446
Wages and salaries payable	6,083
Unearned revenue	20,880
Other current liabilities	<u>15,422</u>
Total liabilities	<u>53,831</u>

Net Position

Net investment in capital assets	17,336,093
Restricted for capital projects	56,669
Unrestricted	<u>431,157</u>
Total net position	<u>\$ 17,823,919</u>

Revenues

Capital grants and contributions	\$ 100,000
Charges for services	<u>398,351</u>

Total Revenues

498,351

Expenses

Airport operations	<u>954,252</u>
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Operating loss

(455,901)

General Revenues

Miscellaneous revenue	2,500
Unrestricted investment earnings	<u>377</u>
	2,877

Change in Net Position

(453,024)

Net Position, Beginning of Year

18,276,943

Net Position, End of Year

\$ 17,823,919

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

Note 11: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. agency securities	\$ 2,995,322	\$ -	\$ 2,995,322	\$ -
Commercial paper	5,859,751	-	5,859,751	-
U.S. treasury	5,963,637	-	5,963,637	-
	<u>14,818,710</u>	<u>\$ -</u>	<u>\$ 14,818,710</u>	<u>\$ -</u>
Total investments by fair value level				
	14,818,710	\$ -	\$ 14,818,710	\$ -
Investments measured at net asset value				
LOGIC	\$ 2,158,912			
Texas CLASS	10,497,796			
	<u>12,656,708</u>			
Investments measured at amortized cost				
Texpool Prime	\$ 2,822,143			
Texpool Prime (EIC)	4,082,649			
Non-negotiable certificates of deposit	493,552			
	<u>7,398,344</u>			
	<u>\$ 34,873,762</u>			
Total investments				

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2018

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. As of September 30, 2018, no investments were classified within Level 3 of the fair value hierarchy.

Note 12: Subsequent Event

In December 2018, the City issued \$8,000,000 of Series 2018A and \$5,000,000 of Series 2018B Combination Tax and Surplus Revenue Certificates of Obligation. The debt was directly placed with the Texas Water Development Board through programs offering subsidized interest rates for qualifying water related projects. The proceeds will be used to fund a new lift station and an enhanced water filtration system.



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

Exhibit B-1

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017
Total Pension Liability:				
Service cost	\$ 1,951,508	\$ 2,199,722	\$ 2,302,945	\$ 2,369,887
Interest	4,299,140	4,537,125	4,749,013	5,033,587
Difference between expected and actual experience	224,385	833,034	752,018	413,315
Change of assumptions	-	1,401,697	-	-
Benefit payments, including refunds of employee contributions	(2,893,459)	(3,505,260)	(3,461,755)	(3,781,320)
Net Change in Total Pension Liability	3,581,574	5,466,318	4,342,221	4,035,469
Total Pension Liability – Beginning	61,887,263	65,468,837	70,935,155	75,277,376
Total Pension Liability – Ending (a)	65,468,837	70,935,155	75,277,376	79,312,845
Plan Fiduciary Net Position:				
Contributions – employer	1,285,810	1,333,494	1,326,321	1,572,311
Contributions – employee	1,033,371	1,087,221	1,103,361	1,141,721
Net investment income	3,552,041	95,956	4,323,251	9,313,809
Benefit payments, including refunds of employee contributions	(2,893,459)	(3,505,260)	(3,461,755)	(3,781,320)
Administrative expense	(37,086)	(58,447)	(48,835)	(48,283)
Other	(3,049)	(2,887)	(2,631)	(2,445)
Net Change in Plan Fiduciary Net Position	2,937,628	(1,049,923)	3,239,712	8,195,793
Plan Fiduciary Net Position – Beginning	62,094,512	65,032,140	63,982,217	67,221,929
Plan Fiduciary Net Position – Ending (b)	65,032,140	63,982,217	67,221,929	75,417,722
City’s Net Pension Liability – Ending (a) - (b)	\$ 436,697	\$ 6,952,938	\$ 8,055,447	\$ 3,895,123
Plan fiduciary net position as a percentage of total pension liability	99.3%	90.2%	89.3%	95.1%
Covered payroll	\$ 14,762,442	\$ 15,523,799	\$ 15,752,020	\$ 16,310,305
City’s net pension liability as a percentage of covered payroll	3.0%	44.8%	51.1%	23.9%

Other Information:

The discount rate changed from 7.00% to 6.75% for the 2015 valuation; there were no other changes in assumptions.

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

Exhibit B-2

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Actuarially determined contribution	1,325,004	1,376,486	1,326,321	1,572,311
Contribution in relation of the actuarially determined contribution	<u>1,325,004</u>	<u>1,376,486</u>	<u>1,326,321</u>	<u>1,572,311</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	15,367,386	15,968,863	16,148,368	16,993,172
Contributions as a percentage of covered payroll	8.6%	8.6%	8.2%	9.3%

Notes to Schedule:

Valuation Date:

Actuarially 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	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. There were no benefit changes during the year.

Other Information:

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 Total OPEB Liability and Related Ratios - City
Texas Municipal Retirement System

Exhibit B-3

	Measurement Year 2017
Total OPEB Liability:	
Service cost	\$ 32,621
Interest	37,409
Change in assumptions	87,451
Benefit payments	(9,786)
Net Change in Total OPEB Liability	147,695
Total OPEB Liability – Beginning	978,235
Total OPEB Liability – Ending	\$ 1,125,930
Covered Payroll	16,310,305
Total OPEB Liability as a Percentage of Covered Payroll	6.90%

Other Information:

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 75, 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
Last Four Fiscal Years

Exhibit B-4

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017
Total Pension Liability:				
Service cost	\$ 553,679	\$ 673,011	\$ 647,310	\$ 638,277
Interest	1,474,035	1,588,966	1,643,216	1,711,786
Difference between expected and actual experience	190,503	119,729	(365,600)	(22,320)
Change of assumptions	-	139,038	-	-
Benefit payments, including refunds of employee contributions	<u>(526,824)</u>	<u>(745,186)</u>	<u>(981,761)</u>	<u>(827,347)</u>
Net Change in Total Pension Liability	1,691,393	1,775,558	943,165	1,500,396
Total Pension Liability – Beginning	<u>21,044,215</u>	<u>22,735,608</u>	<u>24,511,166</u>	<u>25,454,331</u>
Total Pension Liability – Ending (a)	<u>22,735,608</u>	<u>24,511,166</u>	<u>25,454,331</u>	<u>26,954,727</u>
Plan Fiduciary Net Position:				
Contributions – employer	437,344	513,580	473,838	512,666
Contributions – employee	270,204	304,924	281,090	279,946
Net investment income	1,153,226	31,695	1,457,035	3,157,178
Benefit payments, including refunds of employee contributions	(526,824)	(745,186)	(981,761)	(827,347)
Administrative expense	(12,040)	(19,305)	(16,459)	(16,360)
Other	<u>(990)</u>	<u>(953)</u>	<u>(887)</u>	<u>(829)</u>
Net Change in Plan Fiduciary Net Position	1,320,920	84,755	1,212,856	3,105,254
Plan Fiduciary Net Position – Beginning	<u>20,158,409</u>	<u>21,479,329</u>	<u>21,564,084</u>	<u>22,776,940</u>
Plan Fiduciary Net Position – Ending (b)	<u>21,479,329</u>	<u>21,564,084</u>	<u>22,776,940</u>	<u>25,882,194</u>
KPUB’s Net Pension Liability – Ending (a) - (b)	<u>\$ 1,256,279</u>	<u>\$ 2,947,082</u>	<u>\$ 2,677,391</u>	<u>\$ 1,072,533</u>
Plan fiduciary net position as a percentage of total pension liability	94.5%	88.0%	89.5%	96.0%
Covered payroll	\$ 3,860,050	\$ 4,356,061	\$ 4,015,570	\$ 3,999,227
KPUB’s net pension liability as a percentage of covered payroll	32.5%	67.7%	66.7%	26.8%

Other Information:

The discount rate changed from 7.00% to 6.75% for the 2015 valuation; there were no other changes in assumptions.

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.

