

# CITY OF KERRVILLE, TEXAS

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

### FISCAL YEAR ENDED SEPTEMBER 30, 2023







# **City of Kerrville, Texas**

## **Annual Comprehensive Financial Report**

**Year Ended September 30, 2023**

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

**Julie Behrens, Director of Finance**

**Trina Rodriguez, Assistant Director of Finance**



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**Annual Comprehensive Financial**  
**Report Year Ended September 30, 2023**

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## **Introductory Section**





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## City of Kerrville

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### ***Letter of Transmittal***

March 7, 2024

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

We are pleased to present the Annual Comprehensive Financial Report (ACFR) for the City of Kerrville, Texas ("City or Kerrville" or "City") for the fiscal year ended September 30, 2023. This report was prepared through a cooperative effort of the City's Finance Department and the City's independent audit firm, FORVIS, LLP in accordance with Section 103.001 of the Texas Local Government Code and Article VIII, Section 8.08 of the City's Charter. The purpose of the report is to provide the City Council, staff, citizens, bond holders and other interested parties 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 the City. We believe the data presented is accurate in all material aspects, 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. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

### ***Internal Controls***

The City of Kerrville has established and maintains a system of internal accounting controls designed in part to provide 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 (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. As a recipient of federal and state financial assistance, in the form of grants or other funding, the City is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to such funding. In our opinion, the City utilizes a system of controls and procedures appropriate to ensure such compliance.

### ***Independent Audit***

Independent audits are an essential element of financial control and accountability. The City Charter requires an annual audit to be conducted of the financial records of the City. The City has satisfied this requirement by contracting with FORVIS, LLP, Certified Public Accountants, to review financial transactions produced by the City for the year-ended September 30, 2023. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles and internal controls used, significant estimates made by management, and evaluating the overall financial statement presentation.

Any government entity that expends more than \$750,000 in federal awards during a fiscal year is subject to a single audit in accordance with the *Single Audit Act*. The *Single Audit Act* requires preparation and audit of a Schedule of Expenditures of Federal Awards (SEFA). The SEFA reports expenditures related to federal funding. Such expenses are tested by auditors to ensure compliance.

FORVIS, LLP concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions on the City's financial statements for the fiscal year ended September 30, 2023, 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 report is Management's Discussion and Analysis (MD&A), which provides a narrative introduction and an overview and an 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, the funds that account for the City's various governmental and business-type activities, and all component unit funds of the City. This transmittal letter compliments 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 health care, retail, manufacturing, and tourism. 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 official 2020 census documented a population of 24,278 representing a 19% increase over 2000 and a 9% increase over 2010. The estimated population for the year-ended September 30, 2023, based on the increase in utility accounts, is 24,579. This is an increase of 1.2% over the last official census conducted in 2020. The compounded annual growth rate over the past 23 years is .9%.

In accordance with its charter, the City of Kerrville operates as a council-manager type government. The City's governing body (City Council) is elected by the citizens of Kerrville and appoints the City Manager. City Council enacts all ordinances, resolutions and regulations and appoints members of various boards and commissions that make recommendations to City Council. The City Manager enforces ordinances, resolutions and regulations and guides City staff in all operational responsibilities of the City.

The City provides a full range of municipal services including general government, public safety (police, fire, emergency medical services, and emergency management operations), streets, parks and recreation, planning and zoning, code enforcement, a public library, and business-type activities, such as water and sewer services. Solid waste collection services are provided through a private contractor. Non-residential customers contract with the collection firm of their choice while residential customers have collection fees added to their municipal water and sewer bill and receive services from the City contracted provider.

### ***Overview of Financial Reporting***

This report includes all organizations and activities for which the City Council exercises 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 is a joint owner of the Kerrville-Kerr County Airport as well. Financials for this entity are included in this report as well. Inclusion of these reports satisfies GASB standards. The nature and significance of the relationship between these entities and the City is such that exclusion would cause the City's financial statements to be incomplete or misleading. The City also reports financial information regarding the City's only Tax Increment Reinvestment Zone (TIRZ). The TIRZ fund was created as a mechanism to capture tax increment dollars to be dedicated to the economic development of the City's downtown corridor.

## ***Budget***

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 City staff and adopted by the City Council in accordance with policies and procedures established by the City Charter, State Law, City ordinances and policies. The budget is prepared and presented by fund (e.g., general fund), department (e.g., fire), or function (e.g., public safety) and category (e.g., supplies). The fund level is the legal level of control for budget expenditures. All budgeted funds are reported within this report. The City's Community Investment Plan (capital budget) is included in the citywide budget using estimated numbers, where necessary, due to the nature of capital projects. Capital projects are controlled by using individual project appropriations to ensure adequate reserves are available no later than inception of each project.

City policies including Financial Management, Investment, Purchasing, etc. are adopted annually with the citywide budget in order to maintain transparency and to provide City Council and citizens the chance to continually review and provide feedback on all policies.

Creating and managing the budget is a year-round process consisting of an ongoing review of priorities outlined in the Kerrville 2050 Comprehensive Plan and prioritization by City Council. City staff continuously tracks overall asset and maintenance needs and maintains long-range plans to address these based on priority. The City's Finance Department prepares revenue estimates and budget instructions. Departments prepare expenditure estimates and requests including those that support the Kerrville 2050. Estimates and requests are reviewed, in detail, by the Finance department followed by the budget committee that includes the City Manager. The requests are 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 proposed budget be filed with the City Secretary no later than July 31<sup>st</sup> of each year. The proposed budget is reviewed by City Council and is available for review by the public. Required public hearings are held prior to budget adoption. The City Charter requires adoption of the City budget no later than September 30<sup>th</sup> of each year.

Budgetary reporting is provided at the department level within each individual fund. Transfers of budget appropriations within departments may occur, provided there is no increase in overall expenditures. Transfers of budget appropriations between funds, as well as any increase in total appropriations require City Council approval.

Budget to actual comparisons are provided in this report for governmental funds 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 supplementary information section of this report.

## ***Local Economy and Current Trends***

Several manufacturing firms are located in the Kerrville area, as well as a variety of commercial establishments, restaurants, building supply stores, big box retailers, banks and supermarkets. Kerrville continues to expand its position as a regional retail hub for a large geographic area, primarily west of Kerrville, as well as in the manufacturing sector.

In October of 2022 (the first month of fiscal year 2023) the U.S. inflation rate was 7.7%. This rate was lower than the 9.1% rate experienced in June of 2022, which was the highest in four decades. The inflation rate saw a significant decline throughout fiscal year 2023 in response to Federal Reserve Board (Fed) increases in interest rates to try to slow the economy. Fiscal year 2023 ended with a U.S. inflation rate of 3.7%. However, because of the lag in the impact of the rate reduction and the impact of significantly higher salary expenses on businesses, consumers continue to experience higher costs of goods. These higher costs are thought to be associated with the decrease in overall spending, which is impacting sales tax.

Despite inflationary pressures, sales tax revenues remained strong throughout fiscal year 2023 with trend lines continuing to be consistent across all categories. Increases in overall dollars were smaller in fiscal year 2023 compared to the prior two years, which saw hefty increases during the COVID-19 pandemic. Inflationary factors described above, combined with slower spending are thought to be the largest contributors to this leveling of sales tax. Even with the smaller increases, the City's sales tax revenue for fiscal year 2023 ended 38% higher than fiscal year 2019, which is considered the last "normal" year due to the onset of the pandemic in 2020. Sales tax revenues continue to strongly support both the general fund and the Economic Improvement Corporation (EIC) with steady increases over the past decade.

The Kerrville Economic Development Corporation lists nine employers with more than 300 employees. The largest number of employees are dedicated to health care services at Peterson Regional Medical Center, with over 1,300 employees, the Kerrville State Hospital with over 700 employees, and the Kerrville Veteran's Hospital with nearly 500 employees. The remaining large employers are more diverse, ranging from James Avery Artisan Jewelry with 775 employees and Kerrville Independent School District, Schreiner University and HEB with over 650 employees each. These are followed by the City of Kerrville and Kerr County and other retail and manufacturing plants. Kerr County's unemployment rate, which includes the City of Kerrville is 2.90% (as of December 2023). This number is significantly lower than the state rate. Although the unemployment rate may seem impressive, Kerrville employers have reported a workforce shortage (as have employers across the state) since the onset of the COVID-19 pandemic.

To support workforce shortages, community leaders have had particular focus on workforce housing. In 2019, pre-pandemic, the City entered an agreement with Lennar Homes for the construction of over 100 homes in a new subdivision within the City. The subdivision lots, Ridgeland, located off Loop 534 near two schools, a park and the City's pool, are currently being sold (per the agreement) at a cost set by the Texas Department of Housing to ensure affordability to the local workforce. In 2023, the City began conversations about a new TIRZ for a second housing subdivision that would bring more than 500 homes, designated for workforce housing. The addition of these two new subdivisions will add property value to the tax base and provide much-needed rooftops for citizens.

Representatives of the City along with other community leaders continue to encourage development to attract light, clean industry as well as retail and hospitality. State and local leaders work together to recruit new companies and expand existing companies that will support Kerrville's growth and sustainability while retaining the small town feel enjoyed by residents and tourists. Killdeer Mountain Manufacturing (KMM) received support from the EIC to complete construction of their new manufacturing plant that opened in late 2023. KMM expects to employ 400 people in the new facility that manufactures aerospace electronic components. Also in 2023, Kerrville saw the opening of several new restaurants including Margarita City, Freddy's Custard, Jersey Mike's, Scooters Coffee, a new Whataburger and a downtown brewpub. These businesses will add an economic boost to the City of Kerrville.



Recreational opportunities continue to expand in Kerrville, adding to the quality of life components outlined in the Kerrville 2050 Comprehensive Plan. Kerrville's park system is made up of 27 individual parks totaling over 1,000 acres. Kerrville-Schreiner Park (KSP), most of which is located on the banks of the Guadalupe River, hosts RV sites as well as cabin and tent site rentals. KSP draws tourists from across the nation to experience the beauty and serenity of the Guadalupe River and Kerrville's charm. Visitors can enjoy the City's six mile long River Trail that runs along the banks of the river and curves through rustic areas of the parks. The EIC approved funding to add an extension of the trail through the downtown area which will improve accessibility of the river from downtown and vice versa.

The Kathleen C. Cailloux Center for Performing Arts, also located in Kerrville, is host to numerous art performances including popular artists, theatrical performances, and symphonies. Arcadia Live, a renovated historical theatre, hosts musical performances and other events. Additional arts and cultural attractions include the Museum of Western Art, the Kerr Regional History Center, and many local art studios and public art displays.

The Kerrville Tennis Center, which boasts 14 lighted courts and a pro shop, hosted several high school regional tournaments this past year as did the City's Municipal Golf Course (Scott Schreiner Golf Course), which will celebrate its centennial anniversary this year. In fiscal year 2023, the Scott Schreiner Golf Course hosted the 75<sup>th</sup> annual Heart of the Hills Golf Tournament, attracting players from across the nation. The golf course will see significant improvements in fiscal year 2024. Using funds generated from the issuance of Sales Tax Revenue Bonds approved by EIC and City Council early in fiscal year 2024, the course will receive upgrades to all greens and cart paths in addition to improvements to restrooms and other facilities. The Kerrville Sports Complex, a 104 acre multi-sport complex home to baseball, softball, and soccer fields, hosts multiple tournaments each year. Tournaments hosted by Kerrville's sports facilities supports the tourism industry and provides a boost to sales tax.

The quality of life found in Kerrville is especially attractive to retirees, who provide a strong, stable economic base and active community involvement. Since the pandemic, 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.

The City began experiencing cost increases during fiscal year 2022 due to nationwide inflationary pressures. The budget for fiscal year 2023 saw significant increases in the areas impacted by both inflation and cost increases related to supply and demand. The most significant increases were in personnel, which heavily impacted the general fund, accounting for 68% (\$25.1 million) of the fund's \$36.8 million budget. The largest increases in the personnel category included salary adjustments for public safety personnel, the impact of the cost-of-living and strategic market adjustments approved by City Council in fiscal year 2022 and an increase in group insurance. Supplies saw an increase Citywide as well, particularly in the supplies manufactured from petroleum products, such as chemical supplies, pipe, and fuel. Supplies also increased due to transportation costs passed on by companies who experienced the same inflationary pressures as the City.

With large variations in rainfall, from heavy to extreme drought, revenues of the Water & Sewer Fund can vary. The City's water rates are tiered to encourage conservation by charging higher rates to higher volume users. When conservation efforts are increased by implementing extreme restrictions due to drought conditions, revenues are impacted significantly. Operations of the water and wastewater systems do not show enough offsetting decline in expenses to compensate for lost revenues because the operational expense of the system does not vary much due to rainfall conditions. Fiscal year 2023 experienced a drought that required the implementation of stage 4 water restrictions in late August of 2023, during peak irrigation season.

These restrictions caused a water revenue shortfall. Stage 4 water restrictions also call for a suspension of building permits resulting in a shortfall in the sale of meters, taps and permits.

### ***Long-term Financial Planning***

The City's financial management policy instructs the general fund to maintain an unassigned fund balance between 15% and 25% of annual operating expenditures, which exceeds the Government Finance Officers Association (GFOA) recommended best practice. The policy instructs the Water Fund to maintain a fund balance between 15% and 25% of cash and receivables. Per policy, the City of Kerrville may reallocate excess fund balance for one-time expenditures (with City Council approval) but may not use fund-balance for recurring expenses. These policies allow the City to better weather economic downturns and strategically handle contingencies and unforeseen emergencies.

The City uses a five year forecast in its budget process to guide decisions and assist in policy making. The long range view allows the City to plan appropriately for the future impact of current decisions.

Formal long-range plans have been adopted by City Council to provide outlines for future planning. Such plans include extensive input from third-party consultants and City staff prior to being presented to City Council for consideration. Long-range plans currently in place include the City's Long-Range Water and Wastewater Master Plans and the Streets Master Plan. Currently, the City is undertaking master planning efforts for both facilities and asset replacement to better serve future needs.

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 for adjustments in order to respond to changing growth patterns, economic conditions, or federal and state mandates.

Historically, excess revenues over expenditures have been earmarked by City Council for future capital needs including capital projects and asset replacement. Available resources from both the General Fund and the Water & Sewer Fund are transferred to capital project and asset replacement funds as allocated during the budget process and with budget amendments, as approved by City Council.

The Community Investment Plan (CIP) is used exclusively as a planning tool, and therefore does not commit the City to any specific project or project funding. The intent of the CIP is for the City staff to identify specific capital improvements needed, estimate project costs and to identify high priority projects identified by City Council. The CIP provides only recommended projects and the means of financing the improvements. Recommended improvements align with Kerrville 2050 and are approved by the City Council on a project by project basis. The CIP presented in the fiscal year 2024 budget show current and potential projects over the next ten years. Projects are included in the budget process and are presented for discussion by citizens and City Council.

### ***Debt Issuances***

The City uses available funds from excess revenues over expenditures to support capital projects and asset replacement, when possible, as well as budgeted transfers to the CIP fund. Current capital needs exceed the City's ability to generate internal funds in a quantity sufficient to cover the costs of necessary projects. Notes on Long-Term Obligations within the financial statements along with the Schedules of Outstanding Debt Issuances in the Supplemental Schedules, provide details related to outstanding debt issuances. The MD&A also gives information regarding recent debt issuances.

### ***Kerrville Economic Improvement Corporation***

The Kerrville Economic Improvement Corporation (EIC) receives a half cent sales tax allocation and uses funds to support economic growth within City with goals of increasing the number of primary jobs, improving affordable housing and adding quality of life aspects for citizens and guests. EIC is governed by its own board and proposes a separate budget, approved by City Council. Texas Local Government Code governs all 4B expenditures and outlines allowable projects. Allowable expenses include streets, roads, and drainage improvements, maintenance and operating costs associated with projects, water and sewer infrastructure, parks, tourism facilities, and more. Since inception, EIC has invested \$61 million into the City of Kerrville to support growth and quality of life. The EIC has funded the Kerrville River Trail, provided support for the Arcadia Theatre, and invested in multiple infrastructure projects including a portion necessary for the Killdeer Mountain Manufacturing facility, Lennar Housing sub-division, Peterson Regional Medical Center's expansion project, and more. Early in fiscal year 2024, the EIC approved Sales Tax Revenue Bonds in the amount of \$20 million for the purpose of funding quality of life projects throughout the City.

### ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) awarded the City of Kerrville its first ever Triple Crown Award. The City has been awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2022. A reproduction of the certificate is included in this report. The City has received a Certificate of Achievement Award as well as an award for Distinguished Budget Presentation for thirty-eight consecutive fiscal years (Fiscal Year 1984 through Fiscal Year 2022).

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized ACFR. The contents of the report must conform to GFOA program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. We believe the current report continues to conform to the Certificate of Achievement program requirements and will be submitted to GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the dedication of all Finance Department staff who work diligently to maintain transparency, strong internal controls, and accountability. Appreciation is expressed to the City employees throughout the organization who are responsible for the maintenance of records upon which this report is based. Acknowledgment and appreciation is also given to representatives of FORVIS, LLP, 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,



Dalton Rice  
City Manager



Julie Behrens  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Kerrville  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2022

*Christopher P. Morill*

Executive Director/CEO



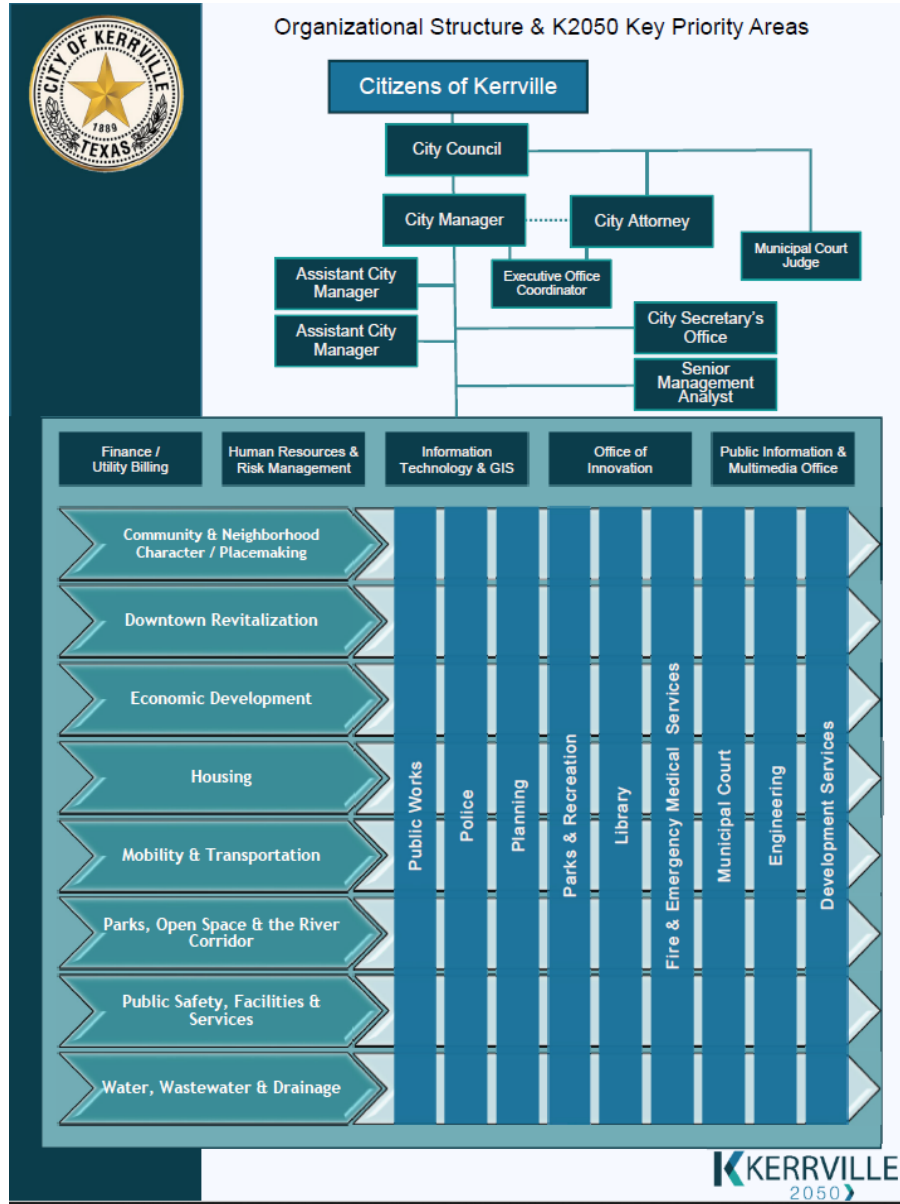
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# City of Kerrville, Texas

## Organization Chart

### Year Ended September 30, 2023



The City uses a matrix type organization chart to better represent the collaborative approach utilized to meet the goals of the Kerrville 2050 Comprehensive Plan.



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**City of Kerrville, Texas**  
**List of Principal Officials**  
**Year Ended September 30, 2023**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Term Expiration</u></b>
<b><u>Elected Officials</u></b>		
Judy Eychner	Mayor	May 2024
Roman Garcia	Place 1	May 2025
Jeff Harris	Place 2	May 2025
Joe Herring	Place 3	May 2024
Brenda Hughes	Place 4, Mayor Pro Tem	May 2024
<b><u>Appointed Officials</u></b>		
Dalton Rice	City Manager	
Mike Hayes	City Attorney	
<b><u>Senior Executive Team</u></b>		
Michael Hornes	Assistant City Manager	
Kimberly Meisner	Assistant City Manager	
Julie Behrens	Director of Finance	
Chris McCall	Chief of Police	
Eric Maloney	Fire Chief	
Stuart Barron	Executive Director of Public Works & Engineering	
Guillermo Garcia	Executive Director of Innovation	
Ashlea Boyle	Director of Parks & Recreation	
Shelley McElhannon	City Secretary	
Stuart Cunyus	Public Information Officer	
Megan Folkerts	Senior Management Analyst	
Maya Johnson	Executive Office Coordinator	



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**Financial Section**





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## Independent Auditor's Report

The Honorable Mayor and City Council  
City of Kerrville, Texas

### *Opinions*

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our report and the report of other auditors, the accompanying 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, 2023, 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.

We did not audit the financial statements of Kerrville Public Utility Board (KPUB), a discretely presented component unit, which represents 92%, 89%, and 89% of the assets/deferred outflows, net position, and revenues, respectively, of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for KPUB is based solely on the reports of the other auditors.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

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

### ***Other Information***

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

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

**FORVIS, LLP**

**Dallas, Texas  
March 7, 2024**



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# **City of Kerrville, Texas**

## **Management's Discussion and Analysis (Unaudited)**

### **Year Ended September 30, 2023**

#### **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, 2023. 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 – 7 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 2023 fiscal year by \$166,226,836. Of this amount, \$28,784,356 (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 2023, the City's total net position increased by \$9,566,379, or 6.1%. The net position of business-type activities decreased by \$293,620, or 0.5%. The net position of governmental activities increased by \$9,859,999, or 9.8%.
- Total expenses of all the City's programs were \$56,035,351 in 2023 as compared to \$48,672,103 in 2022.

##### Fund Statements

- As of September 30, 2023, the City's governmental funds reported combined ending fund balances of \$76,431,188. Of this total amount, \$14,007,013, or approximately 18.3%, 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 \$14,007,013, or 38.1%, 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.

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2023**

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's financials, 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. Additionally, the government-wide financial statements report the City's equity in the Kerrville-Kerr County Airport.

*The government-wide financial statements can be found on pages 25 – 27 of this report.*

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.

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2023**

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 12 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, Governmental IP Fund, Grant Fund, and Debt Service Fund which are considered to be major funds. Data from the other eight funds are combined into a single, aggregated presentation. Individual fund 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 28 – 31 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 one enterprise fund at year-end. The City uses enterprise fund to account for its water and wastewater services.

