



City of Kerrville, Texas

Comprehensive Annual Financial Report

Year Ended September 30, 2013

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

Sandra Yarbrough, Director of Finance



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City of Kerrville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2013

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Introductory Section



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

Letter of Transmittal

March 10, 2014

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

The Comprehensive Annual Financial Report for the City of Kerrville, Texas (the City or Kerrville) for the fiscal year ended September 30, 2013, is hereby submitted. This report was prepared through the cooperative effort of the Finance Department and the City's independent auditor, in accordance with Section 103.001 of the Texas Local Government Code and Article VIII, Section 8.08 of the Charter of the City of Kerrville. The purpose of the report is to provide the City Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

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

BKD, LLP, Certified Public Accountants, has issued an unmodified opinion on the City's financial statements for the year ended September 30, 2013. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended September 30, 2013, and that the financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

The City continues to experience steady increases in population. The official census populations for 1990 and 2000 were 17,384 and 20,425, respectively. The January 2013 population estimate was 22,983, representing an increase of 5,599 (32%) over 1990 and 2,558 (13%) increase since 2000.

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

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

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

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

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

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. Several small manufacturing firms are located in the Kerrville area, as well as a variety of commercial establishments, restaurants, building supply stores, retail shops, banks and supermarkets. Sales tax revenues have been steadily increasing since 2011. The unemployment rate of 5.6% continues to remain below state and national averages.

Kerrville's economic future continues to look bright following several key events in recent years. Manufacturers Fox Tank and Nature Blinds began production in Kerrville and have continued to grow. The City added to the tax base by annexing James Avery Manufacturing in 2012. Additionally, downtown Kerrville continues to grow following the opening of a new City Hall plus renovations of the Schreiner Goods building and library all completed in 2012. Looking ahead, Schreiner University is expanding with the building of a new Athletics and Events Center that should be open in 2014. Major park renovations at our City's centrally located Louise Hays Park are on schedule for a 2015 completion. Additionally, a long planned multi-use river trail project is underway that will result in a six mile long trail that begins at Kerrville Schreiner Park.

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

Long-term Financial Planning

The City's staff increased the separate funds' fund balance reserve by policy to 25% in keeping with the Government Finance Officers Association of the United States and Canada (GFOA) recommended best practice. GFOA recommends that "general-purpose governments, regardless of size, maintain unassigned fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." This will allow the City to better weather economic downturns and strategically handle contingencies and unforeseen emergencies. The City's General Fund's unassigned fund balance is \$6,294,046 or 30% of General Fund operating expenditures as of September 30, 2013. The City uses a five-year forecast in its budget process to guide decisions and assist in policy. The forecasting allows the City to view the future impact of current decisions and allows the City to plan appropriately.

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

The 2013 CIP identified over \$39 million of capital improvements during the next five years (through 2015). These improvements provide for new facilities and facilities expansion; land acquisition; equipment acquisition and replacement; roads and storm water drainage systems; parks and park facilities; and water and sewer mains, facilities, and storage facilities. The majority of these improvements (59%) are anticipated to be funded by debt obligations. Debt obligations include both self-supporting debt (e.g., water and sewer improvements) and general obligation debt (e.g., street and drainage improvements). This CIP was reviewed in the FY 2013 and FY 2014 budget process to ensure it is in line with current economic trends.

Awards and Acknowledgements

GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2012, and a reproduction of the certificate is included in this report. The City has received a Certificate of Achievement for twenty-nine consecutive fiscal years (FY 1984 through FY 2012).

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

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

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

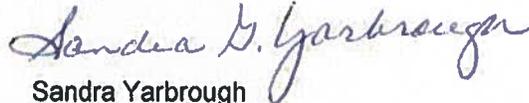
Acknowledgment and appreciation is also given to representatives of **BKD, LLP**, Certified Public Accountants, for their dedicated assistance and input into the preparation of this report.

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

Respectfully submitted,



Todd Parton
City Manager



Sandra Yarbrough
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Kerrville
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

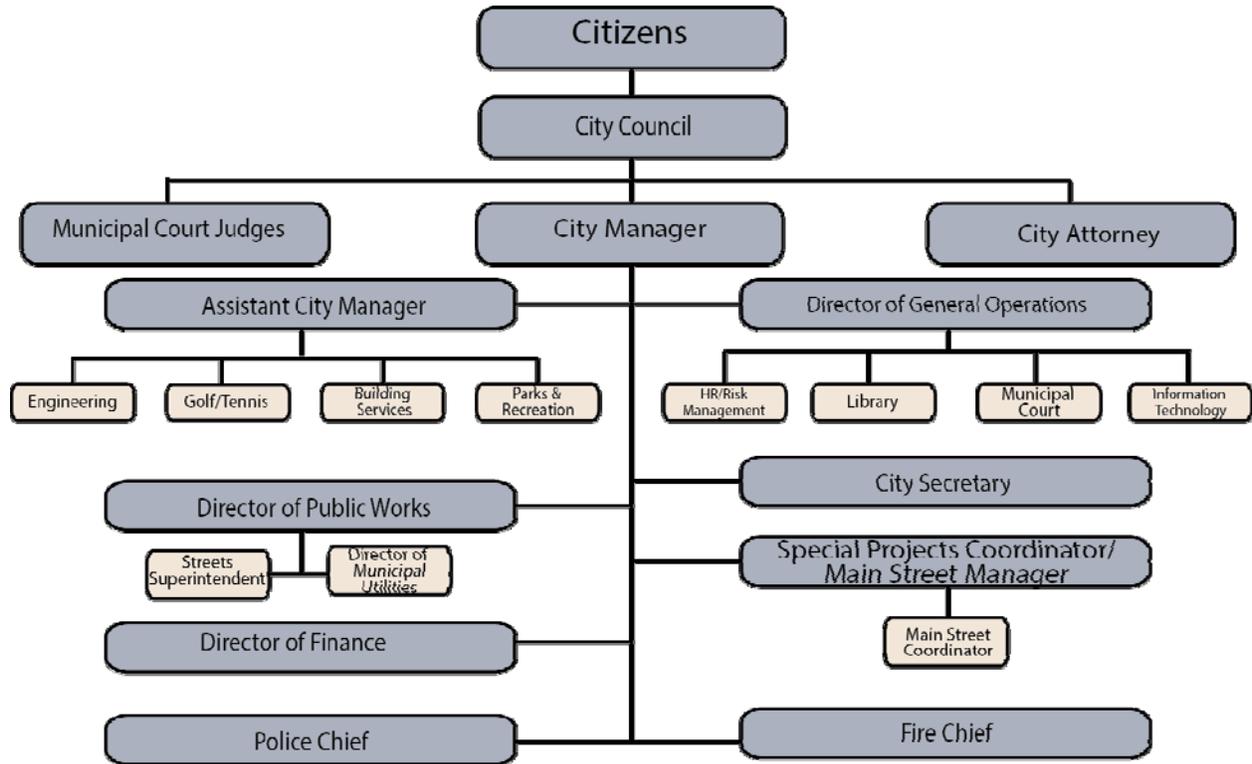
September 30, 2012

Executive Director/CEO

City of Kerrville, Texas

Organization Chart

Year Ended September 30, 2013



CITY OF KERRVILLE, TEXAS

List of Principal Officials Year Ended September 30, 2013

ELECTED OFFICIALS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
JACK PRATT	MAYOR	MAY 2014
CARSON CONKLIN	PLACE 1, MAYOR PRO TEM	MAY 2015
STACIE KEEBLE	PLACE 2	MAY 2015
JUSTIN MACDONALD	PLACE 3	MAY 2014
GENE ALLEN	PLACE 4	MAY 2014

APPOINTED OFFICIALS

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



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Financial Section

Independent Auditor's Report

The Mayor and City Council
City of Kerrville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Kerrville, Texas (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kerrville Public Utility Board (KPUB), a component unit of the City, which statements reflect total assets and total revenues of \$54,249,862 and \$37,352,402, respectively, and represent 90.7% and 92.8% of the aggregate discretely presented component units' total assets and total revenues, respectively, as of and for the year ended September 30, 2013. The financial statements of KPUB were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for KPUB is based solely on the report of the other auditors. We did not audit the financial statements of the Kerrville-Kerr County Airport Board, a joint venture between the City of Kerrville and Kerr County, which statements reflect total net position of \$16,402,218 of which 50% (\$8,201,109) is recorded in the statement of net position and represents 8.0% of the governmental activities total assets. The financial statements of the Kerrville-Kerr County Airport Board were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included as equity in joint venture is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2013 the City changed its method of accounting for deferred inflows and outflows of resources and bond issuance costs with the adoption of Governmental Accounting Standards Board Statements 63 and 65. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

BKD, LLP

Dallas, Texas
March 10, 2014

City of Kerrville, Texas

Management's Discussion and Analysis

Year Ended September 30, 2013

Introduction

As management of the City of Kerrville, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 – 4 of this report.