City of Kerrville, Texas
Schedule of Contributions – KPUB
Texas Municipal Retirement System
Last Four Fiscal Years

Exhibit B-5

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2018</u>
Actuarially determined contribution	\$ 486,427	\$ 478,030	\$ 496,124	\$ 537,357
Contribution in relation of the actuarially determined contribution	<u>486,427</u>	<u>478,030</u>	<u>496,124</u>	<u>537,357</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	4,165,019	4,052,120	4,020,268	3,919,181
Contributions as a percentage of covered payroll	11.7%	11.8%	12.3%	13.7%

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	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to KPUB's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. There were no benefit changes during the year.

Other Information:

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 Changes in Total OPEB Liability and Related Ratios – KPUB
Texas Municipal Retirement System

Exhibit B-6

	Measurement Year 2017
Total OPEB Liability:	
Service cost	\$ 5,999
Interest	7,837
Change in assumptions	18,923
Benefit payments	(1,200)
Net Change in Total OPEB Liability	31,559
Total OPEB Liability – Beginning	204,932
Total OPEB Liability – Ending	\$ 236,491
Covered Payroll	3,999,227
Total OPEB Liability as a Percentage of Covered Payroll	5.91%

Other Information:

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 75, only periods for which such information is available are presented.



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City of Kerrville, Texas
Schedule of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual (General Fund)
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes, penalties and interest	\$ 18,258,160	\$ 18,258,160	\$ 18,300,673	\$ 42,513
Intergovernmental	1,381,387	1,381,387	1,372,133	(9,254)
Licenses and permits	476,000	476,000	581,014	105,014
Charges for services	3,870,518	3,870,518	4,158,789	288,271
Fines and forfeitures	627,800	627,800	612,061	(15,739)
Grants	22,000	76,064	123,353	47,289
Investment income	76,250	76,250	246,697	170,447
Miscellaneous	275,061	275,061	295,976	20,915
	<u>24,987,176</u>	<u>25,041,240</u>	<u>25,690,696</u>	<u>649,456</u>
Expenditures				
General government				
City council	9,514	18,943	18,755	188
City secretary	212,412	212,412	202,783	9,629
City attorney	272,912	258,912	258,363	549
Municipal court	439,555	439,555	435,229	4,326
City administration	680,773	730,640	730,539	101
Human resources	373,159	367,159	357,408	9,751
Finance	428,699	428,699	425,947	2,752
Information systems	1,083,673	1,096,673	1,064,177	32,496
Solid waste	192,680	173,584	167,838	5,746
General operations	1,497,232	1,530,309	1,525,668	4,641
	<u>5,190,609</u>	<u>5,256,886</u>	<u>5,186,707</u>	<u>70,179</u>
Public safety				
Police	5,805,699	5,768,599	5,617,132	151,467
Fire	4,620,412	4,826,259	4,826,235	24
Fire marshal	214,736	221,151	220,724	427
Emergency medical services	2,584,469	2,436,270	2,436,063	207
	<u>13,225,316</u>	<u>13,252,279</u>	<u>13,100,154</u>	<u>152,125</u>
Public works				
Planning	159,106	147,605	135,193	12,412
Building services	487,861	487,861	441,678	46,183
Engineering	386,365	386,365	355,163	31,202
Streets	3,107,022	3,106,117	3,098,128	7,989
Code compliance	161,795	148,876	130,946	17,930
	<u>4,302,149</u>	<u>4,276,824</u>	<u>4,161,108</u>	<u>115,716</u>

Exhibit B-7

	Budgeted Amounts		Actual	Final Budget Positive (Negative)
	Original	Final		
Culture and recreation				
Kerrville-Schreiner Park	\$ 465,246	\$ 449,020	\$ 446,903	\$ 2,117
Tennis center	13,020	11,107	10,736	371
Aquatics	121,721	174,615	174,574	41
Parks maintenance	1,297,255	1,259,005	1,258,246	759
Recreation	184,803	196,330	196,154	176
Library	688,309	688,309	686,820	1,489
Main Street	8,085	8,085	7,548	537
Sports complex	548,281	660,781	654,198	6,583
Total culture and recreation	<u>3,326,720</u>	<u>3,447,252</u>	<u>3,435,179</u>	<u>12,073</u>
Capital outlay	<u>1,388,250</u>	<u>1,341,938</u>	<u>865,542</u>	<u>476,396</u>
Total expenditures	<u>27,433,044</u>	<u>27,575,179</u>	<u>26,748,690</u>	<u>826,489</u>
Excess (deficiency) of revenues over expenditures	<u>(2,445,868)</u>	<u>(2,533,939)</u>	<u>(1,057,994)</u>	<u>1,475,945</u>
Other Financing Sources (Uses)				
Transfers in	3,147,874	3,147,874	3,187,170	39,296
Transfers out	<u>(112,000)</u>	<u>(481,649)</u>	<u>(520,945)</u>	<u>(39,296)</u>
Total other financing sources	<u>3,035,874</u>	<u>2,666,225</u>	<u>2,666,225</u>	<u>-</u>
Net Changes in Fund Balance	590,006	132,286	1,608,231	1,475,945
Fund Balance, Beginning of Year	<u>13,440,490</u>	<u>13,440,490</u>	<u>13,440,490</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 14,030,496</u>	<u>\$ 13,572,776</u>	<u>\$ 15,048,721</u>	<u>\$ 1,475,945</u>

City of Kerrville, Texas
Notes to Required Supplementary Information
September 30, 2018

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 July 31 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 a fund as long as the request results in a \$0 net impact to the fund. The City Council must authorize all changes to the budget that result in a change to the net position of a fund. 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 fund. Accordingly, the level at which expenditures cannot legally exceed appropriations is the fund level.

Appropriations for annually budgeted funds lapse at year-end.

Excess of Expenditures Over Appropriations

For the fiscal year ended September 30, 2018, the General Fund had no expenditures in excess of appropriations of the final adopted budget to actual.

City of Kerrville, Texas
Modified Approach for Capital Assets – Street System
September 30, 2018

Exhibit B-8

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		
	2018	2017	2016
Secondary arterial	87	88	87
Collector	80	80	80
Industrial	86	87	88
Residential	80	80	80
Overall system	80	80	79

	Comparison of Needed-to-Actual Maintenance/Preservation				
	2018	2017	2016	2015	2014
Overall system					
Needed	\$ -	\$ -	\$ -	\$ -	\$ -
Actual	2,563,676	731,839	509,048	902,715	522,644

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, 2018

	Special Revenue Funds				
	Library Memorial	Hotel/Motel Tax	Hotel Reserve Fund	History Center	Grant
Assets					
Cash and cash equivalents	\$ 246,080	\$ 666,805	\$ 223,324	\$ 113,552	\$ 1,777
Investments	185,639	503,029	168,473	85,662	1,340
Taxes receivable	-	7	-	-	-
Total assets	<u>431,719</u>	<u>1,169,841</u>	<u>391,797</u>	<u>199,214</u>	<u>3,117</u>
Liabilities					
Accounts payable and accrued expenses	-	-	-	68	-
	-	-	-	68	-
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	-
Fund Balances					
Restricted	-	1,169,841	391,797	-	3,117
Committed	<u>431,719</u>	<u>-</u>	<u>-</u>	<u>199,146</u>	<u>-</u>
Total fund balances	<u>\$ 431,719</u>	<u>\$ 1,169,841</u>	<u>\$ 391,797</u>	<u>\$ 199,146</u>	<u>\$ 3,117</u>

Exhibit C-1

Special Revenue Funds			Capital Projects Fund	Debt Service Fund	Total Nonmajor Funds
Police	PEG	Municipal Court	Parkland Dedication	Debt Service Fund	
\$ 52,902	\$ 21,429	\$ 45,398	\$ 87,909	\$ 652,739	\$ 2,111,915
39,909	16,166	34,248	66,317	492,417	1,593,200
-	14,000	-	-	47,583	61,590
<u>92,811</u>	<u>51,595</u>	<u>79,646</u>	<u>154,226</u>	<u>1,192,739</u>	<u>3,766,705</u>
31,833	-	625	-	-	32,526
<u>31,833</u>	<u>-</u>	<u>625</u>	<u>-</u>	<u>-</u>	<u>32,526</u>
-	-	-	-	48,272	48,272
60,978	51,595	79,021	-	1,144,467	2,900,816
<u>-</u>	<u>-</u>	<u>-</u>	<u>154,226</u>	<u>-</u>	<u>785,091</u>
<u>\$ 60,978</u>	<u>\$ 51,595</u>	<u>\$ 79,021</u>	<u>\$ 154,226</u>	<u>\$ 1,144,467</u>	<u>\$ 3,685,907</u>