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 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 32 – 35 of this report.*

**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 38 – 77 of this report.*

# City of Kerrville, Texas

## Management's Discussion and Analysis (Unaudited)

### Year Ended September 30, 2023

#### *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 \$166,226,836 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (73.6%) 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 liquidated to pay these liabilities.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 91,921,278	\$ 92,402,821	\$ 24,166,508	\$ 13,497,439	\$ 116,087,786	\$ 105,900,260
Capital, lease and subscription assets	101,335,178	92,613,229	86,234,597	87,508,221	187,569,775	180,121,450
<b>Total assets</b>	<b>193,256,456</b>	<b>185,016,050</b>	<b>110,401,105</b>	<b>101,005,660</b>	<b>303,657,561</b>	<b>286,021,710</b>
Deferred outflows of resources	7,396,751	1,890,641	1,276,926	497,490	8,673,677	2,388,131
Long-term liabilities	83,762,992	73,917,738	54,464,115	43,716,814	138,227,107	117,634,552
Other liabilities	5,238,932	6,655,743	1,767,552	1,084,116	7,006,484	7,739,859
<b>Total liabilities</b>	<b>89,001,924</b>	<b>80,573,481</b>	<b>56,231,667</b>	<b>44,800,930</b>	<b>145,233,591</b>	<b>125,374,411</b>
Deferred inflows of resources	790,192	5,332,118	80,619	1,042,855	870,811	6,374,973
<b>Net position</b>						
Net investment in capital assets	73,975,800	68,392,325	48,363,281	49,413,126	122,339,081	117,805,451
Restricted	13,318,567	7,463,010	1,784,832	1,781,064	15,103,399	9,244,074
Unrestricted	23,566,724	25,145,757	5,217,632	4,465,175	28,784,356	29,610,932
<b>Total net position</b>	<b>\$ 110,861,091</b>	<b>\$ 101,001,092</b>	<b>\$ 55,365,745</b>	<b>\$ 55,659,365</b>	<b>\$ 166,226,836</b>	<b>\$ 156,660,457</b>

During Fiscal Year 2023, capital, lease and subscription assets increased by \$8.7 million in governmental activities due to transfer of assets from the golf course fund and issuance of subscription assets. Long-term liabilities increased \$9.8 million due primarily to increase in the net pension liability due to poor market performance in the measurement period (calendar year 2022).

During Fiscal Year 2023, current and other assets and long-term liabilities for business-type activities increased primarily due to the issuance of over \$12.1 million in general obligation bonds which will be expended on future water and wastewater projects.

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.

# City of Kerrville, Texas

## Management's Discussion and Analysis (Unaudited)

### Year Ended September 30, 2023

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 attributed to increasing property tax revenue due to increase in valuations and increase in overall levy, better than budget service revenues and strong investment earnings related to an improving financial market and higher interest rates being paid. Additionally, revenue was recognized from the *American Rescue Plan Act* and other grant funding.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenue</b>						
Program revenue						
Charges for services	\$ 8,576,078	\$ 6,783,206	\$ 14,511,234	\$ 15,203,636	\$ 23,087,312	\$ 21,986,842
Operating grants and contributions	5,346,027	3,241,611	-	-	5,346,027	3,241,611
Capital grants and contributions	-	-	299,769	812,862	299,769	812,862
General revenue						
Property tax	15,472,012	12,761,018	-	-	15,472,012	12,761,018
Sales tax	10,056,927	9,760,511	-	-	10,056,927	9,760,511
Hotel occupancy tax	1,665,271	1,760,465	-	-	1,665,271	1,760,465
Franchise tax	1,942,433	2,040,462	-	-	1,942,433	2,040,462
Grants and contributions not restricted to specific programs	1,503,916	1,755,837	-	-	1,503,916	1,755,837
Alcoholic beverage tax	121,051	113,550	-	-	121,051	113,550
Investment earnings (loss)	3,972,243	(352,159)	692,677	43,466	4,664,920	(308,693)
Loss on disposal of assets	-	-	-	-	-	-
Miscellaneous revenue	1,060,026	931,810	382,066	105,097	1,442,092	1,036,907
<b>Total revenue</b>	<b>49,715,984</b>	<b>38,796,311</b>	<b>15,885,746</b>	<b>16,165,061</b>	<b>65,601,730</b>	<b>54,961,372</b>
<b>Expenses</b>						
General government	8,925,351	5,324,092	-	-	8,925,351	5,324,092
Public safety	19,304,814	17,317,939	-	-	19,304,814	17,317,939
Cultural and recreation	8,276,451	8,893,253	-	-	8,276,451	8,893,253
Public works	4,922,242	4,600,678	-	-	4,922,242	4,600,678
Interest on long-term debt	2,353,063	1,067,805	-	-	2,353,063	1,067,805
Water and sewer operations	-	-	12,253,430	10,377,791	12,253,430	10,377,791
Golf course	-	-	-	1,090,545	-	1,090,545
<b>Total expenses</b>	<b>43,781,921</b>	<b>37,203,767</b>	<b>12,253,430</b>	<b>11,468,336</b>	<b>56,035,351</b>	<b>48,672,103</b>
Excess before transfers	5,934,063	1,592,544	3,632,316	4,696,725	9,566,379	6,289,269
Transfers	3,925,936	2,224,011	(3,925,936)	(2,224,011)	-	-
<b>Changes in Net Position</b>	<b>9,859,999</b>	<b>3,816,555</b>	<b>(293,620)</b>	<b>2,472,714</b>	<b>9,566,379</b>	<b>6,289,269</b>
<b>Net Position, Beginning of Year</b>	<b>101,001,092</b>	<b>97,184,537</b>	<b>55,659,365</b>	<b>53,186,651</b>	<b>156,660,457</b>	<b>150,371,188</b>
<b>Net Position, End of Year</b>	<b>\$ 110,861,091</b>	<b>\$ 101,001,092</b>	<b>\$ 55,365,745</b>	<b>\$ 55,659,365</b>	<b>\$ 166,226,836</b>	<b>\$ 156,660,457</b>

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2023**

***Overall Financial Position and Results of Operations***

Governmental Activities

The City's net position from governmental activities increased by \$9,859,999. In fiscal year 2023, there were increases in charges for services, which include an increase in EMS services. Investment earnings increased due to improved market conditions and higher interest rates. Property tax revenue also increased in 2023 due to an overall growth in valuations and an increase in the levy. Expenses in total increased from prior year primarily due to the impact of inflation, particularly in the areas of personnel and supplies. Additionally, net position was impacted by the transfer of the golf fund from business-type activities to governmental activities and capital funding received from various sources.

Business-type Activities

The City's net position from business-type activities decreased by \$293,624 due to the transfer of golf fund to the general fund. More information will be given in the "Proprietary Funds" section.

***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 \$76,431,188, an increase of \$1,386,136 in comparison with the prior year. Approximately 18.3% of total fund balance, or \$14,007,013, constitutes unassigned 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, etc.).

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 \$14,007,013. 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 38.1% or over four months of total General Fund expenditures.

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2023**

The fund balance of the City's General Fund increased by \$1,548,546 during the current fiscal year. This increase was driven by increases in the City's largest revenue source, property tax due to a 13% increase in estimated taxable value, a significant increase in service revenues, and better than budget interest revenue. Another contributor of the increase is better than budget expenditures due to supply chain shortages. City Council will be asked to reallocate funds in fiscal year 2024 to account for items budgeted but not received in fiscal year 2023.

The Governmental IP Fund's fund balance decreased by \$752,811 in fiscal year 2023 primarily due to increased capital expenditures, primarily for land purchase for the new public safety facility.

The Grant Fund's fund balance decreased by \$5,677 in fiscal year 2023.

The Debt Service Fund's fund balance increased by \$136,868 in fiscal year 2023, due to an increase in tax revenues, including collection of delinquent balances.

**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 Water Fund amounted to \$5,217,632 in fiscal year 2023.

Overall, the Water Fund's net position increased by \$809,763 compared to \$2,374,853 in the prior year. The decline in the change in net position as compared to prior year is due primarily to inflationary pressures beginning in the middle of fiscal year 2022. Fiscal year 2023 expenses were 9% higher than expenses recorded in fiscal year 2022, with the largest inflationary issues experienced in supplies and personnel. Supplies in the water fund are primarily petroleum based, which includes fuel, chemicals and infrastructure elements such as pipe. Personnel increases included the impact of the fiscal year 2022 amended budget to include a cost-of-living adjustment for all employees and strategic market adjustments to certain positions, based on a formal salary study completed by an outside firm. Maintenance expense showed a 30% increase compared to fiscal year 2022 due to the replacement of granular activated carbon for the filtration system at the water production plant. Fiscal years 2022 and 2023 both had a budget of \$187,000 for this product, but due to supply chain issues, expenses for both years hit in fiscal year 2023. Water Sales, the largest revenue source for the Water Fund, missed budget by \$112,000, which is attributed to the City's imposed Stage 4 Water Conservation Stage in August of 2023 due to extreme drought conditions.

***General Fund Budgetary Analysis***

In fiscal year 2023, the fund balance increased by \$1,548,546, which is \$2,260,892 better than the amended budget. This is due to higher than anticipated revenues combined with lower than anticipated expenditures.

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2023**

Actual revenues exceeded budget by \$1,429,074, primarily due to favorable performance on property taxes as well as an increase to certain charges for service and better than budget investment revenue due to higher interest rates being earned.

Actual expenditures were \$596,076 more than the fiscal year 2023 original budget due to inflationary conditions. Fiscal year 2023 increase in expenditures were heavily impacted by personnel because of salary adjustments and increases to group insurance. Costs of supplies were also impacted as well as significant increases in cost to capital items such as vehicles and equipment. Expenditures for fiscal year 2023 ended better than the final budget due to supply chain issues and timing of street maintenance payments.

***Capital Asset and Long-Term Debt Administration***

**Major Capital Additions**

In 2023, construction in progress increased due to ongoing projects such as initial planning for the Public Safety Facility, Lower Lois Street Drainage, Public Safety Communication System, Police Body Camera project, Outdoor Fitness Court, overall street reconstruction, and multiple water and wastewater projects that align with the City's master plan.

**Capital and Lease Assets**

As of September 30, 2023, total capital and lease assets of the City's governmental and business-type amount to \$187,569,775 (net of accumulated depreciation). This investment in capital and lease assets includes land, buildings and improvements, infrastructure and system improvements (including streets and drainage infrastructure) and machinery and equipment.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Land	\$ 8,245,704	\$ 8,245,704	\$ 488,831	\$ 488,831	\$ 8,734,535	\$ 8,734,535
Construction	11,331,955	7,105,663	2,941,847	6,983,907	14,273,802	14,089,570
Streets	27,473,224	26,496,279	-	-	27,473,224	26,496,279
Buildings	10,712,030	11,231,856	2,362,759	2,474,826	13,074,789	13,706,682
Improvements other than buildings	35,094,964	34,540,722	79,150,862	75,865,961	114,245,826	110,406,683
Vehicles	3,428,986	2,757,916	217,011	306,642	3,645,997	3,064,558
Machinery and equipment	2,558,016	1,120,861	876,601	835,299	3,434,617	1,956,160
Office equipment	489,438	544,765	29,585	41,292	519,023	586,057
Right-to-use leased assets	936,163	569,462	86,649	495,625	1,022,812	1,065,087
SBITA assets	1,064,698	959,768	80,452	107,269	1,145,150	1,067,037
Total	<u>\$ 101,335,178</u>	<u>\$ 93,572,996</u>	<u>\$ 86,234,597</u>	<u>\$ 87,599,652</u>	<u>\$ 187,569,775</u>	<u>\$ 181,172,648</u>

*Additional information on the City's capital assets can be found in Note 4 on pages 52-54 of this report, including information about the new accounting standard (GASB 96).*



# City of Kerrville, Texas

## Management's Discussion and Analysis (Unaudited)

### Year Ended September 30, 2023

#### Long-term Debt

At the end of the current fiscal year, the City has total governmental activity net bonded debt outstanding of \$66,604,040, which the City expects to retire through the Debt Service Fund. The City also has business activity net bonded debt outstanding of \$45,621,071 at September 30, 2023. The City's net bonded debt increased approximately \$8,730,000. The increase was due to issued bonds in fiscal year 2023.

The City's financial policies limits the General Fund debt service to no more than 25% of the total tax rate and Water Fund debt service to no more than 35% of total water and sewer fund revenues. The City's debt service remained below that level in fiscal year 2023 and the City intends to comply with that policy with any future debt issuances.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>General Bonded Debt</b>						
General obligation	\$ 50,095,000	\$ 50,825,000	\$ 12,745,000	\$ 13,590,000	\$ 62,840,000	\$ 64,415,000
Revenue bonds	-	-	12,090,000	-	12,090,000	-
Certificates of obligation	14,415,000	15,175,000	18,500,000	19,525,000	32,915,000	34,700,000
Total bonded debt	64,510,000	66,000,000	43,335,000	33,115,000	107,845,000	99,115,000
Bond premium discount	2,094,040	2,340,058	2,286,071	2,053,275	4,380,111	4,393,333
Net bonded debt	66,604,040	68,340,058	45,621,071	35,168,275	112,225,111	103,508,333
<b>Other Long-Term Debt</b>						
Kerrville Public Utility Board note	-	-	6,428,571	7,500,000	6,428,571	7,500,000
Loan	-	675,000	-	-	-	675,000
Compensated absences	1,506,810	1,383,264	276,912	259,940	1,783,722	1,643,204
Net pension liability	11,026,947	-	1,795,084	-	12,822,031	-
Total OPEB liability	1,038,002	1,400,135	168,976	286,776	1,206,978	1,686,911
SBITA liability	1,021,162	959,768	81,460	107,269	1,102,622	1,067,037
Lease liability	930,472	533,756	92,043	501,824	1,022,515	1,035,580
Landfill closure and post-closure costs	1,635,559	1,585,525	-	-	1,635,559	1,585,525
Total	\$ 83,762,992	\$ 74,877,506	\$ 54,464,117	\$ 43,824,084	\$ 138,227,109	\$ 118,701,590

*Additional information on the City's long-term debt can be found in Note 6 on pages 57–62 of this report.*

The City's ten-year Community Investment Plan identified potential capital improvements over the next 10 years. The City plans to use a combination of debt, cash and grant/donation funding to pay for the projects. In July 2022, Standard & Poor's confirmed the City's general obligation bond rating of an AA.

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2023**

***Items That Will Have a Significant Financial Impact***

Economic Factors and Next Year's Budgets and Rates

In Fiscal Year 2024, the overall property tax rate decreased from \$0.5752 to \$0.5595 resulting in an overall tax rate decrease of 2.7%. The Maintenance & Operations (M&O) rate will be reduced from the Fiscal Year 2023 rate of \$0.4341 to \$0.4185 in Fiscal Year 2024. The Interest and Sinking (I&S), which is portion allocated to pay debt, will slightly decrease from \$0.1411 in Fiscal Year 2023 to \$0.1410 in Fiscal Year 2024. Due to increase in property valuations along with new property added to the roll, fiscal year 2024 is expected to see an increase of \$540,000 in revenues from property taxes compared to fiscal year 2023 budget.

Sales tax revenue in fiscal year 2023 was \$10,056,927, which was 3.0% higher than fiscal year 2022 but less than the budgeted amount of \$10,539,565. This shortfall is attributed to inflationary pressures experienced nationwide, as discussed in the letter of transmittal. Because of the decline in percent increase and current trends, the fiscal year 2024 sales tax budget is flat with the budget for fiscal year 2023.

Service revenues are 22% higher in fiscal year 2024 than in 2023 due to the higher volume of calls received by EMS, increases in volume at the landfill and rate increases imposed for both EMS and Solid Waste.

Budgeted expenses increased in fiscal year 2024 in response to continued cost increases caused by inflation that began in fiscal year 2022.

Personnel is the largest category of expenditures, representing 30.8% of the total fiscal year 2024 budget. General government employees are budgeted to receive an average 3% merit increase. Public Safety employees are scheduled to receive their regular STEP increases. All City employees are budgeted to receive a cost-of-living-adjustment (COLA) of 3% in further response to inflation and nationwide salary increases impacting the ability of the City to recruit and retain staff. Employee group insurance increased nearly 15% and the actuarial calculated retirement contribution rate increased from 10.50% in fiscal year 2023 to 10.84% in fiscal year 2024.

Insurance such as liability, property and workers' compensation saw significant increases in excess of \$100,000 in fiscal year 2024 compared to 2023.

The Capital Projects category is unusually large in fiscal year 2024 due to the construction of the new Public Safety Facility, which has a total project cost of \$45 million. There are several Water and Wastewater projects currently underway as well. Details about these and other projects can be found in the Community Investment Plan (CIP) section the City's budget book.

In order to support increases in the operation of the water and wastewater system, rate increases were imposed on water and sewer rates in fiscal year 2024 in alignment with the City's five-year forecast. Inflationary factors played a major role in these increases as the City experienced cost increases on chemicals and supplies in excess of 30% during fiscal year 2022 that continued to impact fiscal year 2023. Extreme drought in fiscal year 2022 continued into fiscal year 2024.

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2023**

The City imposed water restrictions because of drought conditions, ending fiscal year 2023 with Stage 4 Water Conservation limits. This stage prohibits the use of any automatic watering, which greatly impacted the final billing period in fiscal year 2023. While the City's budget for fiscal year 2024 shows a 5.9% increase in revenues to the water fund due to increased rates and increased consumption due to new construction within the City, the Water Fund budget for fiscal year 2024 is being carefully monitored with ongoing water restrictions. The City's Reuse Water System was instrumental in the City's conservation efforts as it provides water to local golf courses, the Kerrville Sports Complex and Tennis Center, Schreiner University and Kerrville ISD sports fields. The City sold over 280 million gallons of reuse water in fiscal year 2023, which greatly reduced the demand on potable water system.

Like Sales Tax, Hotel Occupancy Tax (HOT) revenue was budgeted flat with fiscal year 2023. Hotel Occupancy Tax experienced a reduction in percent increases in fiscal year 2023 compared to the prior two fiscal years. It is important to note that fiscal year 2023 ended revenues 24% higher than fiscal year 2019 (the last "normal" year, pre-pandemic). The City of Kerrville saw significant growth in this revenue stream throughout the pandemic because of the outdoor tourist opportunities the City has to offer. These activities were especially attractive during the COVID-19 pandemic restrictions. Fiscal year 2023 experienced slowing in HOT revenues due to inflationary impacts on expendable income. Kerrville has increased the number of free community events offered that attract tourists with the hope of regaining momentum in HOT.

These factors, combined with ongoing inflation, created an overall budget increase when comparing fiscal year 2024 to fiscal year 2023. Increases in revenues are expected to be sufficient to cover additional expenses, with the exception of expenses for the April 8, 2024 Total Solar Eclipse will have an impact on the fiscal year 2024 budget. The City has been planning for the Emergency Management of this event since 2019. Because of the responsibility of the City to keep citizens and visitors safe and to be able to respond to emergencies with an estimated visitor count of more than three times the City's population, careful planning efforts have been made for traffic control and emergency operations. The management of this eclipse is budgeted at \$750,000 in the HOT fund.

The City received revenues from State and Local Fiscal Recovery Funds as part of *the American Rescue Plan Act (ARPA)* in the amount of \$5,900,000 over the past two fiscal years. Council approved the unspent portion of these funds to be used for Public Safety Assets, including vehicles and equipment. This funding will help reduce immediate strain on the City's Asset Replacement Fund.

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



## **Basic Financial Statements**



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# City of Kerrville, Texas

## Statement of Net Position

### September 30, 2023

Exhibit A-1

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 37,679,991	\$ 5,267,047	\$ 42,947,037	\$ 27,370,500
Investments	36,543,432	1,268,732	37,812,164	17,893,276
Receivables (net of allowances for uncollectibles)				
Taxes	408,543	-	408,543	-
Accounts	629,707	1,767,609	2,397,316	4,920,453
Other	617,918	-	617,918	-
Leases	298,800	-	298,800	-
Due from other governments	1,701,444	-	1,701,444	840,315
Internal balances	72,689	(72,689)	-	-
Inventories	121,474	605,483	726,957	1,233,153
Prepaid expenses	33,586	-	33,586	-
Other assets	-	-	-	26,087
Current portion of advance to City of Kerrville	-	-	-	1,071,428
Restricted assets				
Cash and cash equivalents	4,816,849	12,354,387	17,171,236	2,476,794
Investments	-	2,975,939	2,975,939	2,237,695
Equity in joint venture	9,021,240	-	9,021,240	-
Advance to the City of Kerrville	-	-	-	5,357,143
Capital, lease and subscription assets (net of accumulated depreciation and amortization, where applicable)				
Depreciable	81,757,519	82,803,919	164,561,438	50,806,359
Non-depreciable	19,577,659	3,430,678	23,008,337	2,965,354
Total assets	<u>193,256,456</u>	<u>110,401,105</u>	<u>303,657,561</u>	<u>117,198,557</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows – pensions	7,134,236	1,161,386	8,295,622	2,887,290
Deferred outflows – OPEB	193,280	30,880	224,160	30,710
Deferred outflows – loss on refunding	69,235	84,660	153,895	-
Total deferred outflows of resources	<u>7,396,751</u>	<u>1,276,926</u>	<u>8,673,677</u>	<u>2,918,000</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	3,361,918	1,498,431	4,860,349	23,370,963
Customer deposits	306,011	161,092	467,103	518,082
Unearned revenue	1,571,003	108,029	1,679,032	-
Noncurrent liabilities				
Due within one year				
Bonds payable	2,426,018	2,207,210	4,633,228	633,226
KPUB note	-	1,071,429	1,071,429	-
Compensated absences	828,746	124,610	953,356	-
SBITAs	404,543	24,649	429,192	-
Leases	320,078	24,271	344,349	-
Due in more than one year				
Bonds payable	64,178,022	43,413,861	107,591,883	2,413,000
KPUB note	-	5,357,142	5,357,142	-
Net pension liability	11,026,947	1,795,084	12,822,031	3,877,307
Total OPEB liability	1,038,002	168,976	1,206,978	260,808
Compensated absences	678,064	152,302	830,366	-
Landfill closure and post-closure costs	1,635,559	-	1,635,559	-
SBITAs	616,619	56,811	673,430	692,268
Leases	610,394	67,770	678,164	84,352
Total liabilities	<u>89,001,924</u>	<u>56,231,667</u>	<u>145,233,591</u>	<u>31,850,006</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows – pensions	39,803	6,479	46,282	32,437
Deferred inflows – OPEB	460,884	74,140	535,024	100,263
Deferred inflows - leases	289,505	-	289,505	-
Total deferred inflows of resources	<u>790,192</u>	<u>80,619</u>	<u>870,811</u>	<u>132,700</u>
<b>Net Position</b>				
Net investment in capital assets	73,975,800	48,363,281	122,339,081	49,948,867
Restricted for				
Donor				
Expendable	627,438	-	627,438	-
Nonexpendable	628,965	-	628,965	-
Debt service	1,455,290	1,784,832	3,240,122	397,833
Other purposes	10,606,874	-	10,606,874	8,661,274
Unrestricted	23,566,724	5,217,632	28,784,356	29,125,877
Total net position	<u>\$ 110,861,091</u>	<u>\$ 55,365,745</u>	<u>\$ 166,226,836</u>	<u>\$ 88,133,851</u>

**City of Kerrville, Texas**  
**Statement of Activities**  
**Year Ended September 30, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 8,925,351	\$ 429,104	\$ 2,400,552	\$ -
Public safety	19,304,814	4,538,186	2,260,481	-
Culture and recreation	8,276,451	2,574,625	-	-
Public works	4,922,242	1,034,163	684,994	-
Interest on long-term debt	2,353,063	-	-	-
Total expenses	43,781,921	8,576,078	5,346,027	-
<b>Business-type Activities</b>				
Water	12,253,430	14,511,234	-	299,769
Total business-Type activities	12,253,430	14,511,234	-	299,769
Total primary government	\$ 56,035,351	\$ 23,087,312	\$ 5,346,027	\$ 299,769
<b>Component Units</b>				
Economic Improvement Corporation	\$ 3,125,397	\$ -	\$ -	\$ -
Kerrville Public Utility Board	40,236,052	41,509,033	-	1,392,569
Total component units	\$ 43,361,449	\$ 41,509,033	\$ -	\$ 1,392,569