Financial Highlights

Government-Wide

- The City's assets and deferred outflows exceeded its liabilities at the close of the 2013 fiscal year by \$126,328,581. Of this amount, \$20,748,837 (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 2013, the City's total net position increased by \$6,224,231 or 5.2%. Net position of business-type activities increased by \$2,213,898 or 4.9%, and net positions of governmental activities increased by \$4,010,333 or 5.4%.
- Total expenses of all the City's programs were \$32,938,938 in 2013.

Fund Statements

- As of September 30, 2013, the City's governmental funds reported combined ending fund balances of \$20,127,039. Of this total amount, \$6,294,046 or approximately 31%, is unassigned and available for use within the City's designation and policies in the governmental funds.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$6,294,046 or 30% of the General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

(1) Government-Wide Financial Statements

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works and streets; and parks and recreation. The business-type activities of the City include water and wastewater services and the City's public golf course.

The government-wide financial statements include not only the City itself, but also a legally separate electric utility Kerrville Public Utility Board (KPUB) as well as the Economic Improvement Corporation (EIC). Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 19 – 21 of this report.

(2) Fund Financial Statements

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because of 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 10 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Governmental IP Fund, which are considered to be major funds. Data from the other eight funds are combined into a single, aggregated presentation. Individual funds data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining statements section in the report.

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

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

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

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

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

(3) Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Each note is designed to give a more detailed explanation of the figures, which are presented in summary form throughout the financial statements section of the report.

The notes to the financial statements can be found on pages 32 – 57 of this report.

Comparative Financial Information

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows exceeded liabilities by \$126,328,581 at the close of the most recent fiscal year.

By far the largest portion of the City’s net position reflects its investment in capital assets (e.g., land, buildings, infrastructure and system improvements), less any related debt used to acquire those assets that is outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Government Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 31,136,312	\$ 30,272,908	\$ 26,199,572	\$ 22,191,068	\$ 57,335,884	\$ 52,463,976
Capital assets	70,794,696	68,509,691	60,399,997	53,323,902	131,194,693	121,833,593
Deferred outflows of resources	272,332	-	301,711	-	574,043	-
Total assets and deferred outflows of resources	102,203,340	98,782,599	86,901,280	75,514,970	189,104,620	174,297,569
Long-term liabilities	20,522,942	22,217,128	35,280,454	28,752,801	55,803,396	50,969,929
Other liabilities	3,220,258	1,781,148	3,752,385	720,913	6,972,643	2,502,061
Total liabilities	23,743,200	23,998,276	39,032,839	29,473,714	62,776,039	53,471,990
Net position *						
Invested in capital assets, net of related debt	61,341,688	57,919,854	38,698,908	38,404,662	100,040,596	96,324,516
Restricted	1,434,070	1,509,138	4,105,078	2,897,750	5,539,148	4,406,888
Unrestricted	15,684,382	15,355,331	5,064,455	4,738,844	20,748,837	20,094,175
Total net position	\$ 78,460,140	\$ 74,784,323	\$ 47,868,441	\$ 46,041,256	\$ 126,328,581	\$ 120,825,579

*The cumulative effect of applying GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, resulted in 2013 beginning net position being adjusted. Fiscal year 2012 net position was not adjusted.

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

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

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

	Government Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Program revenue						
Charges for services	\$ 4,265,019	\$ 4,506,527	\$ 11,949,005	\$ 11,040,297	\$ 16,214,024	\$ 15,546,824
Operating grants and contributions	718,813	302,520	-	-	718,813	302,520
Capital grants and contributions	2,000,000	5,552,634	508,498	-	2,508,498	5,552,634
General revenue						
Property tax	9,689,758	9,655,313	-	-	9,689,758	9,655,313
Sales tax	5,554,073	5,119,521	-	-	5,554,073	5,119,521
Hotel occupancy tax	957,853	853,661	-	-	957,853	853,661
Franchise tax	1,715,538	1,825,722	-	-	1,715,538	1,825,722
Alcoholic beverage tax	54,735	52,847	-	-	54,735	52,847
Unrestricted investment earnings	44,413	56,261	49,559	22,725	93,972	78,986
Miscellaneous revenue (expense)	1,322,049	1,257,450	333,856	186,239	1,655,905	1,443,689
Total revenue	<u>26,322,251</u>	<u>29,182,456</u>	<u>12,840,918</u>	<u>11,249,261</u>	<u>39,163,169</u>	<u>40,431,717</u>
Expenses						
General government	4,667,282	4,312,324	-	-	4,667,282	4,312,324
Public safety	11,630,832	11,312,519	-	-	11,630,832	11,312,519
Cultural and recreation	3,370,928	3,081,774	-	-	3,370,928	3,081,774
Public works	3,326,708	3,003,950	-	-	3,326,708	3,003,950
Business programs	-	166,718	-	-	-	166,718
Interest on long-term debt	566,169	644,587	-	-	566,169	644,587
Water and sewer operations	-	-	8,442,503	8,736,970	8,442,503	8,736,970
Golf course	-	-	934,517	1,040,710	934,517	1,040,710
Total expenses	<u>23,561,918</u>	<u>22,521,872</u>	<u>9,377,020</u>	<u>9,777,680</u>	<u>32,938,938</u>	<u>32,299,552</u>
Excess before transfers	2,760,333	6,660,584	3,463,898	1,471,581	6,224,231	8,132,165
Transfers	1,250,000	2,149,028	(1,250,000)	(2,149,028)	-	-
Changes in Net Position	<u>4,010,333</u>	<u>8,809,612</u>	<u>2,213,898</u>	<u>(677,447)</u>	<u>6,224,231</u>	<u>8,132,165</u>
Net Position, as Previously Reported	<u>74,784,323</u>	<u>65,974,711</u>	<u>46,041,256</u>	<u>46,718,703</u>	<u>120,825,579</u>	<u>112,693,414</u>
Change in Accounting Principle	<u>(334,516)</u>	<u>-</u>	<u>(386,713)</u>	<u>-</u>	<u>(721,229)</u>	<u>-</u>
Net Position, Beginning of Year *	<u>74,449,807</u>	<u>65,974,711</u>	<u>45,654,543</u>	<u>46,718,703</u>	<u>120,104,350</u>	<u>112,693,414</u>
Net Position, End of Year	<u>\$ 78,460,140</u>	<u>\$ 74,784,323</u>	<u>\$ 47,868,441</u>	<u>\$ 46,041,256</u>	<u>\$ 126,328,581</u>	<u>\$ 120,825,579</u>

*The cumulative effect of applying GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, resulted in 2013 beginning net position being adjusted. Fiscal year 2012 net position was not adjusted.

Overall Financial Position and Results of Operations

Governmental Activities

Governmental activities increased the City's net position. The increase was due to careful budgeting that resulted in revenues exceeding expenses. In addition, the City received a generous donation from a local foundation and transferred money in to the General Fund from the Water and Sewer Fund.