City of Kerrville, Texas
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended September 30, 2018

	Special Revenue Funds				
	Library Memorial	Hotel/Motel Tax	Hotel Reserve Fund	History Center	Grant
Revenues					
Taxes and penalties	\$ -	\$ 1,333,802	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-
Charges for services	-	-	-	114	-
Grants	107,346	-	-	-	28,304
Investment income	5,947	14,907	5,826	2,896	-
Miscellaneous	774	-	-	19,315	-
Total revenues	114,067	1,348,709	5,826	22,325	28,304
Expenditures					
Current					
Culture and recreation	6,232	1,090,707	-	6,799	-
General government	-	-	-	-	-
Capital outlay	15,839	-	-	513	28,304
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	22,071	1,090,707	-	7,312	28,304
Excess (deficiency) of revenues over expenditures	91,996	258,002	5,826	15,013	-
Other Financing Sources (Uses)					
Issuance of long-term debt	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-
Payment to the refunded bond escrow agent	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net Change in Fund Balances	91,996	258,002	5,826	15,013	-
Fund Balances, Beginning of Year	339,723	911,839	385,971	184,133	3,117
Fund Balances, End of Year	\$ 431,719	\$ 1,169,841	\$ 391,797	\$ 199,146	\$ 3,117

Exhibit C-2

Special Revenue Funds			Capital Projects Fund	Debt Service Fund	Total Nonmajor Funds
Police	PEG	Municipal Court	Parkland Dedication	Debt Service Fund	
\$ -	\$ 58,567	\$ -	\$ -	\$ 1,459,417	\$ 2,851,786
-	-	-	46,096	-	46,096
24,778	-	29,831	-	-	54,723
-	-	-	-	-	135,650
1,178	401	1,391	2,111	27,186	61,843
6,936	-	-	-	1,129,913	1,156,938
<u>32,892</u>	<u>58,968</u>	<u>31,222</u>	<u>48,207</u>	<u>2,616,516</u>	<u>4,307,036</u>
5,965	-	-	-	-	1,109,703
-	24,129	4,442	-	-	28,571
-	25,780	29,069	-	-	99,505
-	-	-	-	2,018,177	2,018,177
-	-	-	-	617,818	617,818
<u>5,965</u>	<u>49,909</u>	<u>33,511</u>	<u>-</u>	<u>2,635,995</u>	<u>3,873,774</u>
<u>26,927</u>	<u>9,059</u>	<u>(2,289)</u>	<u>48,207</u>	<u>(19,479)</u>	<u>433,262</u>
-	-	-	-	6,750,000	6,750,000
-	-	-	-	458,915	458,915
-	-	-	-	(7,133,297)	(7,133,297)
-	-	-	-	32,000	32,000
-	-	-	-	(82,135)	(82,135)
-	-	-	-	25,483	25,483
26,927	9,059	(2,289)	48,207	6,004	458,745
<u>34,051</u>	<u>42,536</u>	<u>81,310</u>	<u>106,019</u>	<u>1,138,463</u>	<u>3,227,162</u>
<u>\$ 60,978</u>	<u>\$ 51,595</u>	<u>\$ 79,021</u>	<u>\$ 154,226</u>	<u>\$ 1,144,467</u>	<u>\$ 3,685,907</u>

City of Kerrville, Texas
Library Memorial
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2018

Exhibit C-3

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grants	\$ 26,500	\$ 26,500	\$ 107,346	\$ 80,846
Investment income	1,500	1,500	5,947	4,447
Miscellaneous	<u>500</u>	<u>500</u>	<u>774</u>	<u>274</u>
Total revenues	<u>28,500</u>	<u>28,500</u>	<u>114,067</u>	<u>85,567</u>
Expenditures				
Culture and recreation	8,350	8,350	6,232	2,118
Capital outlay	<u>16,650</u>	<u>16,650</u>	<u>15,839</u>	<u>811</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>22,071</u>	<u>2,929</u>
Net Change in Fund Balance	3,500	3,500	91,996	88,496
Fund Balance, Beginning of Year	<u>339,723</u>	<u>339,723</u>	<u>339,723</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 343,223</u>	<u>\$ 343,223</u>	<u>\$ 431,719</u>	<u>\$ 88,496</u>

City of Kerrville, Texas
Hotel/Motel Tax
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2018

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	\$ 1,200,000	\$ 1,200,000	\$ 1,333,802	\$ 133,802
Investment income	5,000	5,000	14,907	9,907
Total revenues	<u>1,205,000</u>	<u>1,205,000</u>	<u>1,348,709</u>	<u>143,709</u>
Expenditures				
Culture and recreation	<u>1,175,200</u>	<u>1,175,200</u>	<u>1,090,707</u>	<u>84,493</u>
Total expenditures	<u>1,175,200</u>	<u>1,175,200</u>	<u>1,090,707</u>	<u>84,493</u>
Net Change in Fund Balance	29,800	29,800	258,002	228,202
Fund Balance, Beginning of Year	<u>911,839</u>	<u>911,839</u>	<u>911,839</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 941,639</u>	<u>\$ 941,639</u>	<u>\$ 1,169,841</u>	<u>\$ 228,202</u>

City of Kerrville, Texas
Hotel Reserve Fund
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2018

Exhibit C-5

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Investment income	\$ 1,500	\$ 1,500	\$ 5,826	\$ 4,326
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>5,826</u>	<u>4,326</u>
Net Change in Fund Balance	1,500	1,500	5,826	4,326
Fund Balance, Beginning of Year	<u>385,971</u>	<u>385,971</u>	<u>385,971</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 387,471</u>	<u>\$ 387,471</u>	<u>\$ 391,797</u>	<u>\$ 4,326</u>

City of Kerrville, Texas
History Center
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2018

Exhibit C-6

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for services	\$ 350	\$ 350	\$ 114	\$ (236)
Investment income	300	300	2,896	2,596
Miscellaneous	<u>32,368</u>	<u>32,368</u>	<u>19,315</u>	<u>(13,053)</u>
Total revenues	<u>33,018</u>	<u>33,018</u>	<u>22,325</u>	<u>(10,693)</u>
Expenditures				
Cultural and recreation	13,523	13,628	6,799	6,829
Capital outlay	<u>1,000</u>	<u>895</u>	<u>513</u>	<u>382</u>
Total expenditures	<u>14,523</u>	<u>14,523</u>	<u>7,312</u>	<u>7,211</u>
Net Change in Fund Balance	18,495	18,495	15,013	(3,482)
Fund Balance, Beginning of Year	<u>184,133</u>	<u>184,133</u>	<u>184,133</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 202,628</u></u>	<u><u>\$ 202,628</u></u>	<u><u>\$ 199,146</u></u>	<u><u>\$ (3,482)</u></u>

City of Kerrville, Texas
PEG Fund
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2018

Exhibit C-7

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 50,000	\$ 50,000	\$ 58,567	\$ 8,567
Investment income	-	-	401	401
Total revenues	50,000	50,000	58,968	8,968
Expenditures				
General government	30,000	24,220	24,129	91
Capital outlay	20,000	25,780	25,780	-
Total expenditures	50,000	50,000	49,909	91
Net Change in Fund Balance	-	-	9,059	9,059
Fund Balance, Beginning of Year	42,536	42,536	42,536	-
Fund Balance, End of Year	\$ 42,536	\$ 42,536	\$ 51,595	\$ 9,059

City of Kerrville, Texas
Debt Service
Budgetary Comparison Schedule
Year Ended September 30, 2018