**General Revenues**

Property taxes  
Sales and use taxes  
Hotel occupancy taxes  
Franchise taxes  
Alcoholic beverage taxes  
Grants and contributions not restricted to specific programs  
Investment earnings  
Miscellaneous income

**Transfers**

Total general revenues and transfers

Change in net position

**Net Position, Beginning of Year**

**Net Position, End of Year**

Exhibit A-2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business- Activities	Total	
\$ (6,095,695)	\$ -	\$ (6,095,695)	
(12,506,147)	-	(12,506,147)	
(5,701,826)	-	(5,701,826)	
(3,203,085)	-	(3,203,085)	
(2,353,063)	-	(2,353,063)	
(29,859,816)	-	(29,859,816)	
-	2,557,573	2,557,573	
-	2,557,573	2,557,573	
(29,859,816)	2,557,573	(27,302,243)	
			\$ (3,125,397)
			2,665,550
			(459,847)
15,472,012	-	15,472,012	-
10,056,927	-	10,056,927	5,043,221
1,665,271	-	1,665,271	-
1,942,433	-	1,942,433	-
121,051	-	121,051	-
1,503,916	-	1,503,916	-
3,972,243	692,677	4,664,920	1,933,242
1,060,026	382,066	1,442,092	49,396
3,925,936	(3,925,936)	-	-
39,719,815	(2,851,193)	36,868,622	7,025,859
9,859,999	(293,620)	9,566,379	6,566,012
101,001,092	55,659,365	156,660,457	81,567,839
\$ 110,861,091	\$ 55,365,745	\$ 166,226,836	\$ 88,133,851



**City of Kerrville, Texas**  
**Balance Sheet – Governmental Funds**  
**September 30, 2023**

**Exhibit A-3**

	General Fund	Governmental IP Fund	Grant Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 12,475,434	\$ 30,473,017	\$ 1,673,921	\$ 901,274	\$ 4,800,070	\$ 50,323,717
Investments	7,645,866	18,677,011	-	552,394	1,414,257	28,289,527
Receivables, net						
Taxes	321,505	-	-	73,236	13,802	408,543
Accounts	627,158	-	-	-	-	627,158
Interest receivable	174,255	173,572	-	323	-	348,150
Leases	298,800	-	-	-	-	298,800
Other	265,868	-	-	-	3,900	269,768
Due from other funds	79,732	-	-	-	-	79,732
Due from other governments	1,691,290	-	-	433	9,721	1,701,444
Inventories	104,841	-	-	-	-	104,841
Prepays	33,586	-	-	-	-	33,586
Total assets	<u>\$ 23,718,335</u>	<u>\$ 49,323,600</u>	<u>\$ 1,673,921</u>	<u>\$ 1,527,660</u>	<u>\$ 6,241,750</u>	<u>\$ 82,485,266</u>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	2,313,519	\$ 684,838	\$ 139,628	\$ -	\$ 113,883	\$ 3,251,868
Unearned revenue	37,834	-	1,533,169	-	-	1,571,003
Customer deposits	306,011	-	-	-	-	306,011
Total liabilities	<u>2,657,364</u>	<u>684,838</u>	<u>1,672,797</u>	<u>-</u>	<u>113,883</u>	<u>5,128,882</u>
<b>Deferred Inflows of Resources</b>						
Deferred inflows of resources - leases	289,505	-	-	-	-	289,505
Unavailable revenue	563,321	-	-	72,370	-	635,691
Total deferred inflows	<u>852,826</u>	<u>-</u>	<u>-</u>	<u>72,370</u>	<u>-</u>	<u>925,196</u>
<b>Fund Balances</b>						
Nonspendable						
Endowment	628,965	-	-	-	-	628,965
Inventories	104,841	-	-	-	-	104,841
Prepaid items	33,586	-	-	-	-	33,586
Restricted						
Landfill	2,429,796	-	-	-	-	2,429,796
Debt service	-	-	-	1,455,290	-	1,455,290
Tourism	-	-	-	-	2,134,199	2,134,199
Grants	-	-	1,124	-	-	1,124
Library	627,438	-	-	-	2,827,603	3,455,041
Cailloux Theater	575,500	-	-	-	-	575,500
Police	-	-	-	-	198,751	198,751
PEG	-	-	-	-	93,284	93,284
Municipal court	-	-	-	-	134,295	134,295
TIRZ	-	-	-	-	327,987	327,987
Capital improvements	-	44,221,765	-	-	-	44,221,765
Committed						
Park improvements	-	-	-	-	191,419	191,419
History center	-	-	-	-	220,329	220,329
Insurance reserve	226,512	-	-	-	-	226,512
Capital improvements	1,574,494	4,416,997	-	-	-	5,991,491
Unassigned	14,007,013	-	-	-	-	14,007,013
Total fund balances	<u>20,208,145</u>	<u>48,638,762</u>	<u>1,124</u>	<u>1,455,290</u>	<u>6,127,867</u>	<u>76,431,188</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,718,335</u>	<u>\$ 49,323,600</u>	<u>\$ 1,673,921</u>	<u>\$ 1,527,660</u>	<u>\$ 6,241,750</u>	<u>\$ 82,485,266</u>

**City of Kerrville, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2023**

**Exhibit A-4**

Total fund balances – governmental funds balance sheet \$ 76,431,188

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	389,675	
Ambulance fees	222,474	
Court fines	<u>23,542</u>	635,691

Capital assets used in governmental activities, excluding the internal  
service funds, are not reported in the funds. 101,298,470

The assets and liabilities of internal service funds are included in governmental  
activities in the statement of net position. 385,877

The equity in a joint venture is not reported in the funds. 9,021,240

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	7,051,280	
Deferred outflows – OPEB	192,169	
Deferred outflows – loss on refunding	69,235	
Deferred inflows – pensions	(39,310)	
Deferred inflows – OPEB	<u>(454,814)</u>	6,818,560

Long-term liabilities are not due 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	(64,510,000)	
Bond premiums	(2,094,040)	
Landfill closure/post-closure costs	(1,635,559)	
Net pension liability	(10,898,727)	
Lease liability	(930,472)	
SBITA liability	(1,021,162)	
Total OPEB liability	(1,025,933)	
Compensated absences	<u>(1,491,371)</u>	(83,607,264)

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.

(98,276)

Net position of governmental activities \$ 110,861,091

**City of Kerrville, Texas**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Governmental Funds**  
**Year Ended September 30, 2023**

**Exhibit A-5**

	<b>General Fund</b>	<b>Governmental IP Fund</b>	<b>Grant Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Taxes and penalties	\$ 23,596,902	\$ -	\$ -	\$ 3,636,999	\$ 2,025,147	\$ 29,259,048
Licenses and permits	1,056,406	-	-	-	146,900	1,203,306
Intergovernmental	1,628,871	613,527	3,169,640	1,085,141	253,720	6,750,899
Charges for services	6,876,589	-	-	-	13	6,876,602
Grants	99,044	-	-	-	-	99,044
Fines and forfeitures	397,627	-	-	-	104,548	502,175
Investment income	1,072,309	2,614,326	-	89,690	195,918	3,972,243
Lease interest revenue	4,741	-	-	-	-	4,741
Miscellaneous	653,369	-	-	-	75,787	729,156
<b>Total revenues</b>	<b>35,385,858</b>	<b>3,227,853</b>	<b>3,169,640</b>	<b>4,811,830</b>	<b>2,802,033</b>	<b>49,397,214</b>
<b>Expenditures</b>						
Current						
General government	6,952,148	133,778	-	-	46,174	7,132,100
Public safety	17,887,697	17,393	189,089	-	160,321	18,254,500
Culture and recreation	4,903,792	-	-	-	1,711,616	6,615,408
Public works	3,592,745	-	-	-	-	3,592,745
Capital outlay	2,662,372	4,343,671	2,986,228	-	225,534	10,217,805
Debt service				-		
Principal	707,448	-	-	2,165,000	-	2,872,448
Interest	55,107	-	-	2,509,962	-	2,565,069
<b>Total expenditures</b>	<b>36,761,309</b>	<b>4,494,842</b>	<b>3,175,317</b>	<b>4,674,962</b>	<b>2,143,645</b>	<b>51,250,075</b>
Excess (deficiency) of revenues over (under) expenditures	(1,375,451)	(1,266,989)	(5,677)	136,868	658,388	(1,852,861)
<b>Other Financing Sources (Uses)</b>						
Issuance of leases	246,523	-	-	-	-	246,523
Issuance of SBITAs	473,119	-	-	-	-	473,119
Transfers in	2,604,355	519,850	-	-	5,672	3,129,877
Transfers out	(400,000)	(5,672)	-	-	(204,850)	(610,522)
<b>Net other financing sources (uses)</b>	<b>2,923,997</b>	<b>514,178</b>	<b>-</b>	<b>-</b>	<b>(199,178)</b>	<b>3,238,997</b>
<b>Net Change in Fund Balances</b>	<b>1,548,546</b>	<b>(752,811)</b>	<b>(5,677)</b>	<b>136,868</b>	<b>459,210</b>	<b>1,386,136</b>
<b>Fund Balances, Beginning of Year</b>	<b>18,659,599</b>	<b>49,391,573</b>	<b>6,801</b>	<b>1,318,422</b>	<b>5,668,657</b>	<b>75,045,052</b>
<b>Fund Balances, End of Year</b>	<b>\$ 20,208,145</b>	<b>\$ 48,638,762</b>	<b>\$ 1,124</b>	<b>\$ 1,455,290</b>	<b>\$ 6,127,867</b>	<b>\$ 76,431,188</b>

# 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, 2023

Exhibit A-6

Net change in fund balances – total governmental funds	\$ 1,386,136
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.	9,035,579
The net effect of the various miscellaneous transactions involving capital assets (i.e., sales, transfers in from business-type activities and donations) is to increase net position.	1,406,581
Depreciation/amortization expense on capital and lease 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. This amount excludes \$4,052 of depreciation expense in the internal service funds.	(4,123,380)
The issuance of long-term obligations (bonds and related premium), leases and SBITAs provides current financial resources to governmental funds, but has no effect on net position.	(719,642)
Current-year payments on long-term obligations are reported as debt service in the governmental funds but are a reduction of the associated liability on the statement of net position.	2,872,448
Current-year changes in joint venture equity are not reported in the governmental fund statements.	326,129
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.	246,018
Current-year changes in long-term liability for compensated absences do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(118,272)
Current-year changes in accrued interest payable do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(20,166)
Current-year pension and 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.	(374,039)
Current-year changes in landfill post-closure costs do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(50,034)
Internal service funds are used by management to share the costs of certain activities including employee insurance and fleet maintenance to individual funds. This is a net gain for the year.	4,313
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.	(11,672)
Change in net position of governmental activities	<u>\$ 9,859,999</u>

**City of Kerrville, Texas**  
**Statement of Net Position – Proprietary Funds**  
**September 30, 2023**

	<b>Business-type Activities – Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Water Fund</b>	<b>Nonmajor Golf Course Fund</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 5,267,047	\$ -	\$ 5,267,047	\$ 320,270
Investments	1,268,732	-	1,268,732	106,758
Receivables (net of allowances for uncollectibles)	1,767,609	-	1,767,609	2,549
Inventories	605,483	-	605,483	16,633
Total current assets	8,908,871	-	8,908,871	446,210
<b>Noncurrent Assets</b>				
Restricted assets				
Cash and cash equivalents	12,354,387	-	12,354,387	-
Investments	2,975,939	-	2,975,939	-
Total restricted assets	15,330,326	-	15,330,326	-
<b>Capital Assets</b>				
Land	488,831	-	488,831	-
Buildings	3,817,428	-	3,817,428	159,000
Improvements other than buildings	127,170,703	-	127,170,703	-
Vehicles	1,816,549	-	1,816,549	18,056
Machinery and equipment	3,757,007	-	3,757,007	85,760
Office equipment	173,109	-	173,109	-
Lease assets	125,437	-	125,437	-
SBITAs	107,269	-	107,269	-
Construction in progress	2,941,847	-	2,941,847	-
Accumulated depreciation and amortization	(54,163,583)	-	(54,163,583)	(226,108)
Net capital assets	86,234,597	-	86,234,597	36,708
Total noncurrent assets	101,564,923	-	101,564,923	36,708
Total assets	110,473,794	-	110,473,794	482,918
<b>Deferred Outflows of Resources</b>				
Deferred outflows – pension	1,161,386	-	1,161,386	82,956
Deferred outflows – OPEB	30,880	-	30,880	1,111
Deferred charges for refunding	84,660	-	84,660	-
Total deferred outflows of resources	\$ 1,276,926	\$ -	\$ 1,276,926	\$ 84,067

Exhibit A-7

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Water Fund	Nonmajor Golf Course Fund	Total Enterprise Funds	Internal Service Funds
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,498,431	\$ -	\$ 1,498,431	\$ 11,774
Unearned revenue	108,029	-	108,029	-
Compensated absences – current	124,610	-	124,610	-
Due to other funds	72,689	-	72,689	7,043
Customer deposits	161,092	-	161,092	-
Bonds and notes – current	3,278,639	-	3,278,639	-
Total current liabilities	5,243,490	-	5,243,490	18,817
<b>Noncurrent Liabilities</b>				
Net pension liability	1,795,084	-	1,795,084	128,220
Total OPEB liability	168,976	-	168,976	12,069
Bonds and notes – noncurrent	48,771,003	-	48,771,003	-
Leases payable	92,041	-	92,041	-
SBITAs payable	81,460	-	81,460	-
Compensated absences – noncurrent	152,302	-	152,302	15,439
Total noncurrent liabilities	51,060,866	-	51,060,866	155,728
Total liabilities	56,304,356	-	56,304,356	174,545
<b>Deferred Inflows of Resources</b>				
Deferred inflows – pension	6,479	-	6,479	493
Deferred inflows – OPEB	74,140	-	74,140	6,070
Total deferred inflows of resources	80,619	-	80,619	6,563
<b>Net Position</b>				
Net investment in capital assets	48,363,281	-	48,363,281	36,708
Restricted				
Debt service	1,784,832	-	1,784,832	-
Unrestricted	5,217,632	-	5,217,632	349,169
Total net position	\$ 55,365,745	\$ -	\$ 55,365,745	\$ 385,877

**City of Kerrville, Texas**  
**Statement of Revenues, Expenses, and Changes**  
**in Net Position – Proprietary Funds**  
**Year Ended September 30, 2023**

Exhibit A-8

	<b>Business-Type Activities – Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Water Fund</b>	<b>Nonmajor Golf Course Fund</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>				
Charges for services	\$ 14,257,688	\$ -	\$ 14,257,688	\$ 4,368,399
Other charges	253,546	-	253,546	-
Total operating revenues	14,511,234	-	14,511,234	4,368,399
<b>Operating Expenses</b>				
Personnel services	4,237,395	-	4,237,395	404,515
Repairs and maintenance	1,236,448	-	1,236,448	15,384
Supplies and materials	1,002,274	-	1,002,274	20,467
Utilities	771,609	-	771,609	6,925
Depreciation and amortization	3,209,546	-	3,209,546	4,052
General administration	521,478	-	521,478	14,085
Premiums and other charges	-	-	-	3,898,658
Total operating expenses	10,978,750	-	10,978,750	4,364,086
Operating income	3,532,484	-	3,532,484	4,313
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	692,677	-	692,677	-
Miscellaneous revenue	-	614,744	614,744	-
Bond issuance cost	(232,678)	-	(232,678)	-
Interest expense	(1,274,680)	-	(1,274,680)	-
Capital grant	299,769	-	299,769	-
Net nonoperating revenues (expenses)	(514,912)	614,744	99,832	-
Net income before transfers and contributions of capital assets	3,017,572	614,744	3,632,316	4,313
<b>Transfers</b>				
Transfers out	(2,207,809)	(311,546)	(2,519,355)	-
<b>Contribution of Capital Assets to Governmental Activities</b>	-	(1,406,581)	(1,406,581)	-
<b>Change in Net Position</b>	809,763	(1,103,383)	(293,620)	4,313
<b>Net Position, Beginning of Year</b>	54,555,982	1,103,383	55,659,365	381,564
<b>Net Position, End of Year</b>	\$ 55,365,745	\$ -	\$ 55,365,745	\$ 385,877

# City of Kerrville, Texas

## Statement of Cash Flows – Proprietary Funds

### Year Ended September 30, 2023

Exhibit A-9

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Water Fund	Nonmajor Golf Course Fund	Total Enterprise Funds	Internal Service Funds
<b>Operating Activities</b>				
Cash received from customers	\$ 14,096,939	\$ -	\$ 14,096,939	\$ 4,370,935
Cash payments to employees	(4,001,949)	-	(4,001,949)	(383,578)
Cash payments to other suppliers for goods and services	(2,591,014)	-	(2,591,014)	(3,958,972)
Other operating activities	(10,184)	-	(10,184)	-
Net cash provided by operating activities	7,493,792	-	7,493,792	28,385
<b>Noncapital Financing Activities</b>				
Transfers to other funds	(2,207,809)	(313,406)	(2,521,215)	-
Net cash used in noncapital financing activities	(2,207,809)	(313,406)	(2,521,215)	-
<b>Capital and Related Financing Activities</b>				
Capital contributions	67,091	-	67,091	-
Proceeds from issuance of debt	12,090,000	-	12,090,000	-
Principal and interest paid	(3,960,789)	-	(3,960,789)	-
Leases	117,391	-	117,391	-
Acquisition or construction of capital assets	(3,342,503)	-	(3,342,503)	(29,096)
Net cash provided by (used in) capital and related financing activities	4,971,190	-	4,971,190	(29,096)
<b>Investing Activities</b>				
Investment income	692,677	-	692,677	(4,524)
Sale of investments	-	-	-	4,701
Net cash provided by investing activities	692,677	-	692,677	177
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	10,949,850	(313,406)	10,636,444	(534)
<b>Cash and Cash Equivalents, Beginning of Year</b>	6,671,584	313,406	6,984,990	320,804
<b>Cash and Cash Equivalents, End of Year</b>	\$ 17,621,434	\$ -	\$ 17,621,434	\$ 320,270
<b>Reconciliation to the Statement of Net Position</b>				
Cash and cash equivalents	\$ 5,267,047	\$ -	\$ 5,267,047	\$ 320,270
Restricted cash and cash equivalents	12,354,387	-	12,354,387	-
	\$ 17,621,434	\$ -	\$ 17,621,434	\$ 320,270
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating income	\$ 3,532,484	\$ -	\$ 3,532,484	\$ 4,313
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	3,209,546	-	3,209,546	4,052
Other	-	-	-	-
Change in assets and deferred outflows				
(Increase) decrease in receivables	(160,749)	-	(160,749)	-
(Increase) decrease in inventories	(88,951)	-	(88,951)	579
(Increase) decrease in deferred receivables	-	-	-	2,536
(Increase) decrease in deferred pension outflows	(888,279)	-	(888,279)	(63,452)
(Increase) decrease in deferred OPEB outflows	17,442	-	17,442	2,338
Change in liabilities and deferred inflows				
Increase (decrease) in accounts payable	1,014,886	-	1,014,886	(4,719)
Increase (decrease) in other liabilities	(213,836)	-	(213,836)	5,274
Increase (decrease) in due to other funds	7,713	-	7,713	687
Increase (decrease) in net pension liability	1,908,932	-	1,908,932	136,356
Increase (decrease) in total OPEB liability	(67,191)	-	(67,191)	(4,799)
Increase (decrease) in deferred pension inflows	(833,130)	-	(833,130)	(59,478)
Increase (decrease) in deferred OPEB inflows	54,925	-	54,925	4,698
Total adjustments	3,961,308	-	3,961,308	24,072
Net cash provided by operating activities	\$ 7,493,792	\$ -	\$ 7,493,792	\$ 28,385
<b>Noncash Transactions</b>				
Contribution of capital assets to governmental activities	\$ -	\$ 1,406,581	\$ 1,406,581	\$ -
Contribution of long-term debt to governmental activities	-	(614,744)	(614,744)	-



**City of Kerrville, Texas**  
**Statements of Net Position – Component Units**  
**September 30, 2023**

Exhibit A-10

	Kerrville Economic Improvement Corporation (EIC)	Kerrville Public Utility Board (KPUB)	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 7,794,348	\$ 19,576,152	\$ 27,370,500
Investments	-	17,893,276	17,893,276
Receivables (net of allowances for uncollectible)	26,611	2,574,253	2,600,864
Unbilled revenues	-	2,319,589	2,319,589
Due from other governments	840,315	-	840,315
Inventories	-	1,233,153	1,233,153
Other assets	-	26,087	26,087
Current portion of advance to City of Kerrville	-	1,071,428	1,071,428
Restricted assets			
Investments	-	2,237,695	2,237,695
Cash and cash equivalents	-	2,476,794	2,476,794
Advance to City of Kerrville	-	5,357,143	5,357,143
Capital assets nondepreciable			
Land	1,138,436	252,885	1,391,321
Construction in progress	-	1,574,033	1,574,033
Depreciable (net of accumulated depreciation)			
Buildings	-	3,687,891	3,687,891
Improvements other than buildings	-	41,925,248	41,925,248
Vehicles	-	2,903,668	2,903,668
Right-to-use equipment	-	31,377	31,377
Right-to-use vehicles	-	77,670	77,670
Machinery and equipment	-	1,226,963	1,226,963
Subscription assets	-	953,542	953,542
Total assets	9,799,710	107,398,847	117,198,557
<b>Deferred Outflows of Resources</b>			
Deferred outflows – pensions	-	2,887,290	2,887,290
Deferred outflows – OPEB	-	30,710	30,710
Total deferred outflows of resources	-	2,918,000	2,918,000
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	-	23,370,963	23,370,963
Current maturities of long-term debt	-	633,226	633,226
Total current liabilities	-	24,004,189	24,004,189
Noncurrent liabilities			
Net pension liability	-	3,877,307	3,877,307
Total OPEB liability	-	260,808	260,808
Customer deposits	-	518,082	518,082
Bonds payable, net of current portion	-	2,413,000	2,413,000
Subscriptions payable	-	692,268	692,268
Leases payable	-	84,352	84,352
Total noncurrent liabilities	-	7,845,817	7,845,817
Total liabilities	-	31,850,006	31,850,006
<b>Deferred Inflows of Resources</b>			
Deferred inflows – pensions	-	32,437	32,437
Deferred inflows – OPEB	-	100,263	100,263
Total deferred inflows of resources	-	132,700	132,700
<b>Net Position</b>			
Net investment in capital assets	1,138,436	48,810,431	49,948,867
Restricted for			
Debt service	-	397,833	397,833
Economic development	8,661,274	-	8,661,274
Unrestricted	-	29,125,877	29,125,877
Total net position	9,799,710	78,334,141	88,133,851
Total liabilities, deferred inflows of resources, and net position	\$ 9,799,710	\$ 110,316,847	\$ 119,983,857

**City of Kerrville, Texas**  
**Statements of Activities – Component Units**  
**Year Ended September 30, 2023**

**Exhibit A-11**

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Capital Grants and Contributions	EIC	KPUB	Total
Kerrville Economic Improvement Corporation (EIC)						
General government	\$ 3,125,397	\$ -	\$ -	\$ (3,125,397)	\$ -	\$ (3,125,397)
Total Kerrville EIC	3,125,397	-	-	(3,125,397)	-	(3,125,397)
Kerrville Public Utility Board (KPUB)						
Purchased power	25,399,493	41,509,033	1,392,569	-	17,502,109	17,502,109
Distribution	3,562,279	-	-	-	(3,562,279)	(3,562,279)
Payments in lieu of taxes	1,362,174	-	-	-	(1,362,174)	(1,362,174)
Administration and other	5,826,993	-	-	-	(5,826,993)	(5,826,993)
Depreciation and amortization	4,085,113	-	-	-	(4,085,113)	(4,085,113)
Total KPUB	40,236,052	41,509,033	1,392,569	-	2,665,550	2,665,550
Total Component Units	\$ 43,361,449	\$ 41,509,033	\$ 1,392,569	(3,125,397)	2,665,550	(459,847)
General Revenues						
Sales taxes				5,043,221	-	5,043,221
Investment earnings				312,203	1,621,039	1,933,242
Miscellaneous income				-	49,396	49,396
Total general revenues				5,355,424	1,670,435	7,025,859
Change in Net Position				2,230,027	4,335,985	6,566,012
Net Position, as Previously Reported				7,569,683	73,973,703	81,543,386
Restatement due to change in accounting principle				-	24,453	24,453
Net Position, Beginning of Year, As Restated				7,569,683	73,998,156	81,567,839
Net Position, End of Year				\$ 9,799,710	\$ 78,334,141	\$ 88,133,851



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## **Notes to Basic Financial Statements**



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**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

**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, fire, and EMS), streets, culture and recreation, planning and zoning, and general administrative services. In addition, the City provides water and sewer service, and access to the City operated golf course as proprietary functions 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, and GASB Statement No. 80, 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-Kerr County Airport.* 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, 2023**

Financial statements may be obtained from the Kerrville-Kerr County Airport, 1877 Airport Loop, Kerrville, TX 78028.