Business-Type Activities

Business-type activities increased its net position due to increased water revenues because of fewer drought restrictions resulting in revenues that well exceed expenses.

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 \$20,127,039, an increase of \$1,358,786 in comparison with the prior year. Approximately 31% of total fund balance or \$6,294,046 constitutes unassigned General Fund's fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted or committed to indicate that it is not available for new spending because it has already been committed for restricted purposes (debt service, capital projects). The increase in the fund balance of the Governmental IP Fund is due to transfers in, made in preparation for planned construction in process expenditures.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,294,046. 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 30% or more than three months of total General Fund expenditures.

The City's General Fund increased by \$825,622 during the current fiscal year. Key factors are as follows:

- Net transfers in of \$556,185
- Increase in sales tax revenues
- Increase in property tax revenues
- Overall departmental savings

Proprietary Funds

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$5,064,455 with unrestricted net position of the water and sewer fund at the end of the year amounting to \$5,099,129.

Key factors are as follows:

- Increased water revenues due to fewer water-use restrictions.
- Departmental savings on expenses due to lower number of repairs and unplanned expenses.

General Fund Budgetary Analysis

Actual revenues in the General Fund for FY 2013 exceeded expenditures by \$269,437 prior to net transfers in. A budgeted draw down of fund balance was not scheduled. The City revised its budgeting practices in FY 2011 leading to a budget where revenues exceeded expenditures.

Actual revenues exceeded budget by \$739,694. The factors increasing revenues include additional sales tax collection with new payees contributing to the City including annexed and new manufacturing companies. Another factor was increased downtown sales and contributions from online retailers. Property tax revenues also exceeded budgeted numbers.

Actual expenditures were \$381,190 less than budgeted. The departments in the General Fund averaged a little more than 3% savings on budget to actual expenditures. These savings occurred due primarily to lower salary and benefit costs due to unfilled positions in the Police Department and at the library, as well as departmental reorganizations.

Capital Asset and Long-term Debt Administration

Major Capital Additions

In FY 2013, the City recognized the new City Hall Clock Tower as well as items related to the completion of City Hall and the surrounding complex.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$131,194,693 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and system improvements (including streets and drainage infrastructure) and machinery and equipment.

	Government Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 6,251,959	\$ 6,251,959	\$ 488,831	\$ 488,831	\$ 6,740,790	\$ 6,740,790
Construction in progress	1,191,811	3,395,617	10,145,171	3,318,647	11,336,982	6,714,264
Streets	34,425,208	34,425,208	-	-	34,425,208	34,425,208
Buildings	11,201,721	6,566,258	1,047,165	1,115,014	12,248,886	7,681,272
Improvements other than buildings	14,686,708	14,786,736	46,601,957	46,239,617	61,288,665	61,026,353
Vehicles	1,617,753	1,745,011	567,179	421,672	2,184,932	2,166,683
Machinery and equipment	1,316,474	1,228,101	1,519,769	1,734,371	2,836,243	2,962,472
Office equipment	103,062	110,801	29,925	5,750	132,987	116,551
Total	<u>\$ 70,794,696</u>	<u>\$ 68,509,691</u>	<u>\$ 60,399,997</u>	<u>\$ 53,323,902</u>	<u>\$ 131,194,693</u>	<u>\$ 121,833,593</u>

Additional information on the City's capital assets can be found in Note 4 on pages 44 – 46 of this report.

Long-term Debt

At the end of the current fiscal year, the City has total governmental activities net bonded debt outstanding of \$17,395,379, which the City expects to retire through the Debt Service Fund. The City also has business activity net bonded debt outstanding of \$36,846,227 at September 30, 2013. The City's net bonded debt increased by approximately \$7,720,000 during the current fiscal year due to issuing Water and Sewer Fund debt.

The City's financial policies limit Water and Sewer debt service to no more than 35% of total Water and Sewer revenues. The City is approaching that level and subsequently has no plans to issue new debt after September 2013.

	Government Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Gross Bonded Debt						
General obligation	\$ 4,162,975	\$ 4,539,000	\$ 5,192,025	\$ 5,661,000	\$ 9,355,000	\$ 10,200,000
Certificates of obligation	12,940,000	13,230,000	31,060,000	22,195,000	44,000,000	35,425,000
Total bonded debt	17,102,975	17,769,000	36,252,025	27,856,000	53,355,000	45,625,000
Bond premium/discount	292,404	310,483	594,202	584,409	886,606	894,892
Net bonded debt	17,395,379	18,079,483	36,846,227	28,440,409	54,241,606	46,519,892
Other Long-term Debt						
State infrastructure bank loan	542,130	630,597	443,561	515,943	985,691	1,146,540
Compensated absences	697,216	686,014	158,330	154,241	855,546	840,255
Landfill closure and post-closure cost	3,181,572	3,115,128	-	-	3,181,572	3,115,128
Total	\$ 21,816,297	\$ 22,511,222	\$ 37,448,118	\$ 29,110,593	\$ 59,264,415	\$ 51,621,815

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

The City's five-year capital improvement plan had identified over \$39 million of capital improvements through 2018. Previously, the majority of these improvements were anticipated to be funded by debt obligations. However, for the budget year 2013 and forward the City will use a combination of debt issuance and pay as you go. In January of 2012, Standard & Poor's confirmed the City's general obligation bond rating of an AA- and utility certificate of obligations bond rating of an AA-. These ratings were subsequently upgraded to AA in January 2013. The Economic Improvement Corporation rating is A+.

Modified Approach of Capital Assets

The City has adopted the modified approach for its streets system of capital assets. As a result, the City has made a commitment to preserve and maintain its streets system at certain condition levels determined by the City. No depreciation expense is reported for such assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. The City maintains an inventory of the streets system and performs periodic condition assessments to establish that the predetermined condition level is being maintained. The City's policy is to maintain a targeted overall weighted-average Condition Index rating of 75 (fair condition). The City's engineers estimate the current pavement condition of the City's streets to be at a Condition Index rating of 79 (fair condition). The City makes annual estimates of the amounts that must be expended to preserve and maintain the streets system at the predetermined condition level. To preserve the City's streets system at the targeted Condition Index rating level of 75, the City's actual expenditures for 2013 were \$600,000. Although the City's weighted-average Condition Index rating is 79, there are a number of streets that have failed and are deteriorating at a faster rate than normal. These streets will require reconstruction in order to maintain a weighted-average Condition Index rating above 75.

For historical information, please see page 62.

Items That Will Have a Significant Financial Impact

Economic Factors and Next Year's Budgets and Rates

The City has adopted an ad valorem tax rate of \$0.5625 per \$100 value for budget year 2014, which is the same as in budget year 2013.

Sales tax receipts experienced in budget year 2013 were 8.5% more than experienced in budget year 2012, and are anticipated to remain steady in budget year 2014.

The number of water accounts increased from 9,621 in fiscal year 2012 to 9,676 in fiscal year 2013, for an increase of 0.6%. Billed water usage increased from fiscal year 2012 to 2013. Water revenue is anticipated to show a small increase in the budget year 2014, but those revenues are highly dependent on weather and drought conditions.

Hotel/motel occupancy tax receipts collected in fiscal year 2013 were \$957,853 or 12.2% more than experienced in budget year 2012, and are anticipated to remain steady in budget year 2014.