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	\$ 1,450,682	\$ 1,450,682	\$ 1,459,417	\$ 8,735
Investment income	10,000	10,000	27,186	17,186
Miscellaneous	<u>1,118,653</u>	<u>1,118,653</u>	<u>1,129,913</u>	<u>11,260</u>
Total revenues	<u>2,579,335</u>	<u>2,579,335</u>	<u>2,616,516</u>	<u>37,181</u>
Expenditures				
Debt Service				
Principal	1,898,152	2,018,177	2,018,177	-
Interest	<u>659,216</u>	<u>539,191</u>	<u>617,818</u>	<u>(78,627)</u>
Total expenditures	<u>2,557,368</u>	<u>2,557,368</u>	<u>2,635,995</u>	<u>(78,627)</u>
Other Financing Uses				
Issuance of long-term debt	-	-	6,750,000	6,750,000
Premium on issuance of debt	-	-	458,915	458,915
Payment to the refunded bond escrow agent	-	-	(7,133,297)	(7,133,297)
Transfers from other funds	32,000	32,000	32,000	-
Transfers to other funds	<u>(82,135)</u>	<u>(82,135)</u>	<u>(82,135)</u>	<u>-</u>
Net Change in Fund Balance	(28,168)	(28,168)	6,004	34,172
Fund Balance, Beginning of Year	<u>1,138,463</u>	<u>1,138,463</u>	<u>1,138,463</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,110,295</u>	<u>\$ 1,110,295</u>	<u>\$ 1,144,467</u>	<u>\$ 34,172</u>

City of Kerrville, Texas
Combining Statement of Net Position
Internal Service Funds
September 30, 2018

Exhibit C-9

	Garage	Employee Benefit Trust	Total Internal Service Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 38,665	\$ 181,895	\$ 220,560
Investments	29,169	137,219	166,388
Inventories	21,176	-	21,176
	<u>89,010</u>	<u>319,114</u>	<u>408,124</u>
Capital Assets			
Buildings	159,000	-	159,000
Vehicles	34,130	-	34,130
Machinery and equipment	40,388	-	40,388
Accumulated depreciation	(226,736)	-	(226,736)
	<u>6,782</u>	<u>-</u>	<u>6,782</u>
Net capital assets	<u>6,782</u>	<u>-</u>	<u>6,782</u>
Total assets	<u>95,792</u>	<u>319,114</u>	<u>414,906</u>
Deferred Outflows of Resources			
Deferred outflows - pension	27,152	-	27,152
Deferred outflows - OPEB	963	-	963
	<u>28,115</u>	<u>-</u>	<u>28,115</u>
Total deferred outflows of resources	<u>28,115</u>	<u>-</u>	<u>28,115</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	13,930	169	14,099
Due to other funds	3,304	-	3,304
	<u>17,234</u>	<u>169</u>	<u>17,403</u>
Total current liabilities	<u>17,234</u>	<u>169</u>	<u>17,403</u>
Noncurrent Liabilities			
Compensated absences	15,690	-	15,690
Net pension liability	38,951	-	38,951
Net OPEB liability	11,258	-	11,258
	<u>65,899</u>	<u>-</u>	<u>65,899</u>
Total noncurrent liabilities	<u>65,899</u>	<u>-</u>	<u>65,899</u>
Total liabilities	<u>83,133</u>	<u>169</u>	<u>83,302</u>
Deferred Inflows of Resources			
Deferred inflows - pension	18,823	-	18,823
	<u>18,823</u>	<u>-</u>	<u>18,823</u>
Total deferred inflows of resources	<u>18,823</u>	<u>-</u>	<u>18,823</u>
Net Position			
Net investment in capital assets	6,782	-	6,782
Unrestricted	15,169	318,945	334,114
	<u>21,951</u>	<u>318,945</u>	<u>340,896</u>
Total net position	<u>\$ 21,951</u>	<u>\$ 318,945</u>	<u>\$ 340,896</u>

City of Kerrville, Texas
Combining Statement of Revenues, Expenses and
Changes in Net Position
Internal Service Funds
Year Ended September 30, 2018

Exhibit C-10

	<u>Garage</u>	<u>Employee Benefit Trust</u>	<u>Total Internal Service Funds</u>
Revenues			
Charges for services	\$ 370,569	\$ 2,828,210	\$ 3,198,779
Total revenues	<u>370,569</u>	<u>2,828,210</u>	<u>3,198,779</u>
Operating Expenses			
Personnel services	304,144	-	304,144
Repairs and maintenance	22,397	-	22,397
Supplies and materials	28,624	-	28,624
Utilities	5,170	-	5,170
Depreciation	2,947	-	2,947
General administration	3,599	-	3,599
Premiums and other charges	-	3,051,411	3,051,411
Total operating expenses	<u>366,881</u>	<u>3,051,411</u>	<u>3,418,292</u>
Change in Net Position	<u>3,688</u>	<u>(223,201)</u>	<u>(219,513)</u>
Net Position, Beginning of Year, As Previously Reported	27,822	542,146	569,968
Adjustment for Adoption of GASB 75	<u>(9,559)</u>	<u>-</u>	<u>(9,559)</u>
Net Position, Beginning of Year, As Adjusted	<u>18,263</u>	<u>542,146</u>	<u>560,409</u>
Net Position, End of Year	<u>\$ 21,951</u>	<u>\$ 318,945</u>	<u>\$ 340,896</u>

City of Kerrville, Texas
Combining Statement of Cash Flows
Internal Service Funds
September 30, 2018

Exhibit C-11

	Garage	Employee Benefit Trust	Total Internal Service Funds
Operating Activities			
Cash received from customers	\$ 370,569	\$ 2,828,210	\$ 3,198,779
Cash payments to employees	(294,857)	-	(294,857)
Cash payments to suppliers for goods and services	(35,732)	(3,051,569)	(3,087,301)
Net cash provided by (used in) operating activities	39,980	(223,359)	(183,379)
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(8,609)	-	(8,609)
Net cash used in capital and related financing activities	(8,609)	-	(8,609)
Investing Activities			
Sales of investments	-	96,044	96,044
Purchases of investments	(13,490)	-	(13,490)
Net cash provided by (used in) investing activities	(13,490)	96,044	82,554
Net Increase (Decrease) In Cash and Cash Equivalents	17,881	(127,315)	(109,434)
Cash and Cash Equivalents, Beginning of Year	20,784	309,210	329,994
Cash and Cash Equivalents, End of Year	\$ 38,665	\$ 181,895	\$ 220,560
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ 3,688	\$ (223,201)	\$ (219,513)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	2,947	-	2,947
Changes in assets and deferred outflows			
(Increase) decrease in inventories	16,854	-	16,854
(Increase) decrease in deferred pension outflows	33,214	-	33,214
(Increase) decrease in deferred OPEB outflows	(740)	-	(740)
Changes in liabilities and deferred inflows			
Increase (decrease) in accounts payable	7,204	(158)	7,046
Increase (decrease) in compensated absences	(1,883)	-	(1,883)
Increase (decrease) in net pension liability	(41,603)	-	(41,603)
Increase (decrease) in total OPEB liability	1,476	-	1,476
Increase (decrease) in deferred pension inflows	18,823	-	18,823
Total adjustments	36,292	(158)	36,134
Net cash provided by (used in) operating activities	\$ 39,980	\$ (223,359)	\$ (183,379)

City of Kerrville, Texas
Balance Sheet
Economic Improvement Corporation
September 30, 2018

Exhibit C-12

Assets

Cash and cash equivalents	\$	4,092,649
Due from other governments		<u>561,499</u>
Total assets	\$	<u><u>4,654,148</u></u>

Fund Balances

Restricted for capital projects	\$	2,100,001
Unassigned		<u>2,554,147</u>
Total fund balance		<u>4,654,148</u>
Total liabilities and fund balance	\$	<u><u>4,654,148</u></u>

Reconciliation of EIC Fund Balance Sheet to Discretely Presented

Component Unit Statement of Net Position

Total fund balances – EIC balance sheet	\$	4,654,148
---	----	-----------

Amounts Reported for Governmental Activities in the Discretely Presented

Component Unit Statement of Net Position are Different Because

Capital assets used in governmental activities are not reported in the funds		<u>1,138,436</u>
EIC net position	\$	<u><u>5,792,584</u></u>

City of Kerrville, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balance
Economic Improvement Corporation
Year Ended September 30, 2018

Exhibit C-13

Revenues	
Sales and other taxes	3,449,171
Investment income	<u>76,844</u>
Total revenues	<u>3,526,015</u>
Expenditures	
General government	<u>3,799,174</u>
Total expenditures	<u>3,799,174</u>
Net Change in Fund Balance	(273,159)
Fund Balance, Beginning of Year	<u>4,927,307</u>
Fund Balance, End of Year	<u><u>\$ 4,654,148</u></u>
 Reconciliation of EIC Statement of Revenues, Expenditures and Changes in Fund Balance to Discretely Presented Component Unit Statement of Activities	
EIC change in fund balance	\$ (273,159)
 Amounts Reported for Governmental Activities in the Discretely Presented Component Unit Statement Activities are not different in the current year.	
EIC change in net position	<u><u>\$ (273,159)</u></u>



Statistical Section



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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.