#### ***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 services. 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, 2023

The City reports the following major governmental funds:

- **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. This fund is designated as major by the City.
- **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.
- **Grant Fund** – is used to account for monies received from other governmental agencies that have restricted legal requirements.

The City reports the following major proprietary fund:

- **Water 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.
- **Capital Projects Fund** – accounts for the acquisition or construction of governmental capital assets not recorded in the Government IP Fund.
- **Nonmajor Golf Course Fund** – accounts for all activities of the City’s municipal golf course. This fund was transferred to the General Fund at the beginning of fiscal year 2023.
- **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.



**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

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 Golf Course enterprise funds are charges to customers for sales and services. The Water 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.

***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 18 months. Pledged collateral, equal to 188% of the covered account balance is required for all deposits and is limited to obligations of the U.S. government or U.S. state, its agencies or instrumentalities and municipal obligations rated A or better 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 primary dealer (as defined by the Federal Reserve). The agreements require written master repurchase agreement with a defined termination date, secured by approved obligations, held by an independent third-party custodian with a final maturity not to exceed 90 days.

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 from the date of issuance.

State law and the City's investment policy restrict investment in SEC registered mutual funds to AAA rated money market mutual funds striving to maintain a \$1 net asset value and complying with SEC Rule 2a-7.

The City investment policy also allows AAA rated, constant dollar Texas local government investment pools which strive to maintain a \$1 net asset value.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

***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 “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.

***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.

The City makes certain payments to vendors in the current year for expenses/expenditures applicable to future accounting periods. A reserve for inventories and prepayments in governmental funds is recognized at the fund level to indicate that a portion of the fund balance is not appropriable for expenditure. Prepaid items are recorded as expenditures or expenses when consumed.

***Restricted Assets***

Certain proceeds of Governmental Activities, Water Fund, and Component Unit bonds are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Customer deposits are also classified as restricted.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

***Capital, Lease and Subscription Assets***

Capital, lease and subscription assets, which include property, plant, equipment, the right to use leased equipment and vehicles, 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, lease and subscription assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (\$25,000 for lease and subscription assets).

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.

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

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

Buildings	20–50 years
Improvements other than buildings	10–25 years
System infrastructure	15–50 years
Streets	20 years
Machinery and equipment	10 years
Office equipment	10 years
Vehicles	8 years
Right-to-use leased equipment	5–20 years
Drainage	25 years
Subscriptions	2–5 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 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.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
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***Lease Receivable***

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

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

***Lease Liability***

The City is a lessee for noncancellable leases. The City recognizes a lease liability and an intangible right-to-use asset (lease asset) in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities, with an initial, individual value of \$25,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

***Subscription-Based Information Technology Arrangements (SBITA)***

Effective October 1, 2022, the City implemented GASB Statement No. 96, *Subscription-Based Technology Arrangements*, which provides guidance on the accounting and financial reporting of contractual arrangements. It required the recognition of certain right-to-use subscription assets and corresponding liabilities.

The City has contracts with SBITA vendors for the right-to-use information technology software, alone or in combination with tangible capital assets. The City recognizes subscription liabilities, reported with long-term debt, and right-to-use subscription assets, reported with the other capital assets, in the government-wide and proprietary funds financial statements.

At implementation of GASB Statement No. 96 and the commencement of SBITAs beginning after October 1, 2022, the City initially measured the subscription liabilities at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liabilities are reduced by the principal portion of SBITA payments made.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

The right-to-use subscription assets are initially measured as the initial amount of the subscription liabilities, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription assets and liabilities if certain changes occur that are expected to significantly affect the amount of the subscription liabilities.

***Deferred Outflows 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

***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***

The Grant Fund and Enterprise Funds report unearned revenue in connection with grant funding that has been received, but not yet earned. The Grant Fund received funding from the *American Rescue Plan Act* and will recognize revenue as allowable expenditures are received. The Water Fund received funding for future capital projects from the Texas Water Development Board. These funds will be recognized as revenue as the City constructs related capital projects for which these funds were provided. Additionally, prepaid golf course fees within the General Fund are reported as unearned.

***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.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
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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.

***Defined Benefit Pension Plan***

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

Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

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.

***Deferred Inflows of Resources***

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

***Classification of Fund Equity***

The City's financial management policy instructs the general fund to maintain an unassigned fund balance between 15% and 25% of annual operating expenditures, which exceeds the Government Finance Officers Association (GFOA) recommended best practice. The policy instructs the Water Fund to maintain a fund balance between 15% and 25% of cash and receivables.

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

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

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 the 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. The City designates restricted net position to be spent first if both restricted and unrestricted balances are available.

***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.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

***Excess of Expenditures over Appropriations***

For the year ended September 30, 2023, the City had the following excess expenditures over appropriations.

- The Police Fund exceeded appropriations by \$186,279. The Police Fund is a special revenue fund that has unanticipated, unbudgeted activity due the nature of the fund type. Budget for this fund is based on the amount of available fund balance during the budget process. During fiscal year 2023, the police and fire departments received grant funding from local foundations combined with donations from the community to purchase equipment for operations to include a new 6x6 all-terrain vehicle for the fire department to improve mobility for emergency rescues and fire fighting in areas inaccessible to regular vehicles and “go-bags” for the police department to be used in emergency response situations.
- The Debt Service Fund exceeded appropriations by \$82,100 due to higher interest expense than originally estimated.

***Adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96)***

In 2023, the City adopted GASB 96. The Statement addressed accounting and financial reporting for subscription-based information technology arrangements (SBITAs), a type of information technology (IT) arrangement (i.e., software licensing). This statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability, provides capitalization criteria, and requires footnote disclosure. The standards for SBITAs are based on the standards established in GASB 87 (previously adopted), as amended.

***Future Adoption of Accounting Principles***

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2023. The City will evaluate the potential impact of the future accounting principles on the City’s net position.

<b><u>Statement No.</u></b>	<b><u>Title</u></b>	<b><u>Adoption Required</u></b>
100	Accounting Changes and Error Corrections	September 30, 2025
101	Compensated Absences	September 30, 2025



**City of Kerrville, Texas**  
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**Note 2: Deposits and Investments**

At year-end, the carrying amount of the City and EIC's cash on hand and deposits with financial institutions was \$11,088,022 (excluding certificates of deposits of \$245,000.) At September 30, 2023, the City had sufficient collateral pledged to insure deposits.

- **Custodial Credit Risk – Deposits** – In the matter of collateral pledged to the City for time and demand deposits by a financial institution, the City incurs no custodial credit risk. The *Public Funds Collateral Act* and the *Public Funds Investment Act* require that collateral pledged to a governmental unit be held at an independent third-party institution outside the holding company of the bank. The law (*Public Funds Collateral Act* and the FDIC) stipulate that an event of default of the financial institution the custodian becomes the legal “bailee” to the City and holds all collateral for the City until the City chooses to sell the collateral securities to make their claim whole. The City's Investment Policy and the contract binding the City's depository requires a margin of 102% of market value of those securities over the total amount of time and demand deposits daily. The 2% margin resets when any change in interest rates and, therefore, securities prices, occur. This dual guarantee prevents any custodial credit risk.

Investments as of September 30, 2023 are as follows:

Investment Type	Carrying Amount	Weighted-Average	
		Days to Maturity	Rating as of Year-End
U.S. agency securities	\$ 28,146,630	857	AA+
Money market investments	5,057,271	N/A	N/A
Municipal bonds	499,629	52	N/A
Commercial paper	10,837,529	244	A-1
Equity securities	952,557	N/A	N/A
TexPool Prime local government pool	14,931,424	25	AAAm
Texas CLASS local government pool	30,798,461	31	AAAm
LOGIC local government pool	6,144,222	14	AAA
Certificates of deposit	245,000	88	N/A
	<u>          </u>		
Total fair value – primary government and EIC	<u><u>\$ 97,612,723</u></u>		

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

Deposits and investments as of September 30, 2023 are classified in the accompanying financial statements as follows:

**Statement of Net Position**

Cash and cash equivalents – primary government	\$ 42,947,037
Restricted cash and cash equivalents – primary government	17,171,236
Investments – primary government	37,812,164
Restricted investments – primary government	2,975,939
Cash and cash equivalents – EIC	<u>7,794,348</u>
Total cash, cash equivalents, and investments	<u><u>\$ 108,700,725</u></u>

Deposits and investments as of September 30, 2023 consist of the following:

Deposits (excluding certificates of deposits)	\$ 11,088,002
Investments	<u>97,612,723</u>
Total deposits and investments	<u><u>\$ 108,700,725</u></u>

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 Public Trust Advisors, LLC with Wells Fargo Bank Texas, NA as the Custodian and is supervised by a Board of Trustees who are elected by the participants. Texas CLASS is rated AAAM and seeks to maintain a constant net asset value of \$1.00. Investments in the pools are considered to be cash equivalents when preparing these financial statements.

The City is invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a AAA rated local government investment pool administered by Hilltop Securities and JPMorgan Chase. 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 net asset value 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.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

The City is the trustee of an endowment trust fund for the library. The investment strategy for trust funds with restricted corpus is primarily income growth and allows for investments in high-credit quality, intermediate term securities which will protect the corpus and generate a reasonable income stream on an annual basis.

*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 objective of the investment program. The City uses guidelines 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	30%
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	25%

*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 three years, with a weighted-average maturity of one year for the total portfolio. Longer maturities may be utilized for bond proceeds but only if matched to planned expenditures of the funds.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of a counterparty which is holding the City's securities as a custodian. The PFIA, Government Code 105 (depository law) and the City's Investment Policy require that all securities purchased be delivered delivery versus payment to the custodian. Investments are then held in the City's name. Failure of the custodian would not affect ownership or access to the investments. These guarantees and requirements prevent any custodial credit risk for the City.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
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**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	Governmental IP Fund	Debt Service Fund	Other Governmental Funds/ Internal Service Funds	Total Governmental	Water	KPUB	EIC
Taxes receivable	\$ 531,238	\$ -	\$ 106,565	\$ 13,802	\$ 651,605	\$ -	\$ -	\$ -
Allowance for uncollectible taxes	(209,733)	-	(33,329)	-	(243,062)	-	-	-
	<u>321,505</u>	<u>-</u>	<u>73,236</u>	<u>13,802</u>	<u>408,543</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounts receivable	2,189,098	-	-	-	2,189,098	2,008,364	4,932,814	-
Allowance for uncollectible accounts	(1,561,940)	-	-	-	(1,561,940)	(325,561)	(38,972)	-
	<u>627,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>627,158</u>	<u>1,682,803</u>	<u>4,893,842</u>	<u>-</u>
Other receivables	738,923	173,572	323	6,449	919,267	84,806	-	26,611
Allowance for uncollectible accounts	-	-	-	-	-	-	-	-
	<u>738,923</u>	<u>173,572</u>	<u>323</u>	<u>6,449</u>	<u>919,267</u>	<u>84,806</u>	<u>-</u>	<u>26,611</u>
Due from other governments	1,691,290	-	433	9,721	1,701,444	-	-	840,315
Total	<u>\$ 3,378,876</u>	<u>\$ 173,572</u>	<u>\$ 73,992</u>	<u>\$ 29,972</u>	<u>\$ 3,656,412</u>	<u>\$ 1,767,609</u>	<u>\$ 4,893,842</u>	<u>\$ 866,926</u>

***Leases Receivable***

The City leases ground space to various third parties, the terms which expire in various years through 2041. The City recognized approximately \$83,500 in lease revenue and \$4,700 in interest revenue during the current fiscal year related to the lease. As of September 30, 2023, the City's receivable for lease payments was \$298,800. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of September 30, 2023, the balance of the deferred inflow of resources was \$289,505.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

**Note 4: Capital, Lease and Subscription Assets**

Capital, lease and subscription asset activity for the year ended September 30, 2023 was as follows:

	Restated Balance October 1, 2022*	Additions	Sales or Other Dispositions	Transfers In/ Transfers Out	Balance September 30, 2023
<b>Governmental Activities</b>					
Capital assets not being depreciated					
Land and land improvements	\$ 8,245,704	\$ -	\$ -	\$ -	\$ 8,245,704
Construction in progress	7,105,663	7,627,743	-	(3,401,451)	11,331,955
Total capital assets not being depreciated	15,351,367	7,627,743	-	(3,401,451)	19,577,659
Capital, lease and subscription assets being depreciated or amortized					
Buildings	19,789,998	24,567	-	380,572	20,195,137
Improvements other than buildings	43,239,102	78,923	(33,308)	3,220,325	46,505,042
Streets	43,514,230	-	-	1,748,733	45,262,963
Vehicles	8,534,752	1,281,008	(243,833)	-	9,571,927
Machinery and equipment	4,835,729	653,302	(447,396)	1,204,166	6,245,801
Office equipment	1,160,584	111,133	(20,720)	-	1,250,997
Right-to-use lease assets	688,350	246,522	-	516,930	1,451,802
SBITA assets*	959,768	473,119	-	-	1,432,887
Total capital, lease and subscription assets being depreciated or amortized	122,722,513	2,868,574	(745,257)	7,070,726	131,916,556
Less: accumulated depreciation or amortization for					
Buildings	(8,558,142)	(544,393)	-	(380,572)	(9,483,107)
Improvements other than buildings	(8,698,380)	(1,076,011)	29,793	(1,665,480)	(11,410,078)
Streets	(17,017,951)	(771,788)	-	-	(17,789,739)
Vehicles	(5,776,836)	(601,702)	235,597	-	(6,142,941)
Machinery and equipment	(3,714,868)	(278,840)	447,397	(141,474)	(3,687,785)
Office equipment	(615,819)	(164,927)	19,187	-	(761,559)
Right-to-use lease assets	(118,888)	(321,582)	-	(75,169)	(515,639)
SBITA assets*	-	(368,189)	-	-	(368,189)
Total accumulated depreciation and amortization	(44,500,884)	(4,127,432)	731,974	-	(50,159,037)
Capital, lease and subscription assets being depreciated or amortized, net	78,221,629	6,368,885	(13,283)	7,070,726	81,757,519
Governmental activities capital and lease assets, net	\$ 93,572,996	\$ 13,996,628	\$ (13,283)	\$ 3,669,275	\$ 101,335,178

\*Amounts have been restated for GASB 96 implementation.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

	Restated Balance October 1, 2022*	Additions	Sales or Other Dispositions	Transfers In/ Transfers Out	Balance September 30, 2023
<b>Business-Type Activities</b>					
Capital assets not being depreciated					
Land	\$ 488,831	\$ -	\$ -	\$ -	\$ 488,831
Construction in progress	6,983,907	2,668,460	-	(6,710,520)	2,941,847
Total capital assets not being depreciated	7,472,738	2,668,460	-	(6,710,520)	3,430,678
Capital, lease and subscription assets being depreciated or amortized					
Building	4,178,596	13,500	-	(374,668)	3,817,428
Improvements other than buildings	122,698,457	406,924	-	4,065,322	127,170,703
Vehicles	1,813,127	-	(57,607)	61,029	1,816,549
Machinery and equipment	3,800,841	106,388	(25,472)	(124,750)	3,757,007
Office equipment	173,109	-	-	-	173,109
Right-to-use lease assets	586,632	55,852	(117)	(516,930)	125,437
SBITA assets*	107,269	-	-	-	107,269
Total capital, lease and subscription assets being depreciated or amortized	133,358,031	582,664	(83,196)	3,110,003	136,967,502
Less: accumulated depreciation or amortization for					
Building	(1,703,770)	(125,567)	-	374,668	(1,454,669)
Improvements other than buildings	(46,832,496)	(2,815,266)	-	1,627,921	(48,019,841)
Vehicles	(1,506,485)	(89,697)	57,673	(61,029)	(1,599,538)
Machinery and equipment	(2,965,542)	(117,542)	17,741	184,937	(2,880,406)
Office equipment	(131,817)	(11,707)	-	-	(143,524)
Right-to-use lease assets	(91,007)	(22,950)	-	75,169	(38,788)
SBITA assets*	-	(26,817)	-	-	(26,817)
Total accumulated depreciation and amortization	(53,231,117)	(3,209,546)	75,414	2,201,666	(54,163,583)
Capital, lease and subscription assets being depreciated or amortized, net	80,126,914	(2,626,882)	(7,782)	5,311,669	82,803,919
Business-type activities capital and lease assets, net	\$ 87,599,652	\$ 41,578	\$ (7,782)	\$ (1,398,851)	\$ 86,234,597

\*Amounts have been restated for GASB 96 implementation.

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

**Governmental Activities**

General government	\$ 1,131,502
Public safety	660,115
Public works	1,453,456
Culture and recreation	882,359

Total depreciation and amortization expense – governmental activities	<u>\$ 4,127,432</u>
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**Business-Type Activities**

Water Fund	<u>\$ 3,209,546</u>
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**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

	Restated Balance October 1, 2022	Additions	Transfers	Retirements	Balance September 30, 2023
<b>EIC</b>					
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>
<b>KPUB</b>					
Capital assets, not being depreciated					
Land	\$ 252,885	\$ -	\$ -	\$ -	\$ 252,885
Construction in progress	<u>1,834,762</u>	<u>7,714,261</u>	<u>(7,974,990)</u>	<u>-</u>	<u>1,574,033</u>
Total capital assets not being depreciated	<u>2,087,647</u>	<u>7,714,261</u>	<u>(7,974,990)</u>	<u>-</u>	<u>1,826,918</u>
Capital and lease assets being depreciated or amortized					
Buildings	8,036,906	-	1,758,598	(669,413)	9,126,091
Distribution system	79,089,306	-	4,508,188	(502,225)	83,095,269
Right to use-equipment	161,380	-	-	(87,729)	73,651
Subscription assets	654,397	-	584,358	-	1,238,755
Right to use - vehicles	-	-	83,120	-	83,120
Vehicles	3,765,445	-	492,758	(564,423)	3,693,780
Machinery and equipment	<u>2,676,765</u>	<u>-</u>	<u>(60,698)</u>	<u>(2,820)</u>	<u>2,613,247</u>
Total capital and lease assets being depreciated or amortized	<u>94,384,199</u>	<u>-</u>	<u>7,366,324</u>	<u>(1,826,610)</u>	<u>99,923,913</u>
Less: accumulated depreciation or amortization for					
Buildings	(5,458,558)	(427,627)	(135,442)	583,427	(5,438,200)
Distribution system	(39,083,776)	(3,333,520)	745,050	502,225	(41,170,021)
Right to use - equipment	(26,021)	(16,253)	-	-	(42,274)
Subscription assets	(96,848)	(188,365)	-	-	(285,213)
Right to use - vehicles	-	(5,450)	-	-	(5,450)
Vehicles	(1,520,284)	(294,471)	(61,381)	489,852	(1,386,284)
Machinery and equipment	<u>(739,271)</u>	<u>(113,898)</u>	<u>60,439</u>	<u>2,618</u>	<u>(790,112)</u>
Total accumulated depreciation and amortization	<u>(46,924,758)</u>	<u>(4,379,584)</u>	<u>608,666</u>	<u>1,578,122</u>	<u>(49,117,554)</u>
Total capital and lease assets being depreciated or amortized, net	<u>47,459,441</u>	<u>(4,379,584)</u>	<u>7,974,990</u>	<u>(248,488)</u>	<u>50,806,359</u>
KPUB capital assets, net	<u>\$ 49,547,088</u>	<u>\$ 3,334,677</u>	<u>\$ -</u>	<u>\$ (248,488)</u>	<u>\$ 52,633,277</u>

***Construction Commitments***

The City has numerous active construction projects as of September 30, 2023. The projects include street reconstruction and various water and wastewater projects. These improvements are being paid with bond proceeds and internally generated sources.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

	<b>Spent to Date</b>	<b>Remaining Commitments</b>	<b>Total Commitments</b>
<b>Governmental IP Fund</b>			
Westminster Street Reconstruction	\$ 1,205,069	\$ 703,725	\$ 1,908,794
Mobile Generators - Library	29,234	9,745	38,979
<b>Water Fund</b>			
Knapp Wastewater Collection Projects	\$ 1,582,424	\$ 3,319,211	\$ 4,901,635
H Street Well	152,775	139,125	291,900
FEB Lift Station Rehabilitation	-	643,160	643,160

**Note 5: Interfund Payables and Transfers**

The composition of interfund balances as of September 30, 2023 is as follows:

<b>Interfund Payable</b>	<b>Interfund Receivable General Fund</b>
Water Fund	\$ 72,689
Internal Service Funds	7,043
	<u>\$ 79,732</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

<b>Transfer Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Purpose of Transfer</b>
General	\$ 2,604,355	\$ 400,000	Budgetary
Governmental IP	519,850	5,672	Capital Projects
Hotel/Motel	-	85,000	Budgetary
Golf	-	311,546	Fund close out
Parkland Dedication	5,672	27,350	Budgetary
TIRZ #1	-	92,500	Budgetary
Water	-	2,207,809	Budgetary
	<u>\$ 3,129,877</u>	<u>\$ 3,129,877</u>	



**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

*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 and the Governmental IP Fund relate to the funding of capital projects. The Water Fund provides transfers to the General Fund for budgeted allocation amounts. The Hotel/Motel Fund transfer relates to funding for tourism events in other funds.

Effective October 1, 2022, the Golf Fund was transferred to the General Fund. The \$311,546 above represents the net transfer of liquid assets and liabilities. Additionally, the Golf Fund transferred \$1,406,581 of net capital and lease assets and \$614,744 of long-term obligations, pension, OPEB and lease liabilities that will be reflected in the government-wide statement of activities.