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



Basic Financial Statements



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City of Kerrville, Texas
Statement of Net Position
September 30, 2013

Exhibit A-1

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 7,068,812	\$ 3,625,148	\$ 10,693,960	\$ 3,689,569
Investments	3,688,891	997,418	4,686,309	10,429,953
Receivables (net of allowances for uncollectibles)				
Taxes	411,071	-	411,071	-
Accounts	76,732	1,107,429	1,184,161	5,386,590
Other	853,894	-	853,894	-
Due from other governments	965,517	-	965,517	474,116
Internal balances	73,501	(73,501)	-	
Inventories	49,891	400,606	450,497	1,635,460
Prepaid expenses	10,760	3,551	14,311	-
Other assets	-	-	-	42,778
Restricted assets				
Cash and cash equivalents	9,736,134	16,679,272	26,415,406	-
Investments	-	3,459,649	3,459,649	6,305,734
Equity in joint venture	8,201,109	-	8,201,109	-
Capital assets (net of accumulated depreciation, where applicable)	<u>70,794,696</u>	<u>60,399,997</u>	<u>131,194,693</u>	<u>31,851,301</u>
Total assets	<u>101,931,008</u>	<u>86,599,569</u>	<u>188,530,577</u>	<u>59,815,501</u>
Deferred Outflows of Resources				
Deferred charges on refunding	<u>272,332</u>	<u>301,711</u>	<u>574,043</u>	<u>-</u>
Liabilities				
Accounts payable and accrued liabilities	1,418,665	1,451,351	2,870,016	6,177,410
Customer deposits	508,238	133,370	641,608	556,539
Noncurrent liabilities				
Due within one-year	1,293,355	2,167,664	3,461,019	2,530,000
Due in more than one-year	<u>20,522,942</u>	<u>35,280,454</u>	<u>55,803,396</u>	<u>20,000</u>
Total liabilities	<u>23,743,200</u>	<u>39,032,839</u>	<u>62,776,039</u>	<u>9,283,949</u>
Net Position				
Net investment in capital assets	61,341,688	38,698,908	100,040,596	29,786,301
Restricted for				
Debt service	1,345,961	4,105,078	5,451,039	2,321,300
Capital projects	88,109	-	88,109	1,156,269
Unrestricted	<u>15,684,382</u>	<u>5,064,455</u>	<u>20,748,837</u>	<u>17,267,682</u>
Total net position	<u>\$ 78,460,140</u>	<u>\$ 47,868,441</u>	<u>\$ 126,328,581</u>	<u>\$ 50,531,552</u>

City of Kerrville, Texas
Statement of Activities
Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 4,667,282	\$ 1,053,650	\$ 356,144	\$ 2,000,000
Public safety	11,630,832	2,442,524	339,323	-
Cultural and recreation	3,370,928	409,627	23,346	-
Public works	3,326,708	359,218	-	-
Interest on long-term debt	566,169	-	-	-
Total expenses	<u>23,561,918</u>	<u>4,265,019</u>	<u>718,813</u>	<u>2,000,000</u>
Business-type Activities				
Water and sewer	8,442,503	11,071,778	-	-
Golf course	934,517	877,227	-	508,498
Total business-type activities	<u>9,377,020</u>	<u>11,949,005</u>	<u>-</u>	<u>508,498</u>
Total primary government	<u>\$ 32,938,938</u>	<u>\$ 16,214,024</u>	<u>\$ 718,813</u>	<u>\$ 2,508,498</u>
Component Units				
Economic Improvement Corporation	\$ 2,253,577	\$ -	\$ -	\$ -
Kerrville Public Utility Board	34,784,711	37,178,226	-	150,440
Total component units	<u>\$ 37,038,288</u>	<u>\$ 37,178,226</u>	<u>\$ -</u>	<u>\$ 150,440</u>

General Revenues

Property taxes
Sales taxes
Hotel occupancy taxes
Franchise taxes
Alcoholic beverage taxes
Unrestricted investment earnings
Miscellaneous income
Transfers
Total general revenues and transfers

Change in net position

Net Position, As Previously Reported
Change in Accounting Principle

Net Position, Beginning of Year

Net Position, End of Year

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (1,257,488)	\$ -	\$ (1,257,488)	
(8,848,985)	-	(8,848,985)	
(2,937,955)	-	(2,937,955)	
(2,967,490)	-	(2,967,490)	
<u>(566,169)</u>	<u>-</u>	<u>(566,169)</u>	
<u>(16,578,086)</u>	<u>-</u>	<u>(16,578,086)</u>	
-	2,629,275	2,629,275	
<u>-</u>	<u>451,208</u>	<u>451,208</u>	
-	3,080,483	3,080,483	
<u>(16,578,086)</u>	<u>3,080,483</u>	<u>(13,497,603)</u>	
			\$ (2,253,577)
			<u>2,543,955</u>
			<u>290,378</u>
9,689,758	-	9,689,758	-
5,554,073	-	5,554,073	2,776,748
957,853	-	957,853	-
1,715,538	-	1,715,538	-
54,735	-	54,735	-
44,413	49,559	93,972	24,217
1,322,049	333,856	1,655,905	110,771
<u>1,250,000</u>	<u>(1,250,000)</u>	<u>-</u>	<u>-</u>
<u>20,588,419</u>	<u>(866,585)</u>	<u>19,721,834</u>	<u>2,911,736</u>
<u>4,010,333</u>	<u>2,213,898</u>	<u>6,224,231</u>	<u>3,202,114</u>
74,784,323	46,041,256	120,825,579	47,336,427
<u>(334,516)</u>	<u>(386,713)</u>	<u>(721,229)</u>	<u>(6,989)</u>
<u>74,449,807</u>	<u>45,654,543</u>	<u>120,104,350</u>	<u>47,329,438</u>
<u>\$ 78,460,140</u>	<u>\$ 47,868,441</u>	<u>\$ 126,328,581</u>	<u>\$ 50,531,552</u>

City of Kerrville, Texas
Balance Sheet – Governmental Funds
September 30, 2013

Exhibit A-3

	General Fund	Governmental IP Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 7,367,521	\$ 6,884,081	\$ 2,083,194	\$ 16,334,796
Investments	1,617,261	1,511,140	457,286	3,585,687
Receivables, net				
Taxes	358,147	-	52,924	411,071
Accounts	76,732	-	-	76,732
Other	853,894	-	-	853,894
Due from other funds	78,161	-	-	78,161
Due from other governments	965,517	-	-	965,517
Inventories	24,154	-	-	24,154
Prepays	10,760	-	-	10,760
	<u>11,352,147</u>	<u>8,395,221</u>	<u>2,593,404</u>	<u>22,340,772</u>
Total assets	<u>\$ 11,352,147</u>	<u>\$ 8,395,221</u>	<u>\$ 2,593,404</u>	<u>\$ 22,340,772</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 938,665	\$ 183,052	\$ 200,000	\$ 1,321,717
Customer deposits	508,238	-	-	508,238
	<u>1,446,903</u>	<u>183,052</u>	<u>200,000</u>	<u>1,829,955</u>
Total liabilities	<u>1,446,903</u>	<u>183,052</u>	<u>200,000</u>	<u>1,829,955</u>
Deferred Inflows of Resources				
Unavailable revenue	339,186	-	44,592	383,778
	<u>339,186</u>	<u>-</u>	<u>44,592</u>	<u>383,778</u>
Fund Balances				
Nonspendable	34,914	-	-	34,914
Restricted for public safety	54,520	-	-	54,520
Restricted for landfill	2,602,857	-	-	2,602,857
Restricted for debt service	-	-	1,345,961	1,345,961
Restricted for tourism	-	-	711,432	711,432
Restricted for grant	-	-	817	817
Restricted for capital improvements	-	6,864,572	-	6,864,572
Committed for park improvements	-	-	102,290	102,290
Committed for History Center	-	-	125,018	125,018
Committed for landfill	364,247	-	-	364,247
Committed for Library	-	-	63,294	63,294
Committed for insurance reserve	127,365	-	-	127,365
Committed for capital improvements	88,109	1,347,597	-	1,435,706
Unassigned	6,294,046	-	-	6,294,046
	<u>9,566,058</u>	<u>8,212,169</u>	<u>2,348,812</u>	<u>20,127,039</u>
Total fund balances	<u>9,566,058</u>	<u>8,212,169</u>	<u>2,348,812</u>	<u>20,127,039</u>
	<u>\$ 11,352,147</u>	<u>\$ 8,395,221</u>	<u>\$ 2,593,404</u>	<u>\$ 22,340,772</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,352,147</u>	<u>\$ 8,395,221</u>	<u>\$ 2,593,404</u>	<u>\$ 22,340,772</u>