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Financial Trends	91
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	99
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	106
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	111
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	115
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.



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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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	\$ 50,261	\$ 45,568	\$ 49,627	\$ 57,920	\$ 61,342	\$ 60,765	\$ 61,339	\$ 64,579	\$ 69,695	\$ 71,382
Restricted	2,207	5,712	6,251	1,509	1,434	1,386	1,324	1,165	1,139	1,144
Unrestricted	2,756	7,616	10,097	15,355	15,684	18,595	22,953	25,343	27,133	24,490
Total governmental activities net position	\$ 55,224	\$ 58,896	\$ 65,975	\$ 74,784	\$ 78,460	\$ 80,746	\$ 85,616	\$ 91,087	\$ 97,967	\$ 97,016
Business-type Activities										
Net investment in capital assets	\$ 39,572	\$ 37,551	\$ 38,078	\$ 38,404	\$ 38,699	\$ 37,157	\$ 39,106	\$ 41,630	\$ 37,218	\$ 45,057
Restricted	-	-	-	2,898	4,105	3,789	3,451	1,675	1,805	1,805
Unrestricted	4,809	10,245	8,641	4,739	5,064	8,143	7,773	6,619	11,349	5,550
Total business-type activities net position	\$ 44,381	\$ 47,796	\$ 46,719	\$ 46,041	\$ 47,868	\$ 49,089	\$ 50,330	\$ 49,924	\$ 50,372	\$ 52,412
Primary Government										
Net investment in capital assets	\$ 89,833	\$ 83,119	\$ 87,705	\$ 96,324	\$ 100,041	\$ 97,922	\$ 100,445	\$ 106,209	\$ 106,913	\$ 116,439
Restricted	2,207	5,712	6,251	4,407	5,539	5,175	4,775	2,840	2,944	2,949
Unrestricted	7,565	17,861	18,738	20,094	20,748	26,738	30,726	31,962	38,482	30,040
Total primary government net position	\$ 99,605	\$ 106,692	\$ 112,694	\$ 120,825	\$ 126,328	\$ 129,835	\$ 135,946	\$ 141,011	\$ 148,339	\$ 149,428

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.
2018 net position has been adjusted due to implementation of GASB Statements 75.

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			
	2009	2010	2011	2012
Expenses				
Governmental Activities				
General government	\$ 4,927	\$ 4,594	\$ 4,022	\$ 4,077
Public safety	12,001	11,880	12,632	11,312
Culture and recreation	3,656	2,707	3,461	3,082
Public works	4,277	3,635	3,104	3,004
Business programs	189	183	177	167
Interest on long-term debt	372	655	717	645
	<u>25,422</u>	<u>23,654</u>	<u>24,113</u>	<u>22,287</u>
Total governmental activities expenses				
Business-type Activities				
Water and sewer services	8,601	7,582	8,198	8,737
Kerrville-Schreiner Park	582	542	1	-
Golf course	996	990	952	1,041
	<u>10,179</u>	<u>9,114</u>	<u>9,151</u>	<u>9,778</u>
Total business-type activities expenses				
Total primary government expenses	<u>\$ 35,601</u>	<u>\$ 32,768</u>	<u>\$ 33,264</u>	<u>\$ 32,065</u>
Program Revenues				
Governmental Activities				
Charges for services				
General government	\$ 1,599	\$ 5,200	\$ 2,638	\$ 2,126
Public safety	2,448	2,589	2,225	1,327
Cultural and recreation	214	134	75	583
Public works	45	-	435	470
Operating grants and contributions	1,564	1,473	1,461	303
Capital grants and contributions	6,883	351	2,959	5,553
	<u>12,753</u>	<u>9,747</u>	<u>9,793</u>	<u>10,362</u>
Total governmental activities program revenues				
Business-type Activities				
Charges for services				
Water and sewer services	8,758	8,943	10,536	10,009
Emergency medical services	-	-	-	-
Kerrville-Schreiner Park	371	344	-	-
Golf course	937	784	903	1,031
Operating grants and contributions	-	4	-	-
Capital grants and contributions	5,935	2,723	-	-
	<u>16,001</u>	<u>12,798</u>	<u>11,439</u>	<u>11,040</u>
Total business-type activities program revenues				
Total primary government program revenues	<u>\$ 28,754</u>	<u>\$ 22,545</u>	<u>\$ 21,232</u>	<u>\$ 21,402</u>
Net (Expense)/Revenue				
Governmental activities	\$ (12,669)	\$ (13,907)	\$ (14,320)	\$ (11,925)
Business-type activities	5,822	3,684	2,288	1,262
	<u>(6,847)</u>	<u>(10,223)</u>	<u>(12,032)</u>	<u>(10,663)</u>
Total primary government net expense				

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

Table D-2

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 4,667	\$ 5,159	\$ 6,272	\$ 6,107	\$ 5,805	\$ 6,988	
11,631	12,365	13,169	12,933	14,240	14,243	
3,371	3,066	3,405	3,701	4,543	5,112	
3,327	3,159	3,490	3,404	4,002	5,617	
-	-	-	-	-	-	
566	564	519	818	722	606	
23,562	24,313	26,855	26,963	29,312	32,566	
8,442	8,984	8,241	9,753	8,997	9,579	
-	-	-	-	-	-	
934	908	863	926	1,090	1,046	
9,376	9,892	9,104	10,679	10,087	10,625	
\$ 32,938	\$ 34,205	\$ 35,959	\$ 37,642	\$ 39,399	\$ 43,191	
\$ 1,054	\$ 100	\$ 24	\$ 1	\$ 1	\$ 1	
2,442	3,391	4,340	3,672	4,353	4,233	
410	425	465	520	599	613	
359	519	1,169	1,241	1,537	1,528	
719	72	141	759	348	273	
2,000	971	772	2,626	2,595	1,314	
6,984	5,478	6,911	8,819	9,433	7,962	
11,072	11,080	11,118	11,329	11,885	11,885	
-	-	-	-	-	-	
-	-	-	-	-	-	
877	884	784	743	864	855	
-	-	-	-	-	-	
508	10	-	19	1,500	1,500	
12,457	11,974	11,902	12,091	14,249	14,240	
\$ 19,441	\$ 17,452	\$ 18,813	\$ 20,910	\$ 23,682	\$ 22,202	
\$ (16,578)	\$ (18,835)	\$ (19,944)	\$ (18,144)	\$ (19,879)	\$ (24,604)	
3,081	2,082	2,798	1,412	4,162	3,615	
\$ (13,497)	\$ (16,753)	\$ (17,146)	\$ (16,732)	\$ (15,717)	\$ (20,989)	

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			
	2009	2010	2011	2012
Net (Expense)/Revenue				
Governmental activities	\$ (12,669)	\$ (13,907)	\$ (14,320)	\$ (11,925)
Business-type activities	5,822	3,684	2,288	1,262
Total primary government net expense	<u>(6,847)</u>	<u>(10,223)</u>	<u>(12,032)</u>	<u>(10,663)</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes levied for general purposes	8,130	8,255	8,314	8,439
Property taxes levied for debt service	1,006	1,301	1,242	1,216
Sales and use taxes	4,926	4,537	4,773	5,120
Hotel occupancy taxes	882	873	846	854
Franchise taxes	1,930	1,764	1,836	1,826
Alcoholic beverage taxes	67	60	58	53
Unrestricted investment earnings	168	78	52	56
Miscellaneous income	115	229	1,427	1,257
Gain/(loss) on sale of assets	13	(19)	-	(235)
Transfers	390	447	4,259	2,149
Total governmental activities	<u>17,627</u>	<u>17,525</u>	<u>22,807</u>	<u>20,735</u>
Business-type Activities				
Unrestricted investment earnings	138	72	9	23
Miscellaneous income	205	226	69	186
Gain/(loss) on sale of assets	2	-	-	-
Transfers	(390)	(447)	(4,259)	(2,149)
Total business-type activities	<u>(45)</u>	<u>(149)</u>	<u>(4,181)</u>	<u>(1,940)</u>
Total primary government	<u>\$ 17,582</u>	<u>\$ 17,376</u>	<u>\$ 18,626</u>	<u>\$ 18,795</u>
Change in Net Position				
Governmental activities	\$ 4,958	\$ 3,618	\$ 8,487	\$ 8,810
Business-type activities	5,777	3,535	(1,893)	(678)
Total primary government	<u>\$ 10,735</u>	<u>\$ 7,153</u>	<u>\$ 6,594</u>	<u>\$ 8,132</u>