**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 projects. 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 fiscal year 2023, the City issued \$12,090,000 of the City of Kerrville, Texas (Kerr County, Texas), Waterworks and Sewer System Revenue Improvement Bonds, Series 2023, for the purpose to acquire, purchase, construct, enlarge, and equip extensions and improvements to the System; to pay capitalized interest; and pay the costs of issuance associated with the issuance of the bond. The bond matures over a 30-year period and have interest rates ranging from 4% to 5%.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

Debt currently outstanding for the year ended September 30, 2023 was as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Component Units</b>
<b>Certificates of Obligations</b>			
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	\$ 5,920,000	\$ -	\$ -
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	-	6,350,000	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018A, 0.93% to 2.38%, maturing in installments of \$5,000 to \$365,000 through 2050	-	7,565,000	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018B, 0.79% to 2.33%, maturing in installments of \$5,000 to \$225,000 with installments through 2049	-	4,585,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2019, 2% to 4.0%, maturing in annual installments of \$330,000 to \$635,000 through 2040	<u>8,495,000</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 14,415,000</u></u>	<u><u>\$ 18,500,000</u></u>	<u><u>\$ -</u></u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Component Units</b>
<b>General Obligations</b>			
General Obligation Refunding Bonds, Series 2017, 2.00% to 5.00%, maturing in annual installments of \$190,000 to \$1,755,000 through 2030	\$ 2,450,000	\$ 5,275,000	\$ -
General Obligation Refunding Bonds, Series 2019, 2.00% to 5.00%, maturing in annual installments of \$175,000 to \$245,000 through 2031	1,735,000	-	-
General Obligation Refunding Bonds Series 2020; interest rate of 1.35% to 1.47% maturing in installments of \$655,000 to \$1,155,000 through 2033	1,510,000	7,470,000	-
General Obligation Refunding Bonds Series 2022; interest rate of 4% to 4.31% maturing in installments of \$605,000 to \$1,770,000 through 2052	44,400,000	-	-
	<u>\$ 50,095,000</u>	<u>\$ 12,745,000</u>	<u>\$ -</u>
<b>Revenue Bonds</b>			
City of Kerrville, Texas Electric System Revenue Refunding Bonds, Series 2013, 1.01% to 4.13%; maturing in annual installments of \$375,000 to \$520,000 through 2029	\$ -	\$ -	\$ 2,847,000
Waterworks and Sewer System Revenue Improvement Bonds, Series 2023, 4.00% to 5.00% maturing in annual installments of \$70,000 to \$445,000 through 2053	-	12,090,000	-
	<u>\$ -</u>	<u>\$ 12,090,000</u>	<u>\$ 2,847,000</u>
<b>Loan from Direct Borrowing</b>			
City of Kerrville, Texas Tax note Series 2021, 1.3%, Maturing in annual installments of \$190,000 to \$675,000 Maturing 2023	-	-	-
	<u>\$ -</u>	<u>\$ 12,090,000</u>	<u>\$ -</u>
<b>Kerrville Public Utility Board Loan</b>			
Kerrville Public Utility Board Loan, 2.4%, maturing in annual installments of \$1,071,429 beginning 2023 through 2029	\$ -	\$ 6,428,571	\$ -

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

During the year ended September 30, 2023, the following changes occurred in business-type, governmental activities, and discretely presented component units long-term debt:

	<b>Restated Beginning of Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>End of Year</b>	<b>Within One Year</b>
<b>Governmental Activities</b>					
General obligation bonds	\$ 50,825,000	\$ -	\$ 730,000	\$ 50,095,000	\$ 1,390,000
Certificates of obligation	15,175,000	-	760,000	14,415,000	790,000
Loan from direct borrowing	675,000	-	675,000	-	-
Unamortized bond premium	2,340,058	-	246,018	2,094,040	246,018
Net bonds and notes payable	69,015,058	-	2,411,018	66,604,040	2,426,018
Compensated absences	1,383,264	771,662	648,116	1,506,810	828,746
SBITAs	959,768	473,119	411,725	1,021,162	404,543
Leases	533,756	692,439	295,723	930,472	320,078
Landfill closure and post-closure costs	1,585,525	50,034	-	1,635,559	-
Governmental activity long-term liabilities	<u>\$ 73,477,371</u>	<u>\$ 1,987,254</u>	<u>\$ 3,766,582</u>	<u>\$ 71,698,043</u>	<u>\$ 3,979,385</u>
<b>Business-Type Activities</b>					
General obligation bonds	\$ 13,590,000	\$ -	\$ 845,000	\$ 12,745,000	\$ 1,225,000
Certificates of obligation	19,525,000	-	1,025,000	18,500,000	820,000
Revenue bonds	-	12,090,000	-	12,090,000	-
KPUB note	7,500,000	-	1,071,429	6,428,571	1,071,429
Unamortized bond premium	2,053,275	592,554	359,758	2,286,071	162,210
Net bonds and notes payable	42,668,275	12,682,554	3,301,187	52,049,642	3,278,639
Compensated absences	259,940	127,674	110,702	276,912	124,610
SBITAs	107,269	-	25,809	81,460	24,649
Leases	501,824	55,881	465,662	92,043	24,271
Business-Type activity long-term liabilities	<u>\$ 43,537,308</u>	<u>\$ 12,866,109</u>	<u>\$ 3,903,360</u>	<u>\$ 52,500,057</u>	<u>\$ 3,452,169</u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

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

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

Fiscal Years Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 2,180,000	\$ 2,607,450	\$ 4,787,450
2025	2,265,000	2,521,944	4,786,944
2026	2,355,000	2,428,844	4,783,844
2027	2,335,000	2,328,881	4,663,881
2028	2,435,000	2,226,269	4,661,269
2029-2033	11,880,000	9,562,675	21,442,675
2034-2038	10,870,000	7,100,831	17,970,831
2039-2043	9,775,000	5,070,556	14,845,556
2044-2048	10,415,000	3,150,284	13,565,284
2049-2053	10,000,000	846,038	10,846,038
Total	\$ 64,510,000	\$ 37,843,772	\$ 102,353,772

Fiscal Years Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2024	\$ 3,116,429	\$ 1,818,573	\$ 4,935,002
2025	3,191,429	1,584,925	4,776,354
2026	3,266,429	1,480,440	4,746,869
2027	3,561,429	1,372,444	4,933,873
2028	3,891,429	1,249,704	5,141,133
2029-2033	13,111,426	4,522,429	17,633,855
2034-2038	5,190,000	2,906,096	8,096,096
2039-2043	4,670,000	2,120,576	6,790,576
2044-2048	5,480,000	1,313,214	6,793,214
2049-2053	4,285,000	441,985	4,726,985
Total	\$ 49,763,571	\$ 18,810,386	\$ 68,573,957

Fiscal Years Ending September 30,	KPUB		
	Principal	Interest	Total
2024	\$ 434,000	\$ 109,197	\$ 543,197
2025	448,000	96,584	544,584
2026	464,000	82,531	546,531
2027	481,000	67,041	548,041
2028	500,000	50,000	550,000
2029-2030	520,000	42,014	562,014
Total	\$ 2,847,000	\$ 447,367	\$ 3,294,367

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

***Loan from Kerrville Public Utility Board***

The City has a promissory note with KPUB with an initial balance of \$7,500,000. The loan matures in 2031 and has an interest rate of 2.4%. The outstanding balance at September 30, 2023 was \$6,428,571.

***Lease Liability***

The City has agreements as lessee for vehicles and equipment, the terms which expire in various years through 2028.

The following is a schedule by year of payments under the leases as of September 30, 2023:

Year Ending September 30	Primary Government					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 320,078	\$ 63,566	\$ 383,644	\$ 24,271	\$ 11,970	\$ 36,241
2025	334,283	40,904	375,187	27,091	8,560	35,651
2026	165,229	21,314	186,543	19,902	5,168	25,070
2027	98,767	7,721	106,488	13,909	2,589	16,498
2028	12,115	378	12,493	6,870	342	7,212
	<u>\$ 930,472</u>	<u>\$ 133,883</u>	<u>\$ 1,064,355</u>	<u>\$ 92,043</u>	<u>\$ 28,629</u>	<u>\$ 120,672</u>

***Subscription Liability***

The measurement of the subscriptions payable is based on the present value of subscription payments expected to be made during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any incentives payable.

The following is a schedule by year of payments under the subscriptions as of September 30, 2023:

Year Ending September 30	Primary Government					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 404,543	\$ 27,531	\$ 432,074	\$ 24,649	\$ 2,770	\$ 27,419
2025	371,702	13,623	385,325	27,185	1,742	28,927
2026	244,917	781	245,698	29,626	617	30,243
	<u>\$ 1,021,162</u>	<u>\$ 41,935</u>	<u>\$ 1,063,097</u>	<u>\$ 81,460</u>	<u>\$ 5,129</u>	<u>\$ 86,589</u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

**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 healthcare benefits on a fully insured basis to eligible employees. The City contributes 100% of the premium for employee coverage and approximately 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 \$1,635,559 as of September 30, 2023 is based on 12.11% usage (filled) of the landfill. It is estimated that an additional \$11,306,392 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. The City received approval from the Texas Commission on Environmental Quality in fiscal year 2020 to greatly expand permitted capacity. The City expects the new capacity to be sufficient for 100 years. The City's estimated total cost of the landfill post-closure care of \$12,941,951 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, 2023. 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.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

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).

***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.

**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 over 900 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 annual comprehensive financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

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, 2023

#### 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, 2022, 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	280	49
Inactive employees entitled to but not yet receiving benefits	232	31
Active employees	<u>324</u>	<u>55</u>
	<u>836</u>	<u>135</u>

#### ***Contributions***

Employees for the City and KPUB were required to contribute 7% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined. For the fiscal year ended September 30, 2023, contributions of \$2,270,829 and \$593,440 were made by the City and KPUB, respectively, and were equal to the required contributions.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

***Net Pension Liability***

The City's net pension liability and KPUB's net pension liability at September 30, 2023 were measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year for the City and KPUB
Overall Payroll Growth	2.75% for the City and 2.65% for KPUB
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation for the City and KPUB

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and date 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 to satisfy the short-term and long-term funding needs of TMRS.

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

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
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In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return (Arithmetic)</b>
Global equity	35.0%	7.70%
Core fixed income	6.0%	4.90%
Non-core fixed income	20.0%	8.70%
Other public and private markets	12.0%	8.10%
Real estate	12.0%	5.80%
Hedge funds	5.0%	6.90%
Private equity	10.0%	11.80%
Total	100%	

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

	Increase (Decrease)		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
<b>Balances as of December 31, 2021</b>	\$ 97,440,114	\$ 98,253,342	\$ (813,228)
Changes for the year:			
Service cost	3,149,164	-	3,149,164
Interest on total pension liability	6,530,904	-	6,530,904
Effect of difference in expected and actual experience	516,970	-	516,970
Effect of assumptions changes or inputs	-	-	-
Employer contributions	-	2,219,797	(2,219,797)
Member contributions	-	1,495,532	(1,495,532)
Benefit payments, including refunds of employee contributions	(4,521,129)	(4,521,129)	-
Net investment income	-	(7,165,547)	7,165,547
Administrative expenses	-	(62,063)	62,063
Other	-	74,060	(74,060)
<b>Balances as of December 31, 2022</b>	<u>\$ 103,116,023</u>	<u>\$ 90,293,992</u>	<u>\$ 12,822,031</u>

Changes in KPUB's Net Pension Liability/(Asset):

	Increase (Decrease)		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
<b>Balances as of December 31, 2021</b>	\$ 33,382,257	\$ 34,059,277	\$ (677,020)
Changes for the year:			
Service cost	724,512	-	724,512
Interest on total pension liability	2,238,796	-	2,238,796
Effect of difference in expected and actual experience	(46,010)	-	(46,010)
Changes of assumptions	-	-	-
Employer contributions	-	527,043	(527,043)
Member contributions	-	317,769	(317,769)
Net investment income	-	(2,486,000)	2,486,000
Benefit payments, including refunds of employee contributions	(1,154,341)	(1,154,341)	-
Administrative expenses	-	(21,514)	21,514
Other	-	25,673	(25,673)
<b>Balances as of December 31, 2022</b>	<u>\$ 35,145,214</u>	<u>\$ 31,267,907</u>	<u>\$ 3,877,307</u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
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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 (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's net pension liability (asset)	\$ 26,994,855	\$ 12,822,031	\$ 1,124,803
KPUB's net pension liability (asset)	\$ 8,796,532	\$ 3,877,307	\$ (171,411)

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](http://www.tmr.com).

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

For the year ended September 30, 2023, the City and KPUB recognized pension expense of \$3,609,091 and \$1,098,916, respectively.

At September 30, 2023, the City and KPUB reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>City</b>		<b>KPUB</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 437,061	\$ 46,282	\$ 275,263	\$ 32,437
Changes of assumptions	4,246	-	-	-
Differences between projected and actual investment earnings	6,212,482	-	2,151,100	-
Contributions subsequent to the measurement date through year-end	1,641,833	-	460,927	-
Total	<u>\$ 8,295,622</u>	<u>\$ 46,282</u>	<u>\$ 2,887,290</u>	<u>\$ 32,437</u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
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Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,641,833 and \$460,927 made by the City and KPUB, respectively, will be recognized as a decrease of the net pension liability for the year ending September 30, 2024.

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
2024	\$ 454,903	\$ 255,121
2025	1,644,185	612,604
2026	1,748,891	569,201
2027	<u>2,759,528</u>	<u>957,000</u>
Total	<u>\$ 6,607,507</u>	<u>\$ 2,393,926</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.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
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***Benefits Provided***

The plan provides a \$7,500 postretirement 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 GASB 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 GASB No. 75 and are used to determine the benefit payments shown in the changes in the total OPEB liability.

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, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

	<b>City</b>	<b>KPUB</b>
Inactive employees or beneficiaries currently receiving benefits	220	43
Inactive employees entitled to but not yet receiving benefits	62	18
Active employees	<u>324</u>	<u>55</u>
Total employees	<u><u>606</u></u>	<u><u>116</u></u>

***Total OPEB Liability***

The City's total OPEB liability and KPUB's total OPEB liability at September 30, 2023 were measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

***Actuarial Assumptions***

	<b>December 31, 2021</b>
Actuarial Cost Method	Entry-age normal
Discount Rate	4.05% as of December 31, 2022 (1.84% as of December 31, 2021)
Inflation	2.50%
Overall Payroll Growth	3.50% to 11.50%, including inflation
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality Rates – Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates – Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a four year set-forward for males and a three year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The 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 GASB 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 4.05% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2022. At transition, GASB 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***

	<b>Total OPEB Liability</b>
<b>Balance as of December 31, 2021</b>	\$ 1,686,911
Changes for the year:	
Service cost	96,141
Interest on total OPEB liability	31,609
Effect of differences between expected and actual experience	6,101
Effect of assumption changes and inputs	(579,600)
Benefit payments	(34,184)
<b>Balance as of December 31, 2022</b>	<b>\$ 1,206,978</b>



**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

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***

	<b>Total OPEB Liability</b>
<b>Balance as of December 31, 2021</b>	\$ 382,619
Changes for the year:	
Service cost	11,349
Interest on total OPEB liability	7,086
Effect of differences between expected and actual experience	(11,916)
Effect of assumption changes and inputs	(121,975)
Benefit payments	(6,355)
<b>Balance as of December 31, 2022</b>	<b>\$ 260,808</b>

***Sensitivity Analysis***

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 4.05%, as well as what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.05%) or 1 percentage point higher (5.05%) 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.

	<b>1% Decrease in Discount Rate (3.05%)</b>	<b>Current Discount Rate (4.05%)</b>	<b>1% Increase in Discount Rate (5.05%)</b>
City's total OPEB liability	\$ 1,430,390	\$ 1,206,978	\$ 1,030,984
KPUB's total OPEB liability	\$ 308,227	\$ 260,808	\$ 223,212

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

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

For the year ended September 30, 2023, the City and KPUB recognized OPEB expense of \$71,867 and \$7,344, respectively.

At September 30, 2023, the City and KPUB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>City</b>		<b>KPUB</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,687	\$ 63,174	\$ 2,610	\$ 9,725
Changes of assumptions	176,954	471,850	21,724	90,538
Contributions subsequent to the measurement date through year-end	40,519	-	6,376	-
Total	<u>\$ 224,160</u>	<u>\$ 535,024</u>	<u>\$ 30,710</u>	<u>\$ 100,263</u>

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 ended September 30, 2023.

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

<b>Year Ended</b>	<b>City</b>	<b>KPUB</b>
2024	\$ (58,732)	\$ (16,028)
2025	(68,901)	(29,855)
2026	(105,583)	(30,046)
2027	(113,613)	-
2028	<u>(4,554)</u>	<u>-</u>
Total	<u>\$ (351,383)</u>	<u>\$ (75,929)</u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

**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, which amounted to \$9,021,240 as of September 30, 2023.

**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

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

***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, 2023:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
U.S. agency securities	\$ 28,146,630	\$ -	\$ 28,146,630	\$ -
Municipal bonds	499,629	-	499,629	-
Equity securities	952,557	952,557	-	-
Commercial paper	10,837,529	-	10,837,529	-
Total investments by fair value level	40,436,345	\$ 952,557	\$ 39,483,788	\$ -
<b>Investments Measured at Net Asset Value</b>				
Money market investments	5,057,271			
LOGIC	6,144,222			
Texas CLASS	30,798,461			
Total investments measured at net asset value	41,999,954			
<b>Investments Measured at Amortized Cost</b>				
TexPool Prime	9,449,276			
TexPool Prime (EIC)	5,365,553			
TexPool Prime - Library	116,595			
Certificate of deposits	245,000			
	15,176,424			
Total investments	\$ 97,612,723			

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.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2023**

***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, 2023, no investments were classified within Level 3 of the fair value hierarchy.

**Note 12: Subsequent Events**

After year-end, the Kerrville Economic Improvement Corporation issued \$20 million in bonds that will be used for various quality of life projects throughout the City. The City also issued \$2 million in tax notes for the purchase of fire trucks. Finally, the City entered into a contract for the design and construction of a new public safety facility with an estimated cost of \$45 million that will be funded with previously issued debt.



**Required Supplementary Information**



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# City of Kerrville, Texas

## Required Supplementary Information

### Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios – City Texas Municipal Retirement System (Unaudited)

**Exhibit B-1**

	Measurement Year								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Pension Liability</b>									
Service cost	\$ 1,951,508	\$ 2,199,722	\$ 2,302,945	\$ 2,369,887	\$ 2,516,755	\$ 2,639,179	\$ 2,847,985	\$ 2,795,824	\$ 3,149,164
Interest	4,299,140	4,537,125	4,749,013	5,033,587	5,299,675	5,537,157	5,872,106	6,208,670	6,530,904
Difference between expected and actual experience	224,385	833,034	752,018	413,315	(297,054)	324,153	266,335	(97,708)	516,970
Change of assumptions	-	1,401,697	-	-	-	287,290	-	-	-
Benefit payments, including refunds of employee contributions	(2,893,459)	(3,505,260)	(3,461,755)	(3,781,320)	(4,115,045)	(4,009,623)	(3,850,329)	(4,098,101)	(4,521,129)
<b>Net Change in Total Pension Liability</b>	3,581,574	5,466,318	4,342,221	4,035,469	3,404,331	4,778,156	5,136,097	4,808,685	5,675,909
<b>Total Pension Liability – Beginning</b>	61,887,263	65,468,837	70,935,155	75,277,376	79,312,845	82,717,176	87,495,332	92,631,429	97,440,114
<b>Total Pension Liability – Ending (a)</b>	65,468,837	70,935,155	75,277,376	79,312,845	82,717,176	87,495,332	92,631,429	97,440,114	103,116,023
<b>Plan Fiduciary Net Position:</b>									
Contributions – employer	1,285,810	1,333,494	1,326,321	1,572,311	1,713,463	1,815,452	1,950,647	1,991,292	2,219,797
Contributions – employee	1,033,371	1,087,221	1,103,361	1,141,721	1,206,664	1,264,794	1,348,516	1,331,345	1,495,532
Net investment income	3,552,041	95,956	4,323,251	9,313,809	(2,257,846)	11,108,975	6,221,427	11,419,026	(7,165,547)
Benefit payments, including refunds of employee contributions	(2,893,459)	(3,505,260)	(3,461,755)	(3,781,320)	(4,115,045)	(4,009,623)	(3,850,329)	(4,098,101)	(4,521,129)
Administrative expense	(37,086)	(58,447)	(48,835)	(48,283)	(43,661)	(62,825)	(40,293)	(52,877)	(62,063)
Other	(3,049)	(2,887)	(2,631)	(2,445)	(2,284)	(1,887)	(1,573)	363	74,060
<b>Net Change in Plan Fiduciary Net Position</b>	2,937,628	(1,049,923)	3,239,712	8,195,793	(3,498,709)	10,114,886	5,628,395	10,591,048	(7,959,350)
<b>Plan Fiduciary Net Position – Beginning</b>	62,094,512	65,032,140	63,982,217	67,221,929	75,417,722	71,919,013	82,033,899	87,662,294	98,253,342
<b>Plan Fiduciary Net Position – Ending (b)</b>	65,032,140	63,982,217	67,221,929	75,417,722	71,919,013	82,033,899	87,662,294	98,253,342	90,293,992
<b>City's Net Pension Liability/(Asset) – Ending (a) - (b)</b>	<b>\$ 436,697</b>	<b>\$ 6,952,938</b>	<b>\$ 8,055,447</b>	<b>\$ 3,895,123</b>	<b>\$ 10,798,163</b>	<b>\$ 5,461,433</b>	<b>\$ 4,969,135</b>	<b>\$ (813,228)</b>	<b>\$ 12,822,031</b>
Plan fiduciary net position as a percentage of total pension liability/(asset)	99.3%	90.2%	89.3%	95.1%	86.9%	93.8%	94.6%	100.8%	87.6%
Covered payroll	\$ 14,762,442	\$ 15,523,799	\$ 15,752,020	\$ 16,310,305	\$ 17,238,051	\$ 18,064,196	\$ 19,256,155	\$ 19,019,209	\$ 21,364,746
City's net pension liability/(asset) as a percentage of covered payroll	3.0%	44.8%	51.1%	23.9%	62.6%	30.2%	25.8%	-4.3%	60.0%

#### Other Information:

Changes in Assumptions: In 2020, the payroll growth assumption was lowered from 3.0% to 2.75%. In 2016, the discount rate was lowered from 7.0% to 6.75%; the inflation rate was lowered from 3.0% to 2.5%; and the experience study for retirement age was updated.

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



**City of Kerrville, Texas**  
**Required Supplementary Information**  
**Schedule of Contributions – City**  
**Texas Municipal Retirement System (Unaudited)**

**Exhibit B-2**

	Fiscal Year								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 1,325,004	\$ 1,376,486	\$ 1,539,845	\$ 1,677,349	\$ 1,795,272	\$ 1,847,610	\$ 1,970,604	\$ 2,148,645	\$ 2,270,829
Contribution in relation of the actuarially determined contribution	1,325,004	1,376,486	1,539,845	1,677,349	1,795,272	1,847,610	1,970,604	2,148,645	2,270,829
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered payroll	15,367,386	15,968,863	16,148,368	16,993,172	17,909,038	18,273,148	18,993,777	20,638,908	22,261,490
Contributions as a percentage of covered payroll	8.6%	8.6%	9.5%	9.9%	10.0%	10.1%	10.4%	10.4%	10.2%

**Notes to Schedule:**

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31 each year and become effective in January, 13 months 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	23 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.  Preretirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**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 provisions of GASB 68, only periods for which such information is available are presented.