City of Kerrville, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2013

Exhibit A-4

Total fund balances – governmental funds balance sheet	\$ 20,127,039
Amounts reported for governmental activities in the statement of net position (SNP) are different because	
Capital assets used in governmental activities, excluding the internal service fund, are not reported in the funds.	70,788,280
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	321,241
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	577,489
Deferred outflows related to refundings are not reported in the funds.	272,332
Payables for bond principal, which are not due in the current period are not reported in the funds.	(17,937,509)
Payables for bond interest which are not due in the current period are not reported in the funds.	(91,307)
Payables for compensated absences, excluding the internal service fund, which are not due in the current period are not reported in the funds.	(679,499)
Landfill closure and post-closure costs which are not due and payable in the current period are not reported in the funds.	(3,181,572)
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.	55,615
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	6,922
Equity in a joint venture is not reported in the funds.	<u>8,201,109</u>
Net position of governmental activities – SNP	<u><u>\$ 78,460,140</u></u>

City of Kerrville, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2013

Exhibit A-5

	General Fund	Governmental IP Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes and penalties	\$ 15,761,029	\$ -	\$ 2,219,842	\$ 17,980,871
License and permits	350,543	-	8,675	359,218
Intergovernmental	1,120,372	-	-	1,120,372
Charges for services	2,563,359	-	696	2,564,055
Grants	16,144	340,000	362,669	718,813
Fines and forfeitures	432,834	-	-	432,834
Investment income	22,359	16,724	5,330	44,413
Miscellaneous	905,292	-	499,986	1,405,278
	<u>21,171,932</u>	<u>356,724</u>	<u>3,097,198</u>	<u>24,625,854</u>
Expenditures				
Current				
General government	4,360,389	-	-	4,360,389
Public safety	11,138,120	-	-	11,138,120
Cultural and recreation	1,965,466	-	1,197,179	3,162,645
Public works	2,992,271	-	-	2,992,271
Business programs	-	-	-	-
Capital outlay	446,249	1,073,204	-	1,519,453
Debt service				
Principal	-	-	754,492	754,492
Interest and fiscal charges	-	-	589,698	589,698
	<u>20,902,495</u>	<u>1,073,204</u>	<u>2,541,369</u>	<u>24,517,068</u>
Excess of revenues over expenditures	<u>269,437</u>	<u>(716,480)</u>	<u>555,829</u>	<u>108,786</u>
Other Financing Sources (Uses)				
Transfers in	1,256,185	1,102,500	-	2,358,685
Transfers out	(700,000)	-	(408,685)	(1,108,685)
	<u>556,185</u>	<u>1,102,500</u>	<u>(408,685)</u>	<u>1,250,000</u>
Net Change in Fund Balances	825,622	386,020	147,144	1,358,786
Fund Balances, Beginning of Year	<u>8,740,436</u>	<u>7,826,149</u>	<u>2,201,668</u>	<u>18,768,253</u>
Fund Balances, End of Year	<u>\$ 9,566,058</u>	<u>\$ 8,212,169</u>	<u>\$ 2,348,812</u>	<u>\$ 20,127,039</u>

City of Kerrville, Texas
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2013

Exhibit A-6

Net change in fund balances – total governmental funds	\$ 1,358,786
Amounts reported for governmental activities in the statement of net activities (SOA) are different because	
Capital outlays are not reported as expenses in the SOA.	1,645,940
The depreciation of capital assets used in governmental activities, excluding the Internal Service Fund, is not reported in the funds.	(1,295,575)
Loss on disposal of capital assets decrease net assets in the SOA but not in the funds.	(63,306)
Donations of capital assets increase net assets in the SOA but not in the funds.	2,000,000
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	754,492
Bond premiums and discounts and similar items are amortized in the SOA but are recognized as other financing sources (uses) in the funds.	(3,683)
Decrease in accrued interest from beginning of period to end of period.	5,450
The net loss of the Internal Service Fund reported with governmental activities.	(120,133)
Compensated absence are reported as the amount earned in the SOA but as the amount paid in the funds.	(10,303)
Property taxes levied, court fines and fees, and ambulance service revenue earned, but not available, are deferred in the governmental funds, but are recognized when earned (net of estimated uncollectible) in the SOA.	
This is the net change in deferred property taxes, court fines and fees and ambulance revenue for the year.	(111,662)
Change in joint venture equity is not reported in the funds.	(83,229)
Change in landfill post closure costs is not reported in the funds.	(66,444)
	(66,444)
Change in net position of governmental activities – SOA	\$ 4,010,333

City of Kerrville, Texas
Statement of Net Position
Proprietary Funds
Year Ended September 30, 2013

	Business-Type Activities – Enterprise Funds			Governmental
	Water and Sewer	Nonmajor Golf Course Fund	Total Enterprise Funds	Activities Internal Service Funds
Assets				
Current Assets				
Cash and cash equivalents	\$ 3,616,135	\$ 9,013	\$ 3,625,148	\$ 470,150
Investments	995,440	1,978	997,418	103,204
Receivables (net of allowances for uncollectibles) accounts	1,107,429	-	1,107,429	-
Inventories	331,768	68,838	400,606	25,737
Prepaid expenses	-	3,550	3,550	-
Total current assets	<u>6,050,772</u>	<u>83,379</u>	<u>6,134,151</u>	<u>599,091</u>
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	16,679,272	-	16,679,272	-
Investments	3,459,649	-	3,459,649	-
Total restricted assets	<u>20,138,921</u>	<u>-</u>	<u>20,138,921</u>	<u>-</u>
Capital assets				
Land	488,831	-	488,831	-
Buildings	2,183,887	374,668	2,558,555	159,000
Improvements other than buildings	71,394,085	2,478,785	73,872,870	-
Vehicles	1,307,975	-	1,307,975	25,556
Machinery and equipment	2,690,453	410,477	3,100,930	32,930
Office equipment	157,994	-	157,994	-
Construction in progress	10,145,171	-	10,145,171	-
Accumulated depreciation	(29,462,570)	(1,769,759)	(31,232,329)	(211,070)
Net capital assets	<u>58,905,826</u>	<u>1,494,171</u>	<u>60,399,997</u>	<u>6,416</u>
Total noncurrent assets	<u>79,044,747</u>	<u>1,494,171</u>	<u>80,538,918</u>	<u>6,416</u>
Total assets	<u>85,095,519</u>	<u>1,577,550</u>	<u>86,673,069</u>	<u>605,507</u>
Deferred Outflows of Resources	<u>301,711</u>	<u>-</u>	<u>301,711</u>	<u>-</u>

	Business-Type Activities – Enterprise Funds			Governmental
	Water and Sewer	Nonmajor Golf Course Fund	Total Enterprise Funds	Activities Internal Service Funds
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 1,383,138	\$ 68,213	\$ 1,451,351	\$ 5,641
Accrued compensated absences	79,735	10,260	89,995	17,717
Due to other funds	60,129	13,372	73,501	4,660
Customer deposits	133,370	-	133,370	-
Bonds and notes – current	2,077,669	-	2,077,669	-
Total current liabilities	3,734,041	91,845	3,825,886	28,018
Noncurrent Liabilities				
Bonds and notes – noncurrent	35,212,119	-	35,212,119	-
Accrued compensated absences	42,126	26,208	68,334	-
Total noncurrent liabilities	35,254,245	26,208	35,280,453	-
Total liabilities	38,988,286	118,053	39,106,339	28,018
Net Position				
Net investment in capital assets	37,204,737	1,494,171	38,698,908	6,416
Restricted for debt service	4,105,078	-	4,105,078	-
Unrestricted	5,099,129	(34,674)	5,064,455	571,073
Total net position	\$ 46,408,944	\$ 1,459,497	\$ 47,868,441	\$ 577,489