Table D-3

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ (16,578)	\$ (18,835)	\$ (19,944)	\$ (18,144)	\$ (19,879)	\$ (24,604)
3,081	2,082	2,798	1,412	4,162	3,615
(13,497)	(16,753)	(17,146)	(16,732)	(15,717)	(20,989)
8,427	8,459	8,765	8,963	9,321	9,531
1,262	1,293	1,343	1,390	1,448	1,459
5,554	5,787	6,201	6,427	6,722	6,900
958	1,046	1,081	1,107	1,219	1,334
1,716	1,776	1,742	1,580	1,734	1,950
55	68	74	74	72	87
44	58	57	130	244	391
1,322	1,509	2,789	2,033	2,064	1,153
-	-	-	-	-	-
1,250	1,125	1,802	1,910	3,934	1,641
20,588	21,121	23,854	23,614	26,758	24,446
50	66	49	92	222	229
333	197	-	-	-	-
-	-	-	-	-	-
(1,250)	(1,125)	(1,802)	(1,910)	(3,934)	(1,641)
(867)	(862)	(1,753)	(1,818)	(3,712)	(1,412)
\$ 19,721	\$ 20,259	\$ 22,101	\$ 21,796	\$ 23,046	\$ 23,034
\$ 4,010	\$ 2,286	\$ 3,910	\$ 5,470	\$ 6,879	\$ (158)
2,214	1,220	1,045	(406)	450	2,203
\$ 6,224	\$ 3,506	\$ 4,955	\$ 5,064	\$ 7,329	\$ 2,045



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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			
	2009	2010	2011	2012
Revenues				
Taxes and penalties	\$ 16,987	\$ 16,790	\$ 17,026	\$ 17,558
Licenses and permits	428	346	366	328
Intergovernmental	1,243	1,289	2,364	1,535
Charges for services	1,964	1,850	2,629	2,549
Grants	409	258	484	786
Fines and forfeitures	506	507	656	467
Investment income	168	78	52	56
Miscellaneous	1,307	1,345	1,270	1,211
Total revenues	<u>23,012</u>	<u>22,463</u>	<u>24,847</u>	<u>24,490</u>
Expenditures				
General government	4,576	4,304	3,704	3,716
Public safety	11,042	11,645	11,591	10,666
Culture and recreation	3,336	2,685	3,071	2,815
Public works	4,562	2,745	2,724	2,806
Business programs	189	183	177	167
Capital outlay	432	2,503	841	6,536
Debt service				
Principal	456	1,119	582	725
Interest	371	653	719	619
Other charges	1	1	-	155
Total expenditures	<u>24,965</u>	<u>25,838</u>	<u>23,409</u>	<u>28,205</u>
Excess (deficiencies) of revenues over expenditures	<u>(1,953)</u>	<u>(3,375)</u>	<u>1,438</u>	<u>(3,715)</u>
Other Financing Sources (Uses)				
Proceeds from debt issuance	4,760	-	1,983	6,965
Bond premium/discount	18	-	151	138
Proceeds from sale of assets	13	-	-	-
Payment to refunded bond escrow agent	-	-	(2,090)	-
Transfers in	1,817	1,530	2,070	2,856
Transfers out	(1,427)	(1,082)	(1,164)	(606)
Total other financing sources (uses)	<u>5,181</u>	<u>448</u>	<u>950</u>	<u>9,353</u>
Net change in fund balances	<u>\$ 3,228</u>	<u>\$ (2,927)</u>	<u>\$ 2,388</u>	<u>\$ 5,638</u>
Debt Service as a Percentage of Noncapital Expenditures	3.5%	7.5%	5.9%	7.4%

Table D-5

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 17,981	\$ 18,526	\$ 19,113	\$ 19,500	\$ 20,430	\$ 21,152	
359	519	551	480	549	627	
1,120	1,004	1,523	1,348	3,827	2,651	
2,564	2,261	3,488	3,425	4,044	4,214	
719	1,005	552	781	321	259	
433	355	351	549	631	612	
44	58	57	130	243	391	
1,405	1,479	1,838	1,923	2,338	1,453	
24,625	25,207	27,473	28,136	32,383	31,359	
4,360	4,534	5,656	4,367	5,186	5,985	
11,138	12,001	12,678	12,303	12,651	13,124	
3,163	3,155	3,383	3,476	3,837	4,545	
2,992	3,007	3,162	3,017	3,373	5,206	
-	-	-	-	-	-	
1,519	4,497	4,939	3,645	11,969	1,955	
754	779	1,393	1,736	1,833	2,018	
590	565	520	818	722	618	
-	-	-	-	-	-	
24,516	28,538	31,731	29,362	39,571	33,451	
109	(3,331)	(4,258)	(1,226)	(7,188)	(2,092)	
-	284	9,746	-	-	6,750	
-	-	249	-	-	458	
-	-	-	-	-	-	
-	-	-	-	-	(7,133)	
2,523	3,582	2,897	3,349	7,170	3,444	
(1,273)	(2,332)	(1,094)	(1,428)	(3,236)	(1,803)	
1,250	1,534	11,798	1,921	3,934	1,716	
\$ 1,359	\$ (1,797)	\$ 7,540	\$ 695	\$ (3,254)	\$ (376)	
5.9%	5.7%	7.3%	9.9%	9.9%	8.4%	

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
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
2016	10,305	6,427	1,107	1,632	74	19,545
2017	10,738	6,722	1,219	1,734	72	20,484
2018	10,824	6,899	1,334	1,951	87	21,094
Percent Change 2009 – 2018	26.0%	35.4%	24.8%	-14.1%	-0.8%	23.7%

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
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%
2016	2,019,808	664,840	1,354,968	0.5625	1,354,968	100%
2017	2,079,313	673,968	1,405,346	0.5625	1,405,346	100%
2018	2,202,697	716,902	1,485,795	0.5514	1,485,795	100%

Source: Kerr Central Appraisal District

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	
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
2016	0.4890	0.0735	0.5625	1.1800	0.4850	0.0318	2.2593
2017	0.4890	0.0735	0.5625	1.1800	0.5000	0.0318	2.2743
2018	0.4779	0.0735	0.5514	1.1800	0.5000	0.0309	2.2623

Source: Kerr Central Appraisal District

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

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

Table D-9

Taxpayer	2018			2009		
	Assessed Value	Rank	Percentage of Total City Assessed Value	Assessed Value	Rank	Percentage of Total City Assessed Value
James Avery Craftsman	\$ 36,348,454	1	1.65%			
Mooney International Corporation	18,018,072	2	0.82%	6,267,943	7	0.37%
Wal-Mart Stores Inc	8,561,493	3	0.39%	8,018,426	4	0.48%
Atmos Energy/Mid-Tex Division	8,527,929	4	0.39%			
S-H Forty-Nine Properties LLC	8,199,000	5	0.37%			
CC Butt Grocery Company	7,794,632	6	0.35%			
Emerald Cottages of Kerrville, LLC	7,418,032	7	0.34%			
1859-Historic Hotels, LTD	7,250,000	8	0.33%			
Gal-Tex Hospitality	6,806,879	9	0.31%			
Home Depot, USA Inc.	6,322,572	10	0.29%	8,021,774	3	0.48%
Windstream				29,923,101	1	1.78%
Sunwest Management Inc.				9,342,004	2	0.55%
Wal-Mart Real Estate				7,784,640	5	0.46%
Lowe's Home Centers, Inc.				6,656,554	6	0.39%
Lowe's				5,734,271	8	0.34%
Comanche Trace Ranch & Golf				5,413,566	9	0.32%
Home Depot, USA Inc.				4,567,748	10	0.26%
	115,247,063		5.21%	91,730,027		5.44%
All Other	2,087,449,937		94.79%	1,593,743,973		94.56%
Total	\$ 2,202,697,000		100.00%	\$ 1,685,474,000		100.00%