**City of Kerrville, Texas**  
**Required Supplementary Information**  
**Schedule of Changes in Total OPEB Liability and Related Ratios – City**  
**Texas Municipal Retirement System (Unaudited)**

Exhibit B-3

	Measurement Year					
	2017	2018	2019	2020	2021	2022
<b>Total OPEB Liability</b>						
Service cost	\$ 32,621	\$ 39,648	\$ 36,128	\$ 65,471	\$ 72,273	\$ 96,141
Interest	37,409	37,753	42,542	37,732	32,591	31,609
Difference between expected and actual experience	-	19,397	(72,096)	(38,578)	(45,514)	6,101
Change in assumptions	87,451	(78,350)	215,336	211,417	50,300	(579,600)
Benefit payments	(9,786)	(10,343)	(10,839)	(11,554)	(32,333)	(34,184)
<b>Net Change in Total OPEB Liability</b>	147,695	8,105	211,071	264,488	77,317	(479,933)
<b>Total OPEB Liability – Beginning</b>	978,235	1,125,930	1,134,035	1,345,106	1,609,594	1,686,911
<b>Total OPEB Liability – Ending</b>	<u>\$ 1,125,930</u>	<u>\$ 1,134,035</u>	<u>\$ 1,345,106</u>	<u>\$ 1,609,594</u>	<u>\$ 1,686,911</u>	<u>\$ 1,206,978</u>
<b>Covered-Employee Payroll</b>	16,310,305	17,238,051	18,064,196	18,064,196	19,019,209	21,364,746
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	6.90%	6.58%	7.45%	8.91%	8.87%	5.65%

**Notes to Schedule:**

Changes of benefit terms: None

Changes of assumptions:

Changes of assumption and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period

2017	3.31%
2018	3.71%
2019	2.75%
2020	2.00%
2021	1.84%
2022	4.05%

**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 provisions of GASB 75, only periods for which such information is available are presented. No assets are maintained in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

**City of Kerrville, Texas**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios – KPUB**  
**Last Nine Fiscal Years (Unaudited)**

**Exhibit B-4**

	Measurement Year								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Pension Liability:</b>									
Service cost	\$ 553,679	\$ 673,011	\$ 647,310	\$ 638,277	\$ 615,347	\$ 635,605	\$ 662,672	\$ 688,378	\$ 724,512
Interest	1,474,035	1,588,966	1,643,216	1,711,786	1,805,527	1,888,697	1,986,779	2,088,014	2,238,796
Difference between expected and actual experience	190,503	119,729	(365,600)	(22,320)	(169,108)	(6,158)	4,905	624,065	(46,010)
Change of assumptions	-	139,038	-	-	-	(2,821)	-	-	-
Benefit payments, including refunds of employee contributions	(526,824)	(745,186)	(981,761)	(827,347)	(1,027,706)	(1,031,788)	(1,119,784)	(1,215,094)	(1,154,341)
<b>Net Change in Total Pension Liability</b>	<b>1,691,393</b>	<b>1,775,558</b>	<b>943,165</b>	<b>1,500,396</b>	<b>1,224,060</b>	<b>1,483,535</b>	<b>1,534,572</b>	<b>2,185,363</b>	<b>1,762,957</b>
<b>Total Pension Liability – Beginning</b>	<b>21,044,215</b>	<b>22,735,608</b>	<b>24,511,166</b>	<b>25,454,331</b>	<b>26,954,727</b>	<b>28,178,787</b>	<b>29,662,322</b>	<b>31,196,894</b>	<b>33,382,257</b>
<b>Total Pension Liability – Ending (a)</b>	<b>22,735,608</b>	<b>24,511,166</b>	<b>25,454,331</b>	<b>26,954,727</b>	<b>28,178,787</b>	<b>29,662,322</b>	<b>31,196,894</b>	<b>33,382,257</b>	<b>35,145,214</b>
<b>Plan Fiduciary Net Position:</b>									
Contributions – employer	437,344	513,580	473,838	512,666	542,527	558,073	581,151	602,987	527,043
Contributions – employee	270,204	304,924	281,090	279,946	272,968	282,671	294,147	306,530	317,769
Net investment income	1,153,226	31,695	1,457,035	3,157,178	(775,398)	3,846,678	2,164,329	3,965,717	(2,486,000)
Benefit payments, including refunds of employee contributions	(526,824)	(745,186)	(981,761)	(827,347)	(1,027,706)	(1,031,788)	(1,119,784)	(1,215,094)	(1,154,341)
Administrative expense	(12,040)	(19,305)	(16,459)	(16,360)	(14,984)	(21,733)	(14,004)	(18,347)	(21,514)
Other	(990)	(953)	(887)	(829)	(783)	(653)	(546)	125	25,673
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,320,920</b>	<b>84,755</b>	<b>1,212,856</b>	<b>3,105,254</b>	<b>(1,003,376)</b>	<b>3,633,248</b>	<b>1,905,293</b>	<b>3,641,918</b>	<b>(2,791,370)</b>
<b>Plan Fiduciary Net Position – Beginning</b>	<b>20,158,409</b>	<b>21,479,329</b>	<b>21,564,084</b>	<b>22,776,940</b>	<b>25,882,194</b>	<b>24,878,818</b>	<b>28,512,066</b>	<b>30,417,359</b>	<b>34,059,277</b>
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b>21,479,329</b>	<b>21,564,084</b>	<b>22,776,940</b>	<b>25,882,194</b>	<b>24,878,818</b>	<b>28,512,066</b>	<b>30,417,359</b>	<b>34,059,277</b>	<b>31,267,907</b>
<b>KPUB's Net Pension Liability/(Asset) – Ending (a) - (b)</b>	<b>\$ 1,256,279</b>	<b>\$ 2,947,082</b>	<b>\$ 2,677,391</b>	<b>\$ 1,072,533</b>	<b>\$ 3,299,969</b>	<b>\$ 1,150,256</b>	<b>\$ 779,535</b>	<b>\$ (677,020)</b>	<b>\$ 3,877,307</b>
Plan fiduciary net position as a percentage of total pension liability/(asset)	94.5%	88.0%	89.5%	96.0%	88.3%	96.1%	97.5%	102.0%	89.0%
Covered payroll	\$ 3,860,050	\$ 4,356,061	\$ 4,015,570	\$ 3,999,227	\$ 3,899,540	\$ 4,038,153	\$ 4,202,103	\$ 4,378,995	\$ 4,539,552
KPUB's net pension liability/(asset) as a percentage of covered payroll	32.5%	67.7%	66.7%	26.8%	84.6%	28.5%	18.6%	-15.5%	85.4%

**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/(asset) 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**  
**Required Supplementary Information**  
**Schedule of Contributions – KPUB**  
**Texas Municipal Retirement System**  
**Last Nine Fiscal Years (Unaudited)**

**Exhibit B-5**

	Fiscal Year								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 486,427	\$ 478,030	\$ 496,124	\$ 537,357	\$ 558,424	\$ 509,068	\$ 515,755	\$ 538,098	\$ 593,440
Contribution in relation of the actuarially determined contribution	486,427	478,030	496,124	537,357	558,424	583,931	593,188	559,832	593,440
<b>Contribution Deficiency (Excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (74,863)</u>	<u>\$ (77,433)</u>	<u>\$ (21,734)</u>	<u>\$ -</u>
Covered payroll	4,165,019	4,052,120	4,020,268	3,919,181	4,012,557	4,223,025	4,223,025	4,598,586	4,891,795
Contributions as a percentage of covered payroll	11.7%	11.8%	12.3%	13.7%	13.9%	13.8%	14.0%	12.2%	12.1%

**Notes to Schedule:**

**Valuation Date:**

Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 13 months 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	23 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014–2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.  Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**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**  
**Required Supplementary Information**  
**Schedule of Changes in Total OPEB Liability and Related Ratios – KPUB**  
**Texas Municipal Retirement System (Unaudited)**

Exhibit B-6

	Measurement Year					
	2017	2018	2019	2020	2021	2022
<b>Total OPEB Liability</b>						
Service cost	\$ 5,999	\$ 6,629	\$ 6,057	\$ 8,824	\$ 11,385	\$ 11,349
Interest	7,837	7,918	8,786	8,217	7,125	7,086
Difference between expected and actual experience	-	1,880	(1,294)	(2,968)	5,122	(11,916)
Change in assumptions	18,923	(17,158)	48,695	45,789	11,280	(121,975)
Benefit payments	(1,200)	(1,170)	(1,615)	(1,681)	(5,693)	(6,355)
<b>Net Change in Total OPEB Liability</b>	31,559	(1,901)	60,629	58,181	29,219	(121,811)
<b>Total OPEB Liability – Beginning</b>	204,932	236,491	234,590	295,219	353,400	382,619
<b>Total OPEB Liability – Ending</b>	<u>\$ 236,491</u>	<u>\$ 234,590</u>	<u>\$ 295,219</u>	<u>\$ 353,400</u>	<u>\$ 382,619</u>	<u>\$ 260,808</u>
<b>Covered-Employee Payroll</b>	3,999,227	3,899,540	4,038,153	4,202,103	4,378,995	4,539,552
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	5.91%	6.02%	7.31%	8.41%	8.74%	5.75%

**Notes to Schedule:**

Changes of benefit terms: None

Changes of assumptions:

Changes of assumption and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period

2017	3.31%
2018	3.71%
2019	2.75%
2020	2.00%
2021	1.84%
2022	4.05%

**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 provisions 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, 2023**

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes, penalties, and interest	\$ 24,007,682	\$ 24,007,682	\$ 23,596,902	\$ (410,780)
Intergovernmental	1,679,980	1,679,980	1,628,871	(51,109)
Licenses and permits	1,036,992	1,036,992	1,056,406	19,414
Charges for services	6,434,567	6,434,567	6,876,589	442,022
Fines and forfeitures	446,700	446,700	397,627	(49,073)
Grants	77,800	77,800	99,044	21,244
Investment income	258,063	258,063	1,072,309	814,246
Miscellaneous	315,700	15,000	653,369	638,369
Lease interest revenue	-	-	4,741	4,741
Total revenues	34,257,484	33,956,784	35,385,858	1,429,074
Expenditures				
General government				
City council	22,991	24,791	25,121	(330)
City secretary	219,111	219,111	217,402	1,709
City attorney	437,120	413,120	411,608	1,512
Municipal court	422,779	422,779	404,883	17,896
City administration	623,036	641,808	659,705	(17,897)
Human resources	344,277	335,877	318,878	16,999
Finance	931,337	936,837	920,529	16,308
Information technology	1,447,041	1,431,501	1,413,851	17,650
Office of Innovation	77,474	79,374	77,845	1,529
Public information	194,708	206,448	315,800	(109,352)
Economic development	308,096	319,696	319,115	581
General operations	1,550,371	1,573,564	1,867,411	(293,847)
Total general government	6,578,341	6,604,906	6,952,148	(347,242)
Public safety				
Police	7,924,656	7,924,656	7,891,972	32,684
Fire	9,345,756	9,345,756	9,508,814	(163,058)
Emergency management and training	240,779	205,379	204,535	844
Fire prevention	287,789	282,389	282,376	13
Total public safety	17,798,980	17,758,180	17,887,697	(129,517)
Public works				
Planning	317,037	321,532	316,450	5,082
Building services	552,785	551,336	581,861	(30,525)
Engineering	679,033	659,533	647,375	12,158
Streets	2,337,890	2,334,140	1,791,841	542,299
Solid waste	96,676	86,226	59,565	26,661
Code compliance	171,191	168,885	195,653	(26,768)
Total public works	\$ 4,154,612	\$ 4,121,652	\$ 3,592,745	\$ 528,907

Exhibit B-7

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Culture and Recreation</b>				
Kerrville-Schreiner Park	\$ 603,045	\$ 587,145	\$ 564,045	\$ 23,100
Tennis center	16,032	14,532	9,887	4,645
Aquatics	192,982	210,200	205,678	4,522
Parks maintenance	1,731,641	1,728,704	1,335,000	393,704
Recreation	224,005	224,177	382,496	(158,319)
Library	766,654	752,254	727,404	24,850
Scott Schreiner Golf Course	898,788	911,330	885,289	26,041
Community events	224,378	179,688	171,212	8,476
Sports complex	623,612	629,012	622,781	6,231
Total culture and recreation	5,281,137	5,237,042	4,903,792	333,250
<b>Other</b>				
Capital outlay	2,352,163	3,087,036	2,662,372	424,664
Debt service	-	-	762,555	(762,555)
Total other	2,352,163	3,087,036	3,424,927	(337,891)
Total expenditures	36,165,233	36,808,816	36,761,309	47,507
Excess (deficiency) of revenues over expenditures	(1,907,749)	(2,852,032)	(1,375,451)	1,476,581
<b>Other Financing Sources (Uses)</b>				
Issuance of leases	246,877	246,877	246,523	(354)
Issuance of SBITAs	-	-	473,119	473,119
Transfers in	2,292,809	2,292,809	2,604,355	311,546
Transfers out	-	(400,000)	(400,000)	-
Total other financing sources	2,539,686	2,139,686	2,923,997	784,311
<b>Net Changes in Fund Balance</b>	631,937	(712,346)	1,548,546	2,260,892
<b>Fund Balance, Beginning of Year</b>	18,659,599	18,659,599	18,659,599	-
<b>Fund Balance, End of Year</b>	\$ 19,291,536	\$ 17,947,253	\$ 20,208,145	\$ 2,260,892



**City of Kerrville, Texas**  
**Notes to Required Supplementary Information**  
**September 30, 2023**

***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 all City funds, except for the Governmental IP Fund and Grant Fund, but include the Economic Improvement Corporation Component Unit 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.



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## **Supplementary Information**

**City of Kerrville, Texas**  
**Combining Balance Sheet – Nonmajor Governmental Funds**  
**September 30, 2023**

	<b>Special Revenue Funds</b>		
	<b>Library Memorial</b>	<b>Hotel/Motel Tax</b>	<b>History Center</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,138,432	\$ 1,628,951	\$ 229,317
Investments	712,811	542,984	-
Due from other governments	-	-	-
Taxes receivable	-	-	-
Other	634	3,266	-
	<u>2,851,877</u>	<u>2,175,201</u>	<u>229,317</u>
Total assets	<u>2,851,877</u>	<u>2,175,201</u>	<u>229,317</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	24,274	41,002	8,988
	<u>24,274</u>	<u>41,002</u>	<u>8,988</u>
Total liabilities	<u>24,274</u>	<u>41,002</u>	<u>8,988</u>
<b>Fund Balances</b>			
Restricted	2,827,603	2,134,199	-
Committed	-	-	220,329
	<u>2,827,603</u>	<u>2,134,199</u>	<u>220,329</u>
Total fund balances	<u>2,827,603</u>	<u>2,134,199</u>	<u>220,329</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,851,877</u>	<u>\$ 2,175,201</u>	<u>\$ 229,317</u>

Exhibit C-1

Special Revenue Funds				Capital Projects Fund	Total Nonmajor Funds
Police	PEG	Municipal Court	TIRZ	Parkland Dedication	
\$ 160,618	\$ 59,611	\$ 93,590	\$ 327,987	\$ 161,564	\$ 4,800,070
53,539	19,871	31,197	-	53,855	1,414,257
-	-	9,721	-	-	9,721
-	13,802	-	-	-	13,802
-	-	-	-	-	3,900
214,157	93,284	134,508	327,987	215,419	6,241,750
15,406	-	213	-	24,000	113,883
15,406	-	213	-	24,000	113,883
198,751	93,284	134,295	327,987	-	5,716,119
-	-	-	-	191,419	411,748
198,751	93,284	134,295	327,987	191,419	6,127,867
\$ 214,157	\$ 93,284	\$ 134,508	\$ 327,987	\$ 215,419	\$ 6,241,750

**City of Kerrville, Texas**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Nonmajor Governmental Funds**  
**Year Ended September 30, 2023**

	<b>Special Revenue Funds</b>		
	<b>Library Memorial</b>	<b>Hotel/Motel Tax</b>	<b>History Center</b>
<b>Revenues</b>			
Taxes and penalties	\$ -	\$ 1,665,271	\$ -
License and permits	-	-	-
Charges for services	-	-	13
Fines and forfeitures	-	-	-
Intergovernmental	39,099	-	-
Investment income	92,913	69,260	7,357
Miscellaneous	2,762	52,460	19,014
	<u>134,774</u>	<u>1,786,991</u>	<u>26,384</u>
Total revenues			
	<u>134,774</u>	<u>1,786,991</u>	<u>26,384</u>
<b>Expenditures</b>			
Current			
Culture and recreation	61,360	1,620,431	29,825
Public safety	-	-	-
General government	-	-	-
Capital outlay	127,802	-	785
	<u>189,162</u>	<u>1,620,431</u>	<u>30,610</u>
Total expenditures			
	<u>189,162</u>	<u>1,620,431</u>	<u>30,610</u>
Excess (deficiency) of revenues over expenditures	<u>(54,388)</u>	<u>166,560</u>	<u>(4,226)</u>
<b>Other Financing Uses</b>			
Transfers in	-	-	-
Transfers out	-	(85,000)	-
	<u>-</u>	<u>(85,000)</u>	<u>-</u>
Total other financing uses			
	<u>-</u>	<u>(85,000)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(54,388)</u>	<u>81,560</u>	<u>(4,226)</u>
<b>Fund Balances, Beginning of Year</b>	<u>2,881,991</u>	<u>2,052,639</u>	<u>224,555</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,827,603</u>	<u>\$ 2,134,199</u>	<u>\$ 220,329</u>

Exhibit C-2

Special Revenue Funds				Capital Projects Fund	Total
Police	PEG	Municipal Court	TIRZ	Parkland Dedication	Nonmajor Funds
\$ -	\$ 57,836	\$ -	\$ 302,040	\$ -	\$ 2,025,147
-	-	-	-	146,900	146,900
-	-	-	-	-	13
26,004	-	78,544	-	-	104,548
214,621	-	-	-	-	253,720
7,245	2,243	3,932	8,191	4,777	195,918
1,551	-	-	-	-	75,787
<u>249,421</u>	<u>60,079</u>	<u>82,476</u>	<u>310,231</u>	<u>151,677</u>	<u>2,802,033</u>
-	-	-	-	-	1,711,616
116,832	-	43,489	-	-	160,321
-	46,174	-	-	-	46,174
<u>72,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,000</u>	<u>225,534</u>
<u>189,779</u>	<u>46,174</u>	<u>43,489</u>	<u>-</u>	<u>24,000</u>	<u>2,143,645</u>
<u>59,642</u>	<u>13,905</u>	<u>38,987</u>	<u>310,231</u>	<u>127,677</u>	<u>658,388</u>
-	-	-	-	5,672	5,672
<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,500)</u>	<u>(27,350)</u>	<u>(204,850)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,500)</u>	<u>(21,678)</u>	<u>(199,178)</u>
59,642	13,905	38,987	217,731	105,999	459,210
<u>139,109</u>	<u>79,379</u>	<u>95,308</u>	<u>110,256</u>	<u>85,420</u>	<u>5,668,657</u>
<u>\$ 198,751</u>	<u>\$ 93,284</u>	<u>\$ 134,295</u>	<u>\$ 327,987</u>	<u>\$ 191,419</u>	<u>\$ 6,127,867</u>

**City of Kerrville, Texas**  
**Library Memorial**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2023**

Exhibit C-3

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 57,000	\$ 57,000	\$ 39,099	\$ (17,901)
Investment income	30,000	30,000	92,913	62,913
Miscellaneous	600	600	2,762	2,162
	<u>87,600</u>	<u>87,600</u>	<u>134,774</u>	<u>47,174</u>
Total revenues				
<b>Expenditures</b>				
Culture and recreation	48,392	48,392	61,360	(12,968)
Capital outlay	2,066,500	2,066,500	127,802	1,938,698
	<u>2,114,892</u>	<u>2,114,892</u>	<u>189,162</u>	<u>1,925,730</u>
Total expenditures				
<b>Net Change in Fund Balance</b>	(2,027,292)	(2,027,292)	(54,388)	1,972,904
<b>Fund Balance, Beginning of Year</b>	<u>2,881,991</u>	<u>2,881,991</u>	<u>2,881,991</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 854,699</u>	<u>\$ 854,699</u>	<u>\$ 2,827,603</u>	<u>\$ 1,972,904</u>



**City of Kerrville, Texas**  
**Hotel/Motel Tax**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2023**

Exhibit C-4

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes and penalties	\$ 1,920,720	\$ 1,920,720	\$ 1,665,271	\$ (255,449)
Investment income	10,000	10,000	69,260	59,260
Miscellaneous	-	-	52,460	52,460
Total revenues	<u>1,930,720</u>	<u>1,930,720</u>	<u>1,786,991</u>	<u>(143,729)</u>
<b>Expenditures</b>				
Culture and recreation	1,628,892	1,628,892	1,620,431	8,461
Capital Outlay	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>1,678,892</u>	<u>1,678,892</u>	<u>1,620,431</u>	<u>58,461</u>
<b>Excess of revenues over expenditures</b>	<u>251,828</u>	<u>251,828</u>	<u>166,560</u>	<u>(85,268)</u>
<b>Other Financing Uses</b>				
Transfer to other funds	<u>(1,085,000)</u>	<u>(1,085,000)</u>	<u>(85,000)</u>	<u>1,000,000</u>
<b>Net Change in Fund Balance</b>	<u>(833,172)</u>	<u>(833,172)</u>	<u>81,560</u>	<u>914,732</u>
<b>Fund Balance, Beginning of Year</b>	<u>2,052,639</u>	<u>2,052,639</u>	<u>2,052,639</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,219,467</u>	<u>\$ 1,219,467</u>	<u>\$ 2,134,199</u>	<u>\$ 914,732</u>

**City of Kerrville, Texas**  
**History Center**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2023**

Exhibit C-5

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 13	\$ 13
Investment income	2,200	2,200	7,357	5,157
Miscellaneous	14,400	14,400	19,014	4,614
Total revenues	16,600	16,600	26,384	9,784
<b>Expenditures</b>				
Cultural and recreation	59,933	59,933	29,825	30,108
Capital outlay	1,500	1,500	785	715
Total expenditures	61,433	61,433	30,610	30,823
<b>Net Change in Fund Balance</b>	(44,833)	(44,833)	(4,226)	40,607
<b>Fund Balance, Beginning of Year</b>	224,555	224,555	224,555	-
<b>Fund Balance, End of Year</b>	\$ 179,722	\$ 179,722	\$ 220,329	\$ 40,607

**City of Kerrville, Texas**  
**Police Fund**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2023**

Exhibit C-6

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Fines and forfeitures	\$ 3,200	\$ 3,200	\$ 26,004	\$ 22,804
Intergovernmental	5,200	5,200	214,621	209,421
Investment income	1,250	1,250	7,245	5,995
Miscellaneous	-	-	1,551	1,551
	<u>9,650</u>	<u>9,650</u>	<u>249,421</u>	<u>239,771</u>
Total revenues				
<b>Expenditures</b>				
Capital outlay	-	-	72,947	(72,947)
Public safety	3,500	3,500	116,832	(113,332)
	<u>3,500</u>	<u>3,500</u>	<u>189,779</u>	<u>(186,279)</u>
Total expenditures				
<b>Net Change in Fund Balance</b>	6,150	6,150	59,642	53,492
<b>Fund Balance, Beginning of Year</b>	139,109	139,109	139,109	-
<b>Fund Balance, End of Year</b>	<u>\$ 145,259</u>	<u>\$ 145,259</u>	<u>\$ 198,751</u>	<u>\$ 53,492</u>

**City of Kerrville, Texas**  
**PEG Fund**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2023**

Exhibit C-7

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes and penalties	\$ 61,000	\$ 61,000	\$ 57,836	\$ (3,164)
Investment income	600	600	2,243	1,643
Total revenues	61,600	61,600	60,079	(1,521)
<b>Expenditures</b>				
General government	56,000	56,000	46,174	9,826
Total expenditures	56,000	56,000	46,174	9,826
<b>Net Change in Fund Balance</b>	5,600	5,600	13,905	8,305
<b>Fund Balance, Beginning of Year</b>	79,379	79,379	79,379	-
<b>Fund Balance, End of Year</b>	<u>\$ 84,979</u>	<u>\$ 84,979</u>	<u>\$ 93,284</u>	<u>\$ 8,305</u>

**City of Kerrville, Texas**  
**Municipal Court**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2023**

Exhibit C-8

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Fines and forfeitures	\$ 62,000	\$ 62,000	\$ 78,544	\$ 16,544
Investment income	1,000	1,000	3,932	2,932
Total revenues	63,000	63,000	82,476	19,476
<b>Expenditures</b>				
Public Safety	68,592	68,592	43,489	25,103
Total expenditures	68,592	68,592	43,489	25,103
<b>Net Change in Fund Balance</b>	(5,592)	(5,592)	38,987	44,579
<b>Fund Balance, Beginning of Year</b>	95,308	95,308	95,308	-
<b>Fund Balance, End of Year</b>	<u>\$ 89,716</u>	<u>\$ 89,716</u>	<u>\$ 134,295</u>	<u>\$ 44,579</u>