City of Kerrville, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2013

Exhibit A-8

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Golf Course Fund	Total Enterprise Funds	Internal Service Funds
Operating Revenues				
Charges for services	\$ 11,071,778	\$ 877,227	\$ 11,949,005	\$ 3,230,369
Total operating revenues	<u>11,071,778</u>	<u>877,227</u>	<u>11,949,005</u>	<u>3,230,369</u>
Operating Expenses				
Personnel services	2,786,640	592,455	3,379,095	401,934
Repairs and maintenance	583,174	26,608	609,782	3,406
Supplies and materials	755,508	102,445	857,953	16,249
Utilities	571,389	61,003	632,392	5,254
Depreciation and amortization	1,936,360	73,307	2,009,667	2,052
General administration	614,633	78,699	693,332	6,532
Premiums and other charges	-	-	-	2,915,075
Total operating expenses	<u>7,247,704</u>	<u>934,517</u>	<u>8,182,221</u>	<u>3,350,502</u>
Operating income (loss)	<u>3,824,074</u>	<u>(57,290)</u>	<u>3,766,784</u>	<u>(120,133)</u>
Nonoperating Revenues (Expenses)				
Investment income	49,559	-	49,559	-
Miscellaneous income	333,856	-	333,856	-
Loss on disposal of capital assets	(369,606)	-	(369,606)	-
Interest expense	(825,193)	-	(825,193)	-
Net nonoperating revenues (expenses)	<u>(811,384)</u>	<u>-</u>	<u>(811,384)</u>	<u>-</u>
Net income (loss) before contributions and transfers	<u>3,012,690</u>	<u>(57,290)</u>	<u>2,955,400</u>	<u>(120,133)</u>
Capital Contributions and Transfers				
Capital contributions	-	508,498	508,498	-
Transfers out	(1,250,000)	-	(1,250,000)	-
Net transfers	<u>(1,250,000)</u>	<u>508,498</u>	<u>(741,502)</u>	<u>-</u>
Change in Net Position	1,762,690	451,208	2,213,898	(120,133)
Net Position, As Previously Reported	45,032,967	1,008,289	46,041,256	697,622
Change in Accounting Principle	(386,713)	-	(386,713)	-
Net Position, Beginning of Year	<u>44,646,254</u>	<u>1,008,289</u>	<u>45,654,543</u>	<u>697,622</u>
Net Position, End of Year	<u>\$ 46,408,944</u>	<u>\$ 1,459,497</u>	<u>\$ 47,868,441</u>	<u>\$ 577,489</u>

City of Kerrville, Texas
Statement of Cash Flows
Proprietary Funds
September 30, 2013

Exhibit A-9

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Golf Course Fund	Total Enterprise Funds	Internal Service Funds
Operating Activities				
Cash received from customers	\$ 11,109,951	\$ 877,227	\$ 11,987,178	\$ 3,230,369
Cash payments to employees	(2,788,261)	(586,746)	(3,375,007)	(401,035)
Cash payments to other suppliers for goods and services	(1,742,675)	(268,908)	(2,011,583)	(2,943,634)
Net cash provided by (used in) operating activities	<u>6,579,015</u>	<u>21,573</u>	<u>6,600,588</u>	<u>(114,300)</u>
Noncapital Financing Activities				
Other	341,244	-	341,244	-
Transfers to other funds	(1,250,000)	-	(1,250,000)	-
Net cash used in noncapital financing activities	<u>(908,756)</u>	<u>-</u>	<u>(908,756)</u>	<u>-</u>
Capital and Related Financing Activities				
Proceeds from issuance of long-term debt	10,065,874	-	10,065,874	-
Principal and interest paid	(2,501,550)	-	(2,501,550)	-
Acquisition or construction of capital assets	(8,930,913)	(10,582)	(8,941,495)	-
Net cash used in capital and related financing activities	<u>(1,366,589)</u>	<u>(10,582)</u>	<u>(1,377,171)</u>	<u>-</u>
Investing Activities				
Investment income	49,559	-	49,559	-
Sales (purchases) of investments, net	(1,184,563)	(1,978)	(1,186,541)	6,822
Net cash provided by (used in) investing activities	<u>(1,135,004)</u>	<u>(1,978)</u>	<u>(1,136,982)</u>	<u>6,822</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,168,666	9,013	3,177,679	(107,478)
Cash and Cash Equivalents, Beginning of Year	<u>17,126,741</u>	<u>-</u>	<u>17,126,741</u>	<u>577,628</u>
Cash and Cash Equivalents, End of Year	<u>\$ 20,295,407</u>	<u>\$ 9,013</u>	<u>\$ 20,304,420</u>	<u>\$ 470,150</u>
Reconciliation to the Combining Statement of Net Position				
Cash and cash equivalents	\$ 3,616,135	\$ 9,013	\$ 3,625,148	\$ 470,150
Restricted cash and cash equivalents	16,679,272	-	16,679,272	-
	<u>\$ 20,295,407</u>	<u>\$ 9,013</u>	<u>\$ 20,304,420</u>	<u>\$ 470,150</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 3,824,074	\$ (57,290)	\$ 3,766,784	\$ (120,133)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation and amortization	1,936,360	73,307	2,009,667	2,052
Change in assets and liabilities				
Decrease (increase) in receivables	43,744	-	43,744	-
Decrease (increase) in inventories	(24,843)	(17,124)	(41,967)	(839)
Decrease (increase) in prepaid expenses	869	100	969	1,727
Increase (decrease) in accounts payable	806,003	49,711	855,714	1,994
Increase (decrease) in accrued wages payable	(7,192)	5,709	(1,483)	899
Increase (decrease) in due to other funds	-	(32,840)	(32,840)	-
Total adjustments	<u>2,754,941</u>	<u>78,863</u>	<u>2,833,804</u>	<u>5,833</u>
Net cash provided by (used in) operating activities	<u>\$ 6,579,015</u>	<u>\$ 21,573</u>	<u>\$ 6,600,588</u>	<u>\$ (114,300)</u>
Noncash Capital Financing Activities				
Capital assets acquired by contribution	\$ -	\$ 508,498	\$ 508,498	\$ -

City of Kerrville, Texas
Statements of Net Position – Component Units
September 30, 2013

Exhibit A-10

	<u>EIC</u>	<u>KPUB</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 3,241,531	\$ 448,038	\$ 3,689,569
Investments	711,556	9,718,397	10,429,953
Receivables (net of allowances for uncollectible)			
Accounts	-	5,386,590	5,386,590
Due from other governments	474,116	-	474,116
Inventories	-	1,635,460	1,635,460
Other assets	-	42,778	42,778
Restricted assets			
Investments	-	6,305,734	6,305,734
Capital assets nondepreciable			
Land	1,138,436	117,656	1,256,092
Construction in progress	-	1,698,253	1,698,253
Depreciable (net of accumulated depreciation)			
Buildings	-	2,350,208	2,350,208
Improvements other than buildings	-	25,067,100	25,067,100
Vehicles	-	1,003,744	1,003,744
Machinery and equipment	-	475,904	475,904
	<u>5,565,639</u>	<u>54,249,862</u>	<u>59,815,501</u>
Total assets			
Liabilities			
Accounts payable and accrued liabilities	73,645	6,103,765	6,177,410
Payable from restricted assets			
Customer deposits	-	556,539	556,539
Noncurrent liabilities			
Due within one year	465,000	2,065,000	2,530,000
Due in more than one year	20,000	-	20,000
	<u>558,645</u>	<u>8,725,304</u>	<u>9,283,949</u>
Total liabilities			
Net Position			
Net investment in capital assets	1,138,436	28,647,865	29,786,301
Restricted for			
Debt service	427,423	1,893,877	2,321,300
Capital projects	859,176	297,093	1,156,269
Unrestricted	2,581,959	14,685,723	17,267,682
	<u>5,006,994</u>	<u>45,524,558</u>	<u>50,531,552</u>
Total net position			

City of Kerrville, Texas
Statements of Activities – Component Units
Year Ended September 30, 2013