Source: Kerr Central Appraisal District

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
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%
2016	10,320	10,132	98.18%	45	10,177	98.61%
2017	10,653	10,491	98.48%	1	10,492	98.49%
2018	10,951	10,774	98.38%	49	10,823	98.83%

Source: Kerrville Central Appraisal District



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

Type	Fiscal Year			
	2009	2010	2011	2012
Accommodation/food services	\$ 73,976,846	\$ 74,777,208	\$ 75,367,568	\$ 77,902,407
Admin/support/waste mgmt/remediation srvc	12,584,798	12,487,071	20,060,075	18,874,150
Agriculture/forestry/fishing/hunting	155,040	40,197	33,643	352,751
Arts/entertainment/recreation	6,410,637	10,245,245	10,203,919	5,331,787
Construction	82,928,490	60,295,196	78,350,310	72,304,961
Educational services	22,448,430	13,677,155	27,269,909	31,052,368
Finance/insurance	636	192,706	6,275	12,973
Health care/social assistance	3,372,232	3,915,694	3,614,412	3,540,104
Information	30,481,547	24,866,344	23,979,339	23,287,473
Manufacturing	57,339,275	48,940,992	39,636,780	45,929,975
Mining/quarrying/oil and gas extraction	7,150,181	398,584	-	-
Other services (except public administration)	42,876,628	44,416,436	44,651,159	45,168,666
Professional/scientific/technical services	17,559,824	14,700,029	17,100,198	17,224,688
Public administration	122,436,391	31,580,361	38,957,201	44,214,112
Real estate/rental/leasing	1,901,858	2,490,669	2,848,689	8,313,596
Retail trade	567,285,481	636,717,056	672,668,692	680,086,182
Transportation/warehousing	2,645,480	3,054,389	2,877,438	3,122,381
Wholesale trade	58,580,998	55,808,281	48,756,748	52,800,978
Total	\$ 1,110,134,772	\$ 1,038,603,613	\$ 1,106,382,355	\$ 1,129,519,552
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					
2013	2014	2015	2016	2017	***2018
\$ 80,993,418	\$ 86,829,574	\$ 90,808,253	\$ 99,768,744	\$ 103,430,428	\$ 50,545,460
21,314,998	22,289,923	20,506,412	21,059,533	21,426,494	7,417,543
714,641	563,751	899,048	843,386	1,026,297	501,226
4,692,190	4,631,153	5,151,280	4,867,701	5,007,627	2,522,718
92,022,514	98,568,268	101,540,976	156,396,169	133,145,615	57,700,657
30,859,006	32,115,711	33,054,086	35,228,505	36,301,968	17,041,763
58,606	89,760	83,638	97,335	217,055	209,305
13,049,140	4,821,994	4,313,333	4,022,867	3,713,659	2,307,455
23,351,651	25,079,857	26,097,466	25,910,010	24,105,256	11,912,256
45,808,283	52,060,982	61,045,814	62,392,882	58,197,045	37,855,643
-	-	-	-	-	-
44,899,714	51,428,069	53,411,249	54,146,862	40,167,168	20,352,596
17,823,513	18,519,033	20,182,472	18,449,324	20,889,638	11,403,152
41,666,600	42,307,481	43,510,601	38,010,491	38,842,343	21,066,506
4,201,799	12,231,231	7,666,292	3,873,704	11,637,255	6,120,511
730,374,049	838,913,172	799,333,138	868,146,147	840,629,505	419,083,963
3,269,255	3,835,865	2,386,422	2,346,229	1,717,323	853,879
53,131,891	46,402,764	47,227,827	43,165,678	40,878,287	24,828,199
<u>\$ 1,208,231,268</u>	<u>\$ 1,340,688,588</u>	<u>\$ 1,317,218,307</u>	<u>\$ 1,438,725,567</u>	<u>\$ 1,381,332,963</u>	<u>\$ 691,722,832</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

Governmental Activities				
Fiscal Years	General Obligation Bonds	Certificates of Obligation	Bank Loans & Promissory Note	Capital Leases
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	-
2016	3,092	20,261	1,034	-
2017	2,557	19,189	680	-
2018	6,443	13,702	322	-

Business-type Activities							
Fiscal Years	General Obligation Bonds	Certificates of Obligation	Water & Sewer Bonds	Bank Loans and Notes	Total Primary Government	Percentage of Personal Income	Per Capita
2009	3,286	10,918	580	1,165	29,917	6.48%	1,308
2010	3,272	14,411	-	648	31,206	6.49%	1,396
2011	5,694	17,022	-	585	35,461	7.22%	1,587
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
2016	3,853	36,119	-	7,708	72,067	11.96%	2,989
2017	3,193	34,010	-	7,623	67,252	11.63%	2,768
2018	11,239	23,290	-	7,535	62,530	9.97%	2,522

Note: Premiums on bonds payable is presented starting with fiscal year 2015.

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		
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
2016	6,945	2,513	4,432	0.33%	184
2017	5,750	2,536	3,214	0.23%	132
2018	17,682	2,074	15,607	1.05%	629

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	\$ 14,450,000	66.54%	\$ 9,615,030
Kerr County	26,230,000	43.51%	<u>11,412,673</u>
Subtotal, Overlapping Debt			21,027,703
City of Kerrville Direct Debt	20,467,609	100%	<u>20,467,609</u>
Total Direct and Overlapping Debt			<u><u>\$ 41,495,312</u></u>
Average Debt Per Capita			\$ 1,673

Sources: Municipal Advisory Council of Texas

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

Table D-15

	Fiscal Year				
	2009	2010	2011	2012	2013
Total Taxable Assessed Value	\$ 1,252,564	\$ 1,270,710	\$ 1,260,033	\$ 1,269,421	\$ 1,279,663
Annual payment	8,350	8,471	8,400	8,463	8,531
Debt limit	125,256	127,071	126,003	126,942	127,966
Total net debt applicable to limit	2,634	4,605	4,566	4,539	2,826
Legal debt margin	122,622	122,466	121,437	122,403	125,140

	Fiscal Year				
	2014	2015	2016	2017	2018
Total taxable assessed value	\$ 1,274,970	\$ 1,363,191	\$ 1,354,968	\$ 1,405,346	\$ 1,485,795
Annual payment	8,500	9,088	9,033	9,369	9,905
Debt limit	127,497	136,319	135,497	140,535	148,580
Total net debt applicable to limit	2,826	2,826	5,783	7,470	16,538
Legal debt margin	124,671	133,493	129,714	133,065	132,042

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed value	\$ 2,202,697
Exempt real property	(716,902)
	<u>1,485,795</u>
Debt limit (10% of assessed value)	<u>148,580</u>
Debt applicable to limit	
General obligation bonds	17,682
Less: Amount set aside for repayment of general obligation debt	1,144
	<u>16,538</u>
Total net debt applicable to limit	<u>16,538</u>
Legal debt margin	<u>\$ 132,042</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	
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
2016	11,157	6,277		4,880	-	-	N/A
2017	11,656	5,753		5,903	-	-	N/A
2018	11,743	5,987		5,756	-	-	N/A

* Total operating expense excluding depreciation
Note: 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				
	2009	2010	2011	2012	2013
Population	22,927	22,347	22,347	22,347	22,983
Personal income (000s)	\$ 462,965	\$ 481,160	\$ 490,848	\$ 492,940	\$ 578,275
Per capita personal income	\$ 20,193	\$ 20,193	\$ 24,871	\$ 23,965	\$ 25,161
Median age	45.0	45.3	44.5	46.0	45.7
Education level in years of schooling Percentage with high school diploma or greater	81.2%	81.2%	85.1%	85.6%	87.5%
School enrollment	5,976	6,177	5,200	4,923	5,031
Unemployment rate	5.6%	6.1%	6.3%	6.9%	5.6%

	Fiscal Year				
	2014	2015	2016	2017	2018
Population	23,558	23,808	24,111	24,292	24,796
Personal income (000s)	\$ 592,968	\$ 602,414	\$ 602,699	\$ 578,394	\$ 627,501
Per capita personal income	\$ 25,171	\$ 25,303	\$ 24,997	\$ 23,810	\$ 25,307
Median age	45.7	46.5	46.0	46.5	47.3
Education level in years of schooling Percentage with high school diploma or greater	85.1%	85.4%	88.6%	85.7%	86.1%
School enrollment	5,038	5,029	5,018	5,004	4,951
Unemployment rate	4.8%	3.8%	3.9%	3.2%	3.3%

Sources: US Census, Texas Workforce Commission, Kerrville Independent School District, Kerr Economic Development Corporation and City of Kerrville estimates.