**City of Kerrville, Texas**  
**TIRZ Fund**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2023**

Exhibit C-9

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes and penalties	\$ 280,000	\$ 280,000	\$ 302,040	\$ 22,040
Investment income	<u>1,000</u>	<u>1,000</u>	<u>8,191</u>	<u>7,191</u>
Total revenues	<u>281,000</u>	<u>281,000</u>	<u>310,231</u>	<u>29,231</u>
<b>Other Financing Uses</b>				
Transfer to other funds	<u>-</u>	<u>-</u>	<u>(92,500)</u>	<u>(92,500)</u>
<b>Net Change in Fund Balance</b>	281,000	281,000	217,731	(63,269)
<b>Fund Balance, Beginning of Year</b>	<u>110,256</u>	<u>110,256</u>	<u>110,256</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 391,256</u>	<u>\$ 391,256</u>	<u>\$ 327,987</u>	<u>\$ (63,269)</u>

**City of Kerrville, Texas**  
**Parkland Dedication**  
**Capital Projects Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2023**

Exhibit C-10

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
License and permits	\$ 40,000	\$ 40,000	\$ 146,900	\$ 106,900
Investment income	1,000	1,000	4,777	3,777
Total revenues	41,000	41,000	151,677	110,677
<b>Expenditures</b>				
Capital outlay	24,000	24,000	24,000	-
Total expenditures	24,000	24,000	24,000	-
<b>Other Financing Uses</b>				
Transfer to other funds, net	-	-	(21,678)	(21,678)
<b>Net Change in Fund Balance</b>	17,000	17,000	105,999	88,999
<b>Fund Balance, Beginning of Year</b>	85,420	85,420	85,420	-
<b>Fund Balance, End of Year</b>	<u>\$ 102,420</u>	<u>\$ 102,420</u>	<u>\$ 191,419</u>	<u>\$ 88,999</u>

**City of Kerrville, Texas**  
**Debt Service**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2023**

Exhibit C-11

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes and penalties	\$ 3,532,721	\$ 3,532,721	\$ 3,636,999	\$ 104,278
Intergovernmental	1,085,141	1,085,141	1,085,141	-
Investment income	14,000	14,000	89,690	75,690
Total revenues	4,631,862	4,631,862	4,811,830	179,968
<b>Expenditures</b>				
Debt service				
Professional services	2,363	2,363	-	2,363
Principal	2,165,000	2,165,000	2,165,000	-
Interest	2,425,499	2,425,499	2,509,962	(84,463)
Total expenditures	4,592,862	4,592,862	4,674,962	(82,100)
<b>Net Change in Fund Balance</b>	39,000	39,000	136,868	97,868
<b>Fund Balance, Beginning of Year</b>	1,318,422	1,318,422	1,318,422	-
<b>Fund Balance, End of Year</b>	\$ 1,357,422	\$ 1,357,422	\$ 1,455,290	\$ 97,868



**City of Kerrville, Texas**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**September 30, 2023**

Exhibit C-12

	Garage	Employee Benefit Fund	Total Internal Service Funds
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 84,271	\$ 235,999	\$ 320,270
Investments	28,091	78,667	106,758
Receivables	-	2,549	2,549
Inventories	16,633	-	16,633
	<u>128,995</u>	<u>317,215</u>	<u>446,210</u>
Total current assets			
<b>Capital Assets</b>			
Buildings	159,000	-	159,000
Vehicles	18,056	-	18,056
Machinery and equipment	85,760	-	85,760
Accumulated depreciation	(226,108)	-	(226,108)
	<u>36,708</u>	<u>-</u>	<u>36,708</u>
Net capital assets			
Total assets	<u>165,703</u>	<u>317,215</u>	<u>482,918</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows – pension	82,956	-	82,956
Deferred outflows – OPEB	1,111	-	1,111
	<u>84,067</u>	<u>-</u>	<u>84,067</u>
Total deferred outflows of resources			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	9,274	2,500	11,774
Due to other funds	7,043	-	7,043
	<u>16,317</u>	<u>2,500</u>	<u>18,817</u>
Total current liabilities			
<b>Noncurrent Liabilities</b>			
Compensated absences	15,439	-	15,439
Net pension liability	128,220	-	128,220
Total OPEB liability	12,069	-	12,069
	<u>155,728</u>	<u>-</u>	<u>155,728</u>
Total noncurrent liabilities			
Total liabilities	<u>172,045</u>	<u>2,500</u>	<u>174,545</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows – pensions	493	-	493
Deferred inflows – OPEB	6,070	-	6,070
	<u>6,563</u>	<u>-</u>	<u>6,563</u>
Total deferred outflows of resources			
<b>Net Position</b>			
Net investment in capital assets	36,708	-	36,708
Unrestricted	34,454	314,715	349,169
	<u>\$ 71,162</u>	<u>\$ 314,715</u>	<u>\$ 385,877</u>
Total net position			

**City of Kerrville, Texas**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**Internal Service Funds**  
**Year Ended September 30, 2023**

Exhibit C-13

	<b>Garage</b>	<b>Employee Benefit Fund</b>	<b>Total Internal Service</b>
<b>Revenues</b>			
Charges for services	\$ 488,583	\$ 3,879,816	\$ 4,368,399
Total revenues	<u>488,583</u>	<u>3,879,816</u>	<u>4,368,399</u>
<b>Operating Expenses</b>			
Personnel services	404,515	-	404,515
Repairs and maintenance	15,384	-	15,384
Supplies and materials	20,467	-	20,467
Utilities	6,925	-	6,925
Depreciation	4,052	-	4,052
Services	14,085	-	14,085
Premiums and other charges	<u>-</u>	<u>3,898,658</u>	<u>3,898,658</u>
Total operating expenses	<u>465,428</u>	<u>3,898,658</u>	<u>4,364,086</u>
<b>Change in Net Position</b>	23,155	(18,842)	4,313
<b>Net Position, Beginning of Year</b>	<u>48,007</u>	<u>333,557</u>	<u>381,564</u>
<b>Net Position, End of Year</b>	<u><u>\$ 71,162</u></u>	<u><u>\$ 314,715</u></u>	<u><u>\$ 385,877</u></u>

**City of Kerrville, Texas**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended September 30, 2023**

Exhibit C-14

	Garage	Employee Benefit Trust	Total Internal Service Funds
<b>Operating Activities</b>			
Cash received from customers and employees	\$ 488,583	\$ 3,882,352	\$ 4,370,935
Cash payments to employees	(383,578)	-	(383,578)
Cash payments to suppliers for goods and services	(57,814)	(3,901,158)	(3,958,972)
Net cash provided by (used in) operating activities	47,191	(18,806)	28,385
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(29,096)	-	(29,096)
Net cash used in capital and related financing activities	(29,096)	-	(29,096)
<b>Investing Activities</b>			
Sales of investments	-	4,701	4,701
Investment income	(4,524)	-	(4,524)
Net cash provided by (used in) investing activities	(4,524)	4,701	177
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	13,571	(14,105)	(534)
<b>Cash and Cash Equivalents, Beginning of Year</b>	70,700	250,104	320,804
<b>Cash and Cash Equivalents, End of Year</b>	\$ 84,271	\$ 235,999	\$ 320,270
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)</b>			
<b>Operating Activities</b>			
Operating income (loss)	\$ 23,155	\$ (18,842)	\$ 4,313
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	4,052	-	4,052
Changes in assets and deferred outflows			
(Increase) decrease in inventories	579	-	579
(Increase) decrease in receivables	-	2,536	2,536
(Increase) decrease in deferred pension outflows	(63,452)	-	(63,452)
(Increase) decrease in deferred OPEB outflows	2,338	-	2,338
Changes in liabilities and deferred inflows			
Increase (decrease) in accounts payable	(2,219)	(2,500)	(4,719)
Increase (decrease) in compensated absences	5,274	-	5,274
Increase (decrease) in net pension liability/(asset)	136,356	-	136,356
Increase (decrease) in total OPEB liability	(4,799)	-	(4,799)
Increase (decrease) in deferred pension inflows	(59,478)	-	(59,478)
Increase (decrease) in deferred OPEB inflows	4,698	-	4,698
Increase (decrease) in due to other funds	687	-	687
Total adjustments	24,036	36	24,072
Net cash provided by (used in) operating activities	\$ 47,191	\$ (18,806)	\$ 28,385

**City of Kerrville, Texas**  
**Balance Sheet**  
**Economic Improvement Corporation**  
**September 30, 2023**

Exhibit C-15

**Assets**

Cash and cash equivalents	\$ 7,794,348
Other receivables	26,611
Due from other governments	<u>840,315</u>
Total assets	<u><u>\$ 8,661,274</u></u>

**Fund Balances**

Restricted	<u>\$ 8,661,274</u>
Total fund balance	<u>8,661,274</u>
Total liabilities and fund balance	<u><u>\$ 8,661,274</u></u>

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

Total fund balances – EIC balance sheet	\$ 8,661,274
---	--------------

**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>\$ 9,799,710</u></u>

**City of Kerrville, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Economic Improvement Corporation**  
**Year Ended September 30, 2023**

Exhibit C-16

**Revenues**

Sales and other taxes	\$ 5,043,221
Investment income	<u>312,203</u>
Total revenues	<u>5,355,424</u>

**Expenditures**

General government	<u>3,125,397</u>
Total expenditures	<u>3,125,397</u>

**Net Change in Fund Balance** 2,230,027

**Fund Balance, Beginning of Year** 6,431,247

**Fund Balance, End of Year** \$ 8,661,274

**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 \$ 2,230,027

**Amounts Reported for Governmental Activities in the Discretely Presented**

EIC change in net position \$ 2,230,027



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**Statistical Section**



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## Statistical Section

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

### Table of Contents

	<u>Page</u>
<b>Financial Trends .....</b>	<b>105</b>
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
<b>Revenue Capacity .....</b>	<b>114</b>
These schedules contain trend information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.	
<b>Debt Capacity.....</b>	<b>121</b>
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.	
<b>Demographic and Economic Information .....</b>	<b>127</b>
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.	
<b>Operating Information.....</b>	<b>131</b>
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 annual comprehensive 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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 60,765	\$ 61,339	\$ 64,579	\$ 69,695	\$ 71,382	\$ 67,741	\$ 67,070	\$ 66,025	\$ 68,392	\$ 77,100
Restricted	1,386	1,324	1,165	1,139	1,144	1,243	1,176	1,268	7,463	7,575
Unrestricted	18,595	22,953	25,343	27,133	24,490	23,353	27,258	29,892	25,146	26,185
Total governmental activities net position	<u>\$ 80,746</u>	<u>\$ 85,616</u>	<u>\$ 91,087</u>	<u>\$ 97,967</u>	<u>\$ 97,016</u>	<u>\$ 92,337</u>	<u>\$ 95,504</u>	<u>\$ 97,185</u>	<u>\$ 101,001</u>	<u>\$ 110,860</u>
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 37,157	\$ 39,106	\$ 41,630	\$ 37,218	\$ 45,057	\$ 45,521	\$ 46,866	\$ 49,035	\$ 49,413	\$ 48,117
Restricted	3,789	3,451	1,675	1,805	1,805	1,744	1,781	1,781	1,781	1,643
Unrestricted	8,143	7,773	6,619	11,349	5,550	2,718	2,736	2,371	4,465	5,606
Total business-type activities net position	<u>\$ 49,089</u>	<u>\$ 50,330</u>	<u>\$ 49,924</u>	<u>\$ 50,372</u>	<u>\$ 52,412</u>	<u>\$ 49,983</u>	<u>\$ 51,383</u>	<u>\$ 53,187</u>	<u>\$ 55,659</u>	<u>\$ 55,366</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 97,922	\$ 100,445	\$ 106,209	\$ 106,913	\$ 116,439	\$ 113,262	\$ 113,936	\$ 115,060	\$ 117,805	\$ 125,217
Restricted	5,175	4,775	2,840	2,944	2,949	2,987	2,957	3,049	9,244	9,218
Unrestricted	26,738	30,726	31,962	38,482	30,040	26,071	29,994	32,263	29,611	31,791
Total primary government net position	<u>\$ 129,835</u>	<u>\$ 135,946</u>	<u>\$ 141,011</u>	<u>\$ 148,339</u>	<u>\$ 149,428</u>	<u>\$ 142,320</u>	<u>\$ 146,887</u>	<u>\$ 150,372</u>	<u>\$ 156,660</u>	<u>\$ 166,226</u>

**Note:** 2015 net position has been adjusted due to implementation of GASB Statement No. 68.  
2018 net position has been adjusted due to implementation of GASB Statement No. 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			
	2014	2015	2016	2017
<b>Expenses</b>				
<b>Governmental Activities</b>				
General government	\$ 5,159	\$ 6,272	\$ 6,107	\$ 5,805
Public safety	12,365	13,169	12,933	14,240
Culture and recreation	3,066	3,405	3,701	4,543
Public works	3,159	3,490	3,404	4,002
Interest on long-term debt	564	519	818	722
Total governmental activities expenses	24,313	26,855	26,963	29,312
<b>Business-Type Activities</b>				
Water and sewer services	8,984	8,241	9,753	8,997
Golf course	908	863	926	1,090
Total business-type activities expenses	9,892	9,104	10,679	10,087
Total primary government expenses	\$ 34,205	\$ 35,959	\$ 37,642	\$ 39,399
<b>Program Revenues</b>				
<b>Governmental Activities</b>				
Charges for services				
General government	\$ 100	\$ 24	\$ 1	\$ 1
Public safety	3,391	4,340	3,672	4,353
Cultural and recreation	425	465	520	599
Public works	519	1,169	1,241	1,537
Operating grants and contributions	72	141	759	348
Capital grants and contributions	971	772	2,626	2,595
Total governmental activities program revenues	5,478	6,911	8,819	9,433
<b>Business-Type Activities</b>				
Charges for services				
Water and sewer services	11,080	11,118	11,329	11,885
Golf course	884	784	743	864
Operating grants and contributions	-	-	-	-
Capital grants and contributions	10	-	19	1,500
Total business-type activities program revenues	11,974	11,902	12,091	14,249
Total primary government program revenues	\$ 17,452	\$ 18,813	\$ 20,910	\$ 23,682
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (18,835)	\$ (19,944)	\$ (18,144)	\$ (19,879)
Business-type activities	2,082	2,798	1,412	4,162
Total primary government net expense	\$ (16,753)	\$ (17,146)	\$ (16,732)	\$ (15,717)

Table D-2

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 6,988	\$ 7,901	\$ 7,855	\$ 6,139	\$ 5,324	\$ 8,925
14,243	14,984	14,996	15,874	17,317	19,305
5,112	5,242	5,743	5,735	8,894	8,276
5,617	11,661	7,120	8,380	4,601	4,922
606	633	738	543	1,068	2,353
32,566	40,421	36,452	36,671	37,204	43,781
9,579	13,402	10,514	9,679	10,378	12,253
1,046	1,108	1,045	959	1,090	-
10,625	14,510	11,559	10,638	11,468	12,253
\$ 43,191	\$ 54,931	\$ 48,011	\$ 47,309	\$ 48,672	\$ 56,034
\$ 1	\$ 1	\$ 207	\$ 1,817	\$ 295	\$ 429
4,233	4,214	4,125	3,029	3,624	4,538
613	650	678	867	2,044	2,575
1,528	1,818	2,002	-	819	1,034
273	863	2,627	4,088	3,242	5,346
1,314	3,463	4,527	1,407	-	-
7,962	11,009	14,166	11,208	10,024	13,922
11,885	11,798	12,997	13,298	14,131	14,511
855	838	862	1,042	1,073	-
-	-	-	-	-	-
1,500	1,000	1,000	-	813	300
14,240	13,636	14,859	14,340	16,017	14,811
\$ 22,202	\$ 24,645	\$ 29,025	\$ 25,548	\$ 26,041	\$ 28,733
\$ (24,604)	\$ (29,412)	\$ (22,286)	\$ (25,463)	\$ (27,180)	\$ (29,859)
3,615	(874)	3,300	3,702	4,549	2,558
\$ (20,989)	\$ (30,286)	\$ (18,986)	\$ (21,761)	\$ (22,631)	\$ (27,301)

**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			
	2014	2015	2016	2017
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (18,835)	\$ (19,944)	\$ (18,144)	\$ (19,879)
Business-type activities	<u>2,082</u>	<u>2,798</u>	<u>1,412</u>	<u>4,162</u>
Total primary government net expense	<u>(16,753)</u>	<u>(17,146)</u>	<u>(16,732)</u>	<u>(15,717)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities				
Taxes				
Property taxes levied for general purposes	8,427	8,459	8,765	8,963
Property taxes levied for debt service	1,262	1,293	1,343	1,390
Sales and use taxes	5,554	5,787	6,201	6,427
Hotel occupancy taxes	958	1,046	1,081	1,107
Franchise taxes	1,716	1,776	1,742	1,580
Alcoholic beverage taxes	55	68	74	74
Grants and contributions not restricted to specific programs	-	-	-	-
Investment earnings	44	58	57	130
Miscellaneous income	1,322	1,509	2,789	2,033
Gain/(loss) on sale of assets	-	-	-	-
Transfers	<u>1,250</u>	<u>1,125</u>	<u>1,802</u>	<u>1,910</u>
Total governmental activities	<u>20,588</u>	<u>21,121</u>	<u>23,854</u>	<u>23,614</u>
Business-type activities				
Unrestricted investment earnings	50	66	49	92
Miscellaneous income	333	197	-	-
Transfers	<u>(1,250)</u>	<u>(1,125)</u>	<u>(1,802)</u>	<u>(1,910)</u>
Total business-type activities	<u>(867)</u>	<u>(862)</u>	<u>(1,753)</u>	<u>(1,818)</u>
Total primary government	<u>\$ 19,721</u>	<u>\$ 20,259</u>	<u>\$ 22,101</u>	<u>\$ 21,796</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 1,753	\$ 1,177	\$ 5,710	\$ 3,735
Business-type activities	<u>1,215</u>	<u>1,936</u>	<u>(341)</u>	<u>2,344</u>
Total primary government	<u>\$ 2,968</u>	<u>\$ 3,113</u>	<u>\$ 5,369</u>	<u>\$ 6,079</u>

Table D-3

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ (24,604)	\$ (29,412)	\$ (22,286)	\$ (25,463)	\$ (27,180)	\$ (29,859)
3,615	(874)	3,300	3,702	4,549	2,558
(20,989)	(30,286)	(18,986)	(21,761)	(22,631)	(27,301)
9,321	9,531	10,008	12,075	12,761	15,472
1,448	1,459	1,579	-	-	-
6,722	6,900	7,826	8,920	9,761	10,057
1,219	1,334	1,174	1,599	1,760	1,665
1,734	1,950	1,852	1,884	2,040	1,942
72	87	100	104	114	121
-	-	-	-	1,756	1,504
244	391	567	206	(352)	3,972
2,064	1,153	264	420	932	1,060
-	-	-	-	-	-
3,934	1,641	2,084	1,935	2,224	3,926
26,758	24,446	25,454	27,143	30,996	39,719
222	229	177	17	43	693
-	-	7	20	105	382
(3,934)	(1,641)	(2,084)	(1,935)	(2,224)	(3,926)
(3,712)	(1,412)	(1,900)	(1,898)	(2,076)	(2,851)
\$ 23,046	\$ 23,034	\$ 23,554	\$ 25,245	\$ 28,920	\$ 36,868
\$ 2,154	\$ (4,966)	\$ 3,168	\$ 1,680	\$ 3,816	\$ 9,860
(97)	(2,286)	1,400	1,804	2,473	(293)
\$ 2,057	\$ (7,252)	\$ 4,568	\$ 3,484	\$ 6,289	\$ 9,567

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

	Fiscal Year				
	2014	2015	2016	2017	2018
General fund					
Nonspendable	\$ 17	\$ 22	\$ 18	\$ 19	\$ 12
Restricted	2,476	3,079	3,912	3,361	3,501
Committed	633	311	428	1,633	3,117
Assigned	-	-	-	10	-
Unassigned	5,969	6,786	7,880	8,417	8,419
Total general fund	<u>\$ 9,095</u>	<u>\$ 10,198</u>	<u>\$ 12,238</u>	<u>\$ 13,440</u>	<u>\$ 15,049</u>
All other governmental funds					
Restricted	\$ 5,946	\$ 11,593	\$ 9,835	\$ 2,901	\$ 2,901
Committed	3,289	4,040	4,450	4,986	4,986
Unassigned	-	(3)	-	-	-
Total all other governmental funds	<u>\$ 9,235</u>	<u>\$ 15,630</u>	<u>\$ 14,285</u>	<u>\$ 7,887</u>	<u>\$ 7,887</u>



Table D-4

	Fiscal Year				
	2019	2020	2021	2022	2023
General fund					
Nonspendable	\$ 14	\$ 12	\$ 12	\$ 655	\$ 767
Restricted	3,682	5,088	5,272	4,471	3,633
Committed	2,082	2,216	1,322	1,869	1,801
Assigned	-	-	-	-	-
Unassigned	8,577	9,281	11,537	11,664	14,007
Total general fund	<u>\$ 14,355</u>	<u>\$ 16,597</u>	<u>\$ 18,143</u>	<u>\$ 18,659</u>	<u>\$ 20,208</u>
All other governmental funds					
Restricted	\$ 3,206	\$ 2,835	\$ 3,345	\$ 50,906	\$ 51,394
Committed	17,120	16,289	13,688	5,480	4,829
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 20,326</u>	<u>\$ 19,124</u>	<u>\$ 17,033</u>	<u>\$ 56,386</u>	<u>\$ 56,223</u>

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

	Fiscal Year			
	2014	2015	2016	2017
<b>Revenues</b>				
Taxes and penalties	\$ 18,526	\$ 19,113	\$ 19,500	\$ 20,430
Licenses and permits	519	551	480	549
Intergovernmental	1,004	1,523	1,348	3,827
Charges for services	2,261	3,488	3,425	4,044
Grants	1,005	552	781	321
Fines and forfeitures	355	351	549	631
Investment income	58	57	130	243
Lease interest revenue	-	-	-	-
Miscellaneous	1,479	1,838	1,923	2,338
Total revenues	25,207	27,473	28,136	32,383
<b>Expenditures</b>				
General government	4,534	5,656	4,367	5,186
Public safety	12,001	12,678	12,303	12,651
Culture and recreation	3,155	3,383	3,476	3,837
Public works	3,007	3,162	3,017	3,373
Capital outlay	4,497	4,939	3,645	11,969
Leases	-	-	-	-
Debt service				
Principal	779	1,393	1,736	1,833
Interest	565	520	818	722
Other charges	-	-	-	-
Total expenditures	28,538	31,731	29,362	39,571
Excess (deficiencies) of revenues over expenditures	(3,331)	(4,258)	(1,226)	(7,188)
<b>Other Financing Sources (Uses)</b>				
Proceeds from debt issuance	284	9,746	-	-
Bond premium	-	249	-	-
Issuance of leases	-	-	-	-
Issuance of SBITAs	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	3,582	2,897	3,349	7,170
Transfers out	(2,332)	(1,094)	(1,428)	(3,236)
Total other financing sources (uses)	1,534	11,798	1,921	3,934
Net change in fund balances	\$ (1,797)	\$ 7,540	\$ 695	\$ (3,254)
<b>Debt Service as a Percentage of Noncapital Expenditures</b>				
	5.7%	7.3%	9.9%	9.9%