Exhibit A-11

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	EIC	KPUB	Total
Kerrville Economic Incentive Corporation						
General government	\$ 2,220,331	\$ -	\$ -	\$ (2,220,331)	\$ -	\$ (2,220,331)
Interest on long-term debt	33,246	-	-	(33,246)	-	(33,246)
Depreciation – unallocated	-	-	-	-	-	-
Total EIC	<u>2,253,577</u>	<u>-</u>	<u>-</u>	<u>(2,253,577)</u>	<u>-</u>	<u>(2,253,577)</u>
Kerrville Public Utility Board						
Purchased power	24,831,897	37,178,226	150,440	-	12,496,769	-
Distribution	2,555,692	-	-	-	(2,555,692)	-
Administration and other	5,344,861	-	-	-	(5,344,861)	-
Depreciation and amortization	2,052,261	-	-	-	(2,052,261)	-
Total KPUB	<u>34,784,711</u>	<u>37,178,226</u>	<u>150,440</u>	<u>-</u>	<u>2,543,955</u>	<u>2,543,955</u>
Total Component Units	<u>\$ 37,038,288</u>	<u>\$ 37,178,226</u>	<u>\$ 150,440</u>	<u>(2,253,577)</u>	<u>2,543,955</u>	<u>290,378</u>
General Revenues						
Sales taxes				2,776,748	-	2,776,748
Unrestricted investment earnings				5,309	18,908	24,217
Miscellaneous income				105,943	4,828	110,771
Total general revenues				<u>2,888,000</u>	<u>23,736</u>	<u>2,911,736</u>
Change in Net Position				<u>634,423</u>	<u>2,567,691</u>	<u>3,202,114</u>
Net Position, As Previously Reported				4,379,560	42,956,867	47,336,427
Change in Accounting Principle				<u>(6,989)</u>	<u>-</u>	<u>(6,989)</u>
Net Position, Beginning of Year				<u>4,372,571</u>	<u>42,956,867</u>	<u>47,329,438</u>
Net Position, End of Year				<u>\$ 5,006,994</u>	<u>\$ 45,524,558</u>	<u>\$ 50,531,552</u>



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Notes to Basic Financial Statements

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Note 1: Summary Of Significant Accounting Policies

General Statement

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

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

Financial Reporting Entity

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

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

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal year are all considered to be susceptible to accrual and thus have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the City.

City of Kerrville, Texas

Notes to Basic Financial Statements

September 30, 2013

The City reports the following major governmental funds:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue and investment income.

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Deposits and Investments

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

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

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

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

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

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Receivables and Payables

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

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

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

Property Tax Calendar

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

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

Inventories and Prepaid Expenses

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

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

Restricted Assets

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Capital Assets

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During 2013; \$314,100 of interest was capitalized.

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

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

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

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

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

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

KPUB computes depreciation using the straight-line method over the estimated service lives of the various classes of depreciable property. Rates will be changed as needed based upon period engineering studies. Depreciation as a percentage of average depreciable plant was 3.9% for the year ended September 30, 2013.

Compensated Absences

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

Long-term Obligations

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Classification of Fund Equity

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

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

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

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

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

Change in Accounting Principles

In FY2013 the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement introduces and defines those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. In conjunction with GASB No. 63, the City also implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statements No. 63 and No. 65 significantly changes the presentation of the statements.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Per GASB Statement No. 65, bond issue costs, excluding bond insurance costs which should be treated as a prepaid asset, are to be recognized in the period of the debt issue. As a result of the adoption of GASB Statement No. 65, beginning of the year, net position was restated as follows:

Government-Wide Financial Statements	Amount
Governmental Activities	\$ 334,516
Business-Type Activities	386,713
Component Units (EIC)	6,989
<hr/>	
Fund Financial Statements	Amount
Proprietary Funds	\$ 383,713

Note 2: Deposits and Investments

At year-end, the carrying amount of the City’s cash on hand and deposits with financial institutions was \$18,382,232 (including certificates of deposits of \$7,170,775). All of the bank balances were covered by federal deposit insurance and collateral pledged by the depository in the City’s name and held by the City’s agent.

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

Investments as of September 30, 2013, are as follows:

Investment Type	Carrying Amount	Days to Maturity	Rating As of Year-End
Municipal bonds	\$ 5,683,300	384	SP-1+
TexasDAILY local government pool	2,233,422	1	AAAm
TexPool Prime local government pool	14,770,834	1	AAAm
Texas CLASS local government pool	2,228,677	1	AAAm
LOGIC	<u>5,909,946</u>	1	AAA m
Total fair value	30,826,179		
Pool participants excluded from primary government			
Less: DCU (EIC)	<u>(3,953,087)</u>		
Total fair value – primary government	<u>\$ 26,873,092</u>		
Portfolio weighted-average maturity		72	

All of investments above are treated as cash equivalents for financial statement purposes except for \$8,145,958.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Deposits and investments as of September 30, 2013, are classified in the accompanying financial statements as follows:

Statement of Net Position

Cash and cash equivalents – primary government	\$ 10,693,960
Restricted cash and cash equivalents – primary government	26,415,406
Investments – primary government	4,686,309
Restricted investments – primary government	3,459,649
Cash and cash equivalents – EIC	3,241,531
Investments – EIC	711,556
	\$ 49,208,411
	\$ 49,208,411

Deposits and investments as of September 30, 2013, consist of the following:

Deposits and investments as of September 30, 2013,
consist of the following

Deposits	\$ 11,211,457
Certificates of Deposit	7,170,775
Investments	30,826,179
	\$ 49,208,411
	\$ 49,208,411

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

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

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

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

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

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

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

- **Interest Rate Risk** – In order to limit interest and market rate risk from changes in interest rates, the City has set a maximum stated maturity date of two years, with a weighted-average maturity of 180 days for the total portfolio. Longer maturities may be utilized for bond proceeds, but only if matched to planned expenditures of the funds.
- **Custodial Credit Risk – Investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the City may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

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

Note 3: Receivables

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

	Governmental		Business-Type	Component Units	
	General	Other Governmental Funds	Water and Sewer	KPUB	EIC
Taxes receivable	\$ 488,005	\$ 67,340	\$ -	\$ -	\$ -
Allowance for uncollectible taxes	(129,858)	(14,416)	-	-	-
	<u>358,147</u>	<u>52,924</u>	<u>411,071</u>	<u>-</u>	<u>-</u>
Accounts receivable	215,001	-	1,227,041	5,459,749	-
Allowance for uncollectible accounts	(138,269)	-	(119,612)	(73,159)	-
	<u>76,732</u>	<u>-</u>	<u>1,107,429</u>	<u>5,386,590</u>	<u>-</u>
Other receivables	853,894	-	-	-	-
Due from other governments	<u>965,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>474,116</u>
Total	<u>\$ 2,254,290</u>	<u>\$ 52,924</u>	<u>\$ 1,107,429</u>	<u>\$ 5,386,590</u>	<u>\$ 474,116</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Note 4: Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance September 30, 2012	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2013
Governmental Activities					
Capital assets not being depreciated					
Land and land improvements	\$ 6,251,959	\$ -	\$ -	\$ -	\$ 6,251,959
Streets	34,425,208	-	-	-	34,425,208
Construction in progress	3,395,617	487,059	-	(2,690,865)	1,191,811
Total capital assets not being depreciated	44,072,784	487,059	-	(2,690,865)	41,868,978
Capital assets being depreciated					
Buildings	10,964,069	2,588,316	(666,369)	2,478,233	15,364,249
Improvements other than buildings	16,761,554	74,796	-	212,632	17,048,982
Vehicles	5,863,083	344,076	(157,991)	-	6,049,168
Machinery and equipment	2,762,706	137,762	-	-	2,900,468
Office equipment	465,361	13,931	-	-	479,292
Total capital assets being depreciated	36,816,773	3,158,881	(824,360)	2,690,865	41,842,159
Buildings	(4,397,811)	(401,505)	636,788	-	(4,162,528)
Improvements other than buildings	(1,974,818)	(387,456)	-	-	(2,362,274)
Vehicles	(4,118,072)	(437,607)	124,264	-	(4,431,415)
Machinery and equipment	(1,534,605)	(49,389)	-	-	(1,583,994)
Office equipment	(354,560)	(21,670)	-	-	(376,230)
Total accumulated depreciation	(12,379,866)	(1,297,627)	761,052	-	(12,916,441)
Capital assets being depreciated, net	24,436,907	1,861,254	(63,308)	2,690,865	28,925,718
Governmental activities capital assets, net	\$ 68,509,691	\$ 2,348,313	\$ (63,308)	\$ -	\$ 70,794,696