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

Table D-18

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Peterson Health	983	1	4.72%	851	1	3.85%
Kerrville ISD	700	2	3.36%	741	2	3.35%
Kerrville State Hospital	538	3	2.59%	535	3	2.42%
James Avery Craftsman	472	4	2.27%	460	6	2.08%
H.E.B. Food & Drug Stores	430	5	2.07%	400	7	1.81%
VA Hospital	400	6	1.92%	365	4	1.65%
Walmart	347	7	1.67%	332	5	1.50%
City of Kerrville	317	8	1.52%	304	8	1.37%
Kerr County	308	9	1.48%	299	9	1.35%
HEB Foundation	200	10	0.96%			
Sava Senior Center				281	10	1.27%
	<u>4,695</u>		<u>22.56%</u>	<u>4,568</u>		<u>20.65%</u>
All others	<u>16,115</u>		<u>77.44%</u>	<u>21,766</u>		<u>79.35%</u>
Total employed	<u><u>20,810</u></u>		<u><u>100.00%</u></u>	<u><u>26,334</u></u>		<u><u>100.00%</u></u>

Source: Kerr Economic Development Corporation



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

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
City secretary	2	2	2	2
City attorney	1	1	2	2
City administration	3	4	4	4
Human resources	4	4	4	4
Finance	6	7	6	5
Information technology	3	4	4	5
Purchasing	1	1	-	-
Municipal court	5	5	4	5
Kerrville-Schreiner Park	8	8	6	6
Police	71	72	71	71
Fire	53	53	49	49
Fire marshal	2	2	1	2
Emergency Medical Services	21	24	27	27
Solid waste	5	5	5	5
Planning	3	3	3	2
Building services	5	5	5	5
Code compliance	4	4	3	2
Environment health	2	-	-	-
Business programs	2	2	2	2
Parks and recreation	2	-	-	-
Aquatics	1	1	1	-
Parks maintenance	16	16	14	12
Recreation	4	4	2	1
Sports Complex	-	-	-	-
Engineering	8	16	21	21
Streets	8	-	-	-
Library	11	11	10	10
Total general fund	251	254	246	242
Water and Sewer Fund				
Utility Billing	7	7	8	8
Utility administration	4	4	4	4
Water production	10	11	11	11
Utility construction	9	9	9	9
Water reclamation	13	14	14	14
Utility information system	3	1	-	-
Utility laboratory	4	4	4	4
Total water and sewer fund	50	50	50	50
Golf Course Fund				
Golf course maintenance	8	8	8	8
Pro shop	3	3	6	3
Total golf course fund	11	11	14	11
Garage	4	4	4	4
Grand total	316	319	314	307

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					
2013	2014	2015	2016	2017	2018
2	2	2	2	2	2
2	2	1	2	1	1
4	5	6	6	6	6
4	4	4	4	4	4
5	5	5	5	5	5
5	5	5	5	5	6
-	-	-	-	-	-
5	5	5	5	6	6
6	6	6	6	7	7
71	68	70	71	71	72
49	49	48	49	49	49
2	2	2	2	2	2
27	27	28	27	27	26
5	5	5	1	1	1
2	2	2	2	3	2
5	4	4	5	5	5
2	2	2	1	2	2
-	-	-	-	-	-
2	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12	13	18	19	19	20
1	2	1	2	2	2
-	-	-	-	2	4
21	3	4	4	4	5
-	16	18	18	18	18
10	11	9	9	9	9
242	238	245	245	250	254
8	9	8	8	8	7
4	5	3	3	-	-
11	11	11	11	12	13
9	9	9	9	9	9
17	14	14	14	15	15
-	-	-	-	-	-
4	4	4	4	4	4
53	52	49	49	48	48
8	8	7	7	7	7
3	3	3	3	3	3
11	11	10	10	10	10
4	4	4	4	4	5
310	305	308	308	312	317

City of Kerrville, Texas

Operating Indicators by Function/Program

Last Ten Fiscal Years

Table D-20

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Calls for service	24,886	15,277	15,308	15,937	16,126	14,820	16,220	17,040	17,164	14,534
Avg. response time per call (minutes)	4.6	4.6	8.0	8.0	9.0	6.2	8.3	7.4	6.2	6.5
Clearance rate	48%	57%	67%	62%	54%	55%	54%	58%	52%	58%
Fire										
Number of calls answered	7,701	7,823	7,986	7,989	8,118	7,669	8,629	8,914	9,712	9,369
Reports processed	8,007	7,837	7,986	7,989	8,118	7,669	8,629	8,914	9,712	9,369
Inspections	428	326	471	568	458	393	429	491	593	802
Highway and Streets										
Street maintenance – man hours	18,930	7,192	1,391	2,000	1,749	6,224	4,161	4,128	4,789	6,785
Pothole repairs	1,450	1,549	1,459	1,800	1,323	2,109	2,273	2,250	2,208	1,234
Traffic control (signs) – man hours	1,900	2,022	1,625	1,722	1,804	1,722	1,777	2,185	2,110	2,111
Solid Waste										
Annual tonnages at landfill	55,840	51,484	7,939	8,000	7,500	8,279	8,242	9,259	8,932	9,839
Annual tonnages at transfer station*	-	-	46,086	46,767	48,402	50,175	55,528	66,162	72,773	68,460
Annual tonnages - recycling program*	2,376	2,353	1,908	1,700	1,200	1,383	669	1,508	1,595	1,643
Culture and Recreation										
Park maintenance – man hours	27,391	25,175	19,148	20,785	17,675	25,033	27,622	29,450	29,198	33,781
Golf course – rounds of golf played	36,643	32,464	33,270	36,262	32,509	29,489	27,111	26,252	25,979	23,468
Swimming pool attendance	13,461	10,753	9,071	7,613	9,719	15,290	17,118	10,158	13,024	13,867
Kerrville-Schreiner Park										
Entrance permits processed	6,396	5,674	4,183	5,407	7,263	12,507	13,369	14,333	15,749	16,783
Reservations processed	4,254	3,087	3,628	3,340	3,421	11,954	13,482	12,892	13,772	14,515
Water										
Water meters read	114,654	114,916	115,295	115,777	116,563	117,459	119,126	120,053	120,836	121,081
Work orders processed	12,011	11,477	10,281	10,221	10,672	10,737	10,748	11,191	12,013	11,256
Water main breaks	58	118	71	53	42	21	28	19	-	-
Water main break calls**	-	-	-	-	-	-	-	-	100	62
Total water consumption (thousands of gallons)	1,288,848	1,096,605	1,368,522	1,289,982	1,302,333	1,243,039	1,072,229	1,206,145	1,347,170	1,281,620
Cost per thousand gallons	\$ 1.16	\$ 1.25	\$ 1.03	\$ 1.10	\$ 1.07	\$ 1.22	\$ 1.55	\$ 1.30	\$ 1.24	\$ 1.53
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,287	2,400	2,016	2,148	2,199	2,132	2,044	2,484	2,054	2,010

* Transfer station began operation in 2011. Revised recycling program began in 2015.

** In 2017, the metric was changed to show how many calls for main breaks the public works department resolved.

City of Kerrville, Texas

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Table D-21

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	4	4	4	4	4	4	4	4	4	4
Highway and Streets										
Streets (lane miles)	282	282	282	282	282	282	282	282	282	282
Area in square miles	21.1	21.1	21.1	21.1	21.1	21.27	21.8	22.2	22.2	22.4
Culture and Recreation										
Parks acreage	937	937	937	937	937	937	937	937	1,041	1,041
Swimming pools	2	1	1	1	1	1	1	1	1	1
Picnic areas and playgrounds	21	21	22	23	23	23	23	23	23	23
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)	234	234	238	241	246	249	253	253	255	257
Average daily consumption (millions of gallons)	3.45	2.73	3.24	3.82	3.88	3.166	3.67	2.85	3.01	3.86
Sewer										
Sanitary sewers (miles)	195	194	202	194	214	209	227	227	227	227
Storm sewers (miles)	7	7	7	7	7	7	7	7	7	8
Maximum treatment capacity (millions of gallons)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5

Sources: Various city departments



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