Table D-5

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 21,152	\$ 21,831	\$ 22,537	\$ 24,618	\$ 26,440	\$ 29,259
627	694	961	531	940	1,203
2,651	2,220	7,277	5,400	4,945	6,751
4,214	4,276	4,347	4,698	5,307	6,366
259	3,466	1,309	95	52	99
612	518	307	453	484	1,013
391	619	567	206	(352)	3,972
-	-	-	-	5	5
1,453	497	459	632	487	729
31,359	34,121	37,764	36,633	38,308	49,397
5,985	6,179	6,542	5,525	5,995	7,132
13,124	13,762	14,004	15,084	16,608	18,255
4,545	4,676	4,993	4,961	5,180	6,615
5,206	4,992	3,997	4,850	3,759	3,593
1,955	2,817	7,534	5,835	11,084	10,218
-	-	-	-	407	-
2,018	1,907	1,915	2,855	2,044	2,872
618	703	851	858	444	2,565
-	-	-	52	995	-
33,451	35,036	39,836	40,020	46,516	51,250
(2,092)	(915)	(2,072)	(3,387)	(8,208)	(1,853)
6,750	9,895	3,285	2,835	44,400	-
458	759	179	441	1,047	-
-	-	-	-	407	247
-	-	-	-	-	473
(7,133)	-	(2,435)	(2,370)	-	-
3,444	3,531	4,527	2,715	3,394	3,130
(1,803)	(1,525)	(2,444)	(781)	(1,170)	(611)
1,716	12,660	3,112	2,840	48,078	3,239
\$ (376)	\$ 11,745	\$ 1,040	\$ (547)	\$ 39,870	\$ 1,386
8.4%	8.8%	8.8%	10.9%	9.8%	13.3%

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

Table D-6

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales and Use Tax</b>	<b>Occupancy Tax</b>	<b>Franchise Tax</b>	<b>Mixed Beverage Tax</b>	<b>Total</b>
2014	\$ 9,849	\$ 5,855	\$ 1,046	\$ 1,776	\$ 69	\$ 18,594
2015	10,015	6,230	1,081	1,793	74	19,193
2016	10,303	6,427	1,107	1,632	74	19,542
2017	10,736	6,722	1,219	1,734	72	20,482
2018	10,882	6,899	1,334	1,951	87	21,152
2019	11,062	7,297	1,416	1,943	113	21,831
2020	11,587	7,826	1,174	1,851	99	22,537
2021	12,111	8,901	1,599	1,874	104	24,589
2022	12,765	9,761	1,760	2,040	114	26,440
2023	15,473	10,057	1,665	1,942	121	29,259

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

Table D-7

<u>Fiscal Year</u>	<u>General Government</u>	<u>Debt Service</u>	<u>Total</u>	<u>School District</u>	<u>Kerr County</u>	<u>Guadalupe River Authority</u>
2014	0.4890	0.0735	0.5625	1.1800	0.4443	0.0318
2015	0.4890	0.0735	0.5625	1.1800	0.4850	0.0318
2016	0.4890	0.0735	0.5625	1.1800	0.4850	0.0318
2017	0.4890	0.0735	0.5625	1.1800	0.5000	0.0318
2018	0.4779	0.0735	0.5514	1.1800	0.5000	0.0309
2019	0.4779	0.0735	0.5514	1.1800	0.5150	0.0302
2020	0.4665	0.0735	0.5400	1.1700	0.5150	0.0288
2021	0.4381	0.0735	0.5116	1.1150	0.4757	0.0268
2022	0.4358	0.0735	0.5093	1.0520	0.4542	0.0262

**Source:** Kerr Central Appraisal District

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

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

Table D-8

Fiscal Year	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	
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
2019	0.4779	0.0735	0.5514	1.1800	0.5150	0.0302	2.2766
2020	0.4665	0.0735	0.5400	1.1700	0.5150	0.0288	2.2538
2021	0.4381	0.0735	0.5116	1.1150	0.4757	0.0268	2.1291
2022	0.4358	0.0735	0.5093	1.0520	0.4542	0.0262	2.0417
2023	0.4341	0.1411	0.5752	1.0340	0.4300	0.0229	2.0621

**Source:** Kerr Central Appraisal District

Overlapping rates are those of local and county governments that apply to property owners within the City of Kerrville. Not all overlapping rates apply to all City of Kerrville 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	2023			2014		
	Assessed Value	Rank	Percentage of Total City Assessed Value	Assessed Value	Rank	Percentage of Total City Assessed Value
James Avery Artisan Jewelry	\$ 51,960,620	1	1.66%	\$ 16,095,208	1	0.85%
Atmos Energy/Mid-Tex Distribution	19,913,331	2	0.63%	5,755,847	10	0.30%
Kerrville SPC LLC	14,000,035	3	0.45%			
H.E. Butt Grocery Company	9,951,290	4	0.32%			
Sendero Ridge Kerrville LP	9,235,000	5	0.29%			
Wal-Mart Stores Inc.	9,200,000	6	0.29%	7,784,640	4	0.41%
The Landing Apartments I, LLC	8,000,000	7	0.25%			
S-H Forty-Nine Properties LLC	7,699,640	8	0.25%			
Lowe's	7,697,866	9	0.25%	6,270,099	9	0.33%
Ken Stoepel Ford, INC	7,369,762	10	0.23%			
Wal-Mart Stores Inc # 508				7,400,696	5	0.39%
Home Depot, USA Inc.				7,079,265	6	0.37%
Comanche Trace Ranch & Golf				6,720,346	7	0.35%
Windstream				11,836,479	2	0.62%
Emeritus				9,131,033	3	0.48%
River Oaks Kerrville Limited				6,634,329	8	0.35%
<b>Total Top 10</b>	145,027,544		4.62%	84,707,942		4.47%
All Other	2,994,035,907		95.38%	1,812,015,058		95.53%
Total	<u>\$ 3,139,063,451</u>		<u>100.00%</u>	<u>\$ 1,896,723,000</u>		<u>100.00%</u>

**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 Year	Taxes Levied for the FY	Collected Within Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Current Yr Amount	Percentage of Levy		Combined Amount	Percentage of Levy
2014	\$ 9,688	\$ 9,545	98.53%	\$ 109	\$ 9,655	99.66%
2015	10,024	9,840	98.16%	149	9,988	99.65%
2016	10,320	10,132	98.18%	142	10,274	99.55%
2017	10,653	10,491	98.48%	102	10,593	99.44%
2018	10,951	10,774	98.38%	110	10,884	99.39%
2019	11,108	10,939	98.48%	84	11,023	99.23%
2020	11,648	11,455	98.34%	32	11,487	98.62%
2021	12,048	11,856	98.41%	52	11,909	98.84%
2022	12,619	12,455	98.70%	30	12,484	98.93%
2023	15,451	15,209	98.43%	97	15,306	99.06%





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

<b>Type</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Accommodation/Food Services	\$ 86,829,574	\$ 90,808,253	\$ 99,768,744	\$103,430,428
Admin/Support/Waste Mgmt/Remediation Svcs	22,289,923	20,465,440	20,904,166	21,426,494
Agriculture/Forestry/Fishing/Hunting	563,751	899,054	843,386	1,026,297
Arts/Entertainment/Recreation	4,631,153	5,151,160	4,867,665	5,007,627
Construction	98,816,059	101,873,825	156,396,169	133,145,615
Educational Services	32,115,711	33,054,086	35,228,505	36,301,968
Finance/Insurance	89,760	83,638	97,335	217,055
Health Care/Social Assistance	4,821,994	4,313,333	4,022,867	3,713,659
Information	25,079,857	26,097,466	25,910,010	24,105,256
Manufacturing	52,060,982	61,045,814	62,392,882	58,198,653
Other Services (Except Public Administration)	51,180,278	53,106,519	46,838,152	40,228,943
Professional/Scientific/Technical Services	18,519,033	20,179,472	18,449,324	20,889,638
Public Administration	42,307,481	43,510,601	38,010,491	38,842,343
Real Estate/Rental/Leasing	12,231,231	7,666,292	3,873,704	11,637,480
Retail Trade	838,913,172	799,284,207	867,204,733	836,748,834
Transportation/Warehousing	3,835,865	2,386,422	2,346,229	1,717,323
Wholesale Trade	46,402,764	47,227,827	44,107,128	44,770,943
<b>Total</b>	<b>\$ 1,340,688,588</b>	<b>\$ 1,317,153,409</b>	<b>\$ 1,431,261,490</b>	<b>\$ 1,381,408,556</b>
Direct Sales Tax Rate	1.50%	1.50%	1.50%	1.50%

Table D-11

2018	2019	2020	2021	2022	**2023
\$105,526,744	\$111,974,706	\$112,103,308	\$120,718,171	\$137,227,218	\$69,594,092
14,572,883	11,782,070	14,301,977	17,487,666	18,372,541	9,076,588
845,740	690,136	971,933	1,007,535	1,188,544	556,939
4,810,259	5,012,938	4,726,375	5,954,098	7,479,150	4,406,859
103,404,904	101,183,251	76,532,550	144,959,609	77,274,438	43,507,864
38,184,943	35,547,507	40,833,088	38,876,048	41,954,121	21,054,715
388,912	385,181	491,656	473,919	428,815	208,631
4,195,709	5,608,243	6,643,238	8,104,679	12,441,700	7,006,052
23,277,197	23,729,450	22,869,895	22,635,597	24,158,049	11,767,616
72,164,556	65,854,610	57,303,379	56,938,615	77,866,729	40,823,025
39,856,344	40,062,823	38,592,164	39,722,513	44,572,063	24,170,726
17,584,712	19,546,971	21,613,838	20,146,431	24,523,237	14,715,631
43,789,470	41,260,070	43,134,446	43,013,135	49,858,360	24,152,650
12,379,884	21,292,018	14,191,951	16,278,317	14,317,640	8,045,452
849,115,911	877,744,253	919,184,154	1,561,631,873	1,254,826,752	652,415,974
1,723,837	12,530,821	7,423,239	81,251,139	14,352,551	8,050,744
49,878,321	41,585,378	45,596,544	56,999,682	67,758,890	34,299,438
<u>\$ 1,381,700,326</u>	<u>\$ 1,415,790,426</u>	<u>\$ 1,426,513,735</u>	<u>\$2,236,199,027</u>	<u>\$1,868,600,798</u>	<u>\$973,852,996</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)**

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Certificates of Obligation	Bank/ Private Loans	Leases and SBITAs
2014	\$ 3,933	\$ 12,757	\$ 735	\$ -
2015	3,519	21,260	1,384	-
2016	3,092	20,271	1,034	-
2017	2,557	19,189	680	-
2018	6,443	13,702	322	-
2019	5,527	23,581	-	-
2020	7,189	19,897	-	-
2021	8,300	16,677	865	-
2022	52,463	15,963	675	534
2023	51,571	15,033	-	1,952

**Source:** Debt roll forward spreadsheet in audit/debt folder

PREMIUMS ARE INCLUDED IN OUTSTANDING BOND NUMBERS.

Table D-12

Fiscal Year	Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	Bank/Private Loans	Lease and SBITAs			
2014	\$ 4,911	\$ 29,933	\$ -	\$ 368	\$ -	\$ 52,637	8.88%	\$ 2,234
2015	4,390	28,287	-	290	-	59,130	9.82%	2,484
2016	3,853	36,119	-	7,708	-	72,077	11.96%	2,989
2017	3,295	33,976	-	7,623	-	67,321	11.64%	2,771
2018	11,239	23,290	-	7,535	-	62,530	9.96%	2,522
2019	10,460	34,271	-	7,500	-	81,338	11.87%	3,263
2020	8,795	32,843	-	7,500	-	76,224	10.65%	3,029
2021	17,772	20,753	-	7,500	-	71,867	9.97%	2,960
2022	15,448	19,720	-	7,500	502	112,805	14.70%	4,599
2023	14,299	18,639	12,683	6,429	174	120,780	14.57%	4,914

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

Table D-13

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General and Certificate of Obligation Bonds	Less: Amounts Avail In Debt Service Funds	Total		
2014	\$ 8,844	\$ 5,162	\$ 3,682	0.29%	\$ 156
2015	7,909	4,770	3,140	0.23%	132
2016	6,945	2,513	4,432	0.33%	184
2017	5,852	2,536	3,317	0.24%	137
2018	17,682	2,074	15,607	1.05%	629
2019	15,987	2,580	13,406	0.89%	538
2020	15,984	2,543	13,441	0.84%	534
2021	26,072	2,629	23,443	1.42%	966
2022	67,911	2,690	65,221	3.68%	2,659
2023	66,604	2,889	63,715	3.16%	2,592

**\*\*NOTE: ALL YEARS INCLUDE GOVERNMENT AND BUSINESS-TYPE ACTIVITIES\*\***

**Source:** GO bonds total from table D-12

**City of Kerrville, Texas**  
**Direct and Overlapping**  
**Governmental Activities Debt**

**Table D-14**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated share of Direct and Overlapping Debt</u>
Debt Repaid with Property Taxes			
Kerrville ISD	\$ 84,510,000	66.24%	\$ 55,979,424
Kerr County	32,140,000	42.22%	<u>13,569,508</u>
Subtotal, Overlapping Debt			69,548,932
City of Kerrville Direct Debt	64,510,000	100%	<u>64,510,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 134,058,932</u></u>
Average Debt per capita			\$ 5,454.17

**Source:** 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				
	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

	Fiscal Year				
	2019	2020	2021	2022	2023
Total taxable assessed value	\$ 1,497,972	\$ 1,593,526	\$ 1,649,269	\$ 1,771,594	\$ 2,019,216
Annual payment	9,986	10,624	10,995	11,811	13,461
Debt limit	149,797	159,353	164,927	177,159	201,922
Total net debt applicable to limit	14,744	14,744	5,571	66,661	59,951
Legal debt margin	135,053	144,608	159,356	110,498	141,971

**Legal Debt Margin Calculation for the Current Fiscal Year**

Assessed value	\$ 3,139,063
Exempt real property	<u>(1,119,847)</u>
	2,019,216
Debt limit (10% of assessed value)	<u>201,922</u>
Debt applicable to limit	
General obligation bonds	62,840
Less: Amount set aside for repayment of general obligation debt	<u>2,889</u>
Total net debt applicable to limit	<u>59,951</u>
Legal debt margin	<u>\$ 141,971</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	
		Operating Expenses*			Principal	Interest
						Coverage
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
2019	11,290	8,112	3,178	-	-	N/A
2020	12,651	6,287	6,364	-	-	N/A
2021	12,838	5,627	7,211	-	-	N/A
2022	13,838	8,671	5,167	-	-	N/A
2023	14,258	7,769	6,489	-	315	20.6

\* 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**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Population	23,558	23,808	24,111	24,292	24,796
Personal Income (000's)	\$ 592,968	\$ 602,414	\$ 602,699	\$ 578,394	\$ 627,512
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: % 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%

**Source:** U.S. Census, Texas Workforce Commission, Kerrville Independent School District, Kerr Economic Development Corporation, and City of Kerrville staff estimates based on growth in residential water accounts since the 2020 census.

Table D-17

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Population	24,931	25,162	24,278	24,527	24,579
Personal Income (000's)	\$ 685,029	\$ 715,406	\$ 720,692	\$ 767,278	\$ 829,129
Per Capita Personal Income	\$ 27,477	\$ 28,432	\$ 29,685	\$ 31,283	\$ 33,733
Median Age	46.7	46.2	47.4	47.4	40.4
Education Level in Years of Schooling: % with high school diploma or greater	88.5%	88.4%	88.5%	91.8%	91.0%
School Enrollment	4,828	4,800	4,808	4,838	4,696
Unemployment rate	2.9%	5.6%	4.3%	3.4%	3.8%

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

**Table D-18**

<b>Employer</b>	<b>2023</b>			<b>2014</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Peterson Health	1,315	1	5.69%	894	1	4.13%
James Avery Artisan Jewelry	775	2	4.58%	346	6	1.60%
Kerrville State Hospital	710	3	3.07%	565	3	2.61%
Kerrville ISD	678	4	2.93%	705	2	3.26%
Schreiner University	660	5				
HEB Grocery & Foundation	650	6	2.81%	353	5	1.63%
Kerrville VA Hospital	475	7	2.05%	400	4	1.85%
City of Kerrville	339	8	1.47%	304	7	1.40%
Kerr County	327	9	1.41%	299	8	1.38%
Wal-Mart	288	10	1.25%	250	9	1.16%
Lowes				130	10	0.60%
<hr/>						
Total Employed by Top 10	6,217		25.26%	4,246		19.62%
All others	<u>16,907</u>		<u>74.74%</u>	<u>17,185</u>		<u>80.38%</u>
Total employed	<u>23,124</u>		<u>100.00%</u>	<u>21,387</u>		<u>100.00%</u>

**Major Employer 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

**Table D-19**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>GENERAL FUND</b>										
City Secretary	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3	2
City Attorney	2.0	1.0	2.0	1.0	1.0	1.0	1.0	1.5	2	2
City Administration	5.0	6.0	6.0	6.0	5.5	5.0	5.0	4.3	4.25	4
Human Resources	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4	3
Finance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4	5
Information Technology	5.0	5.0	5.0	5.0	6.0	6.0	7.0	5.3	6	6
Public Information Office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2	2
Municipal Court	5.0	5.0	5.0	6.0	6.0	6.0	6.0	5.0	5	5
Kerrville-Schreiner Park	6.0	6.0	6.0	7.0	7.0	8.0	8.0	8.0	8	8
Police	68.0	70.0	71.0	71.0	72.0	72.0	72.0	72.0	72	77
Fire	49.2	48.1	49.0	49.0	49.0	48.0	48.0	48.0	48	78
Emergency Mgmt & Training	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1	1
Fire Marshal	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2	2
Economic Development										2
EMS	26.8	27.9	27.0	27.0	26.0	26.0	26.0	26.0	27	0
Office of Innovation										0.25
Solid Waste	5.0	5.0	1.0	1.0	1.0	1.0	1.0	1.0	1	1
Parks Maintenance	13.0	18.0	19.0	19.0	20.0	20.0	21.0	19.3	21	21.5
Recreation	2.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2	2.0
Community Events	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1	1
Golf										6
Sports Complex	0.0	0.0	0.0	2.0	4.0	6.0	6.0	6.0	6	6
Engineering	3.0	4.0	4.0	4.0	5.0	5.0	6.0	5.3	6	6
Streets	16.0	18.0	18.0	18.0	18.0	19.0	18.0	17.5	18.5	18
Library	11.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9	9
General Operations	0.0	0.0	0.0	0.0	0.0	1.0	1.0	0.0	0	0
Total General Fund	238.0	245.0	245.0	250.0	253.5	260.0	263.0	257.0	252.75	267.75
<b>DEVELOPMENT SERVICES FUND PERSONNEL COUNT</b>										
Planning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	3
Building Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	5.5
Code Compliance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2
Total Development Service Fund	0	0	0	0	0	0	0	0	10	10.5
<b>UTILITY FUND</b>										
Utility Billing	8.5	8.0	8.0	8.0	7.0	7.0	8.0	8.0	8	8
Utility Administration	5.0	3.0	3.0	0.0	0.0	0.0	0.0	0.0	0	0
Water Production	11.0	11.0	11.0	12.0	13.0	13.0	13.0	13.0	13	14
Water Distribution	9.0	9.0	9.0	9.0	9.0	10.0	10.0	10.0	10	10
Water Reclamation	14.0	14.0	14.0	15.0	15.0	15.0	15.0	9.0	9	9
Wastewater Collection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	6	6.5
Utility Lab	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4	4
Total Utility Fund	51.5	49.0	49.0	48.0	48.0	49.0	50.0	50.0	50	51.5
<b>GOLF COURSE FUND</b>										
Golf Course Maintenance	8.0	7.0	7.0	7.0	7.0	7.0	5.0	5.0	5.0	0
Pro Shop	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	0
Total Golf Course Fund	11.0	10.0	10.0	10.0	10.0	10.0	7.0	7.0	7.0	0
<b>GARAGE FUND</b>										
	4.0	4.0	4.0	4.0	5.5	5.0	5.0	5.3	5.2	5.25
<b>GRAND TOTAL</b>										
	304.5	308.0	308.0	312.0	317.0	324.0	325.0	319.3	325.0	335.0

**Source:** Budget Book

**Note:** Solid Waste was moved to the General Fund in fiscal year 2015.

A new fund was created for Development Services 2022.

Golf Course Fund was moved to General Fund in fiscal year 2023.

# City of Kerrville, Texas

## Operating Indicators by Function/Program

### Last Ten Fiscal Years

**Table D-20**

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Calls for service	14,820	16,220	17,040	17,164	14,534	14,247	13,404	14,225	14,543	15,652
Avg. response time per call (minutes)	6.2	8.3	7.4	6.2	6.5	6.4	5.2	5.6	5.8	5.1
Clearance rate	55%	54%	58%	52%	58%	70%	73%	80%	62%	51%
Fire										
Fire response time (minutes)	4.2	4.3	4.6	4.7	5.0	4.8	4.9	5.2	2.4	3.3
First responder response time (min)	8.9	8.1	6.2	8.7	4.0	4.3	4.0	4.5	4.4	4.3
EMS response time - City (minutes)	5.3	5.0	4.9	5.2	5.4	5.1	5.0	5.4	5.3	5.3
Inspections	393	429	491	593	802	647	680	733	569	923
Streets										
Street maintenance - man hours	6,224	4,161	4,128	4,789	6,785	4,912	5,940	5,800	4,429	5,417
Pothole repairs	2,109	2,273	2,250	2,208	1,234	1,553	915	866	429	469
Traffic control (signs) - man hours	1,722	1,777	2,185	2,110	2,111	2,114	2,156	3,424	1,911	1,042
Solid Waste										
Annual tonnages at landfill	8,279	8,242	9,259	8,932	9,839	8,591	9,908	9,392	9,298	8,853
Annual tonnages at transfer station*	50,175	55,528	66,162	72,773	68,460	72,510	81,694	74,491	80,062	78,193
Annual tonnages - recycling program*	1,383	669	1,508	1,595	1,643	1,561	1,172	1,068	1,065	1,109
Culture and Recreation										
Park maintenance - man hours	25,033	27,622	29,450	29,198	33,781	34,291	30,703	34,768	31,272	31,163
Golf Course - rounds of golf played	29,489	27,111	26,252	25,979	23,468	21,744	24,111	25,732	25,582	23,737
Swimming Pool attendance	15,290	17,118	10,158	13,024	13,867	14,178	8,461	13,156	17,286	16,056
Kerrville Schreiner Park										
Reservations processed	12,507	13,369	14,333	15,749	16,783	15,291	14,574	7,551	19,119	14,055
Water										
Water meters read	117,459	119,126	120,053	120,836	121,081	120,998	122,160	122,587	125,028	127,296
Work orders processed	10,737	10,748	11,191	12,013	11,256	9,574	11,114	12,526	11,699	11,084
Water main breaks	21	28	19							
Calls for water main breaks**				100	62	107	84	114	90	62
Total Water Consumption (thousands of gallons)	1,243,039	1,072,229	1,206,145	1,347,170	1,281,620	1,128,810	1,365,368	1,053,572	1,141,459	1,410,885
Cost per thousand gallons	\$1.22	\$1.55	\$1.30	\$1.24	\$1.53	\$1.69	\$1.46	\$1.78	\$1.28	\$1.97
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	2,132	2,044	2,484	2,054	2,010	2,165	2,033	2,172	2,070	2,090

\*Revised recycling program began in 2015.

\*\*Metrics were revised in 2017 to show number of main break calls resolved by Public Works department.

# City of Kerrville, Texas

## Capital Asset Statistics by Function/Program

### Last Ten Fiscal Years

Table D-21

	FISCAL YEAR									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b><u>Function/Program</u></b>										
Public Safety										
Police and Fire:										
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)	284	284	282	282	282	282	285	285	285	297
Area in square miles	21.3	21.8	22.2	22.2	22.4	22.4	22.4	22.71	22.71	22.71
Culture and Recreation										
Parks acreage	937	937	937	1,041	1,041	1,046	1,048	1048	1048	1048
Swimming pools	1	1	1	1	1	1	1	1	1	1
Picnic areas & playgrounds	23	23	23	23	23	23	23	24	24	24
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)	249	253	253	255	257	258	262	264	264	268
Average daily consumption (millions of gallons)	3.17	3.67	2.85	3.01	3.86	3.33	3.27	3.39	3.53	3.61
Sewer										
Sanitary sewers (miles)	209	227	227	227	227	227	227	198	198	201
Stormwater collection sewers (miles)	7	7	7	7	8	8	8	15	15	16
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

**Source:** Various city departments





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