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

	Balance September 30, 2012	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2013
Business-Type Activities					
Capital assets not being depreciated					
Land	\$ 488,831	\$ -	\$ -	\$ -	\$ 488,831
Construction in progress	3,318,647	8,552,287	(369,606)	(1,356,157)	10,145,171
Total capital assets not being depreciated	<u>3,807,478</u>	<u>8,552,287</u>	<u>(369,606)</u>	<u>(1,356,157)</u>	<u>10,634,002</u>
Capital assets being depreciated					
Building	2,558,555	-	-	-	2,558,555
Improvements other than buildings	71,906,412	610,301	-	1,356,157	73,872,870
Vehicles	1,079,701	251,147	(22,873)	-	1,307,975
Machinery and equipment	3,084,972	15,958	-	-	3,100,930
Office equipment	132,319	25,675	-	-	157,994
Total capital assets being depreciated	<u>78,761,959</u>	<u>903,081</u>	<u>(22,873)</u>	<u>1,356,157</u>	<u>80,998,324</u>
Less: accumulated depreciation for					
Building	(1,443,541)	(67,849)	-	-	(1,511,390)
Improvements other than buildings	(25,666,795)	(1,604,118)	-	-	(27,270,913)
Vehicles	(658,029)	(105,640)	22,873	-	(740,796)
Machinery and equipment	(1,350,601)	(230,560)	-	-	(1,581,161)
Office equipment	(126,569)	(1,500)	-	-	(128,069)
Total accumulated depreciation	<u>(29,245,535)</u>	<u>(2,009,667)</u>	<u>22,873</u>	<u>-</u>	<u>(31,232,329)</u>
Capital assets being depreciated, net	<u>49,516,424</u>	<u>(1,106,586)</u>	<u>-</u>	<u>1,356,157</u>	<u>49,765,995</u>
Business-type activities capital assets, net	<u>\$ 53,323,902</u>	<u>\$ 7,445,701</u>	<u>\$ (369,606)</u>	<u>\$ -</u>	<u>\$ 60,399,997</u>

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

General government	\$ 232,299
Public safety	552,545
Public works	285,107
Culture and recreation	<u>225,624</u>
Total depreciation expense – governmental activities	<u>\$ 1,295,575</u>
Business-type activities	
Water and Sewer	\$ 1,936,360
Golf course	<u>73,307</u>
Total depreciation expense – business-type activities	<u>\$ 2,009,667</u>
Internal Service Fund	
Garage fund	\$ 2,052

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Construction Commitments

The City has numerous active construction projects as of September 30, 2013. The projects include street, building and storm drainage construction, park improvements and water and sewer system improvements. These improvements are being paid with bond proceeds, EIC contributions and internally generated sources.

	Spent to Date	Remaining Commitments	Total Commitments
Governmental Activities			
River Trail Phase 1	\$ 525,000	\$ -	\$ 525,000
Remedial Drainage Program	212,632	287,368	500,000
New City Hall	3,066,549	92,685	3,159,234
Library Renovation	2,476,962	146,056	2,623,018
River Trail A-F	340,069	5,659,931	6,000,000
Louise Hays/Lehman Park	32,471	1,967,529	2,000,000
	<u>\$ 6,653,683</u>	<u>\$ 8,153,569</u>	<u>\$ 12,807,252</u>
Business-Type Activities			
ASR Well #3	\$ 528,966	\$ 818,942	\$ 1,347,908
Water Supply Acquisition	110,256	40,409	150,665
High Service Pump-River Hill	356,024	23,976	380,000
Birkdale Lift Station	705,487	24,513	730,000
Production Well-Meth Enc	1,067,699	232,358	1,300,057
Jefferson Lift Station	1,079,540	3,955,960	5,035,500
Ridgewood Transmission Line	295,117	3,029,883	3,325,000
Birkdale Lift Station/Force Main	5,670,766	629,234	6,300,000
G Street Interceptor	970,774	1,390,126	2,360,900
	<u>\$ 10,784,629</u>	<u>\$ 10,145,401</u>	<u>\$ 20,930,030</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013
KPUB				
Capital assets, not being depreciated				
Land	\$ 117,656	\$ -	\$ -	\$ 117,656
Construction in progress	1,029,220	2,879,338	(2,210,305)	1,698,253
Total capital assets not being depreciated	1,146,876	2,879,338	(2,210,305)	1,815,909
Capital assets, being depreciated				
Buildings	4,771,048	325,669	(343,902)	4,752,815
Improvements other than buildings	49,438,430	1,601,489	(287,252)	50,752,667
Vehicles	1,606,395	272,286	(77,933)	1,800,748
Machinery and equipment	868,478	55,415	(30,158)	893,735
Total capital assets being depreciated	56,684,351	2,254,859	(739,245)	58,199,965
Less accumulated depreciation for				
Buildings	(2,486,773)	(148,839)	233,005	(2,402,607)
Improvements other than buildings	(24,296,160)	(1,916,869)	527,462	(25,685,567)
Vehicles	(720,783)	(140,673)	64,452	(797,004)
Machinery and equipment	(396,338)	(38,138)	16,645	(417,831)
Total accumulated depreciation	(27,900,054)	(2,244,519)	841,564	(29,303,009)
Total capital assets being depreciated, net	28,784,297	10,340	102,319	28,896,956
Business-type activities capital assets, net	\$ 29,931,173	\$ 2,889,678	\$ (2,107,986)	\$ 30,712,865

KPUB uses a composite rate to depreciate its investment in the electric plant. The composite rate was 3.9% for the year ended September 30, 2013.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Note 5: Interfund Receivables, Payables, Loans and Transfers

Interfund receivables and payables:

Interfund Payable	Interfund Receivable General Fund
Water and Sewer Fund	\$ 60,129
Nonmajor Enterprise Funds	13,372
Internal Service Funds	4,660
	\$ 78,161

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

Interfund transfers:

Transfer Fund	Transfer In	Transfer Out	Purpose of Transfer
General Fund	\$ 1,256,185	\$ 700,000	Budgetary
Governmental IP Fund	1,102,500	-	Capital Projects
Nonmajor Governmental Funds	-	408,685	Budgetary
Water and Sewer Enterprise Fund	-	1,250,000	Budgetary
	\$ 2,358,685	\$ 2,358,685	

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

Note 6: Long-term Debt

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

General Debt Currently Outstanding:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Component Units</u>
Certificates of Obligations			
Combination Tax and Revenue Certificates of Obligation, Series 2007, 4.00% to 4.20%, maturing in annual installments of \$80,000 to \$150,000 through 2027	\$ 1,620,000	\$ -	\$ -
Combination Tax and Revenue Certificates of Obligation, Series 2008, 3.33%, maturing in annual installments of \$155,000 to \$225,000 through 2023	-	1,960,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2009, 3.00% to 4.25%, maturing in annual installments of \$380,000 to \$695,000 through 2029	4,355,000	4,125,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2010, 2.00% to 4.25%, maturing in annual installments of \$90,000 to \$275,000 through 2030	-	3,270,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2011, 2.00% to 4.125%, maturing in annual installments of \$230,000 to \$435,000 through 2030	-	5,525,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2011A, 2.00% to 3.50%, maturing in annual installments of \$165,000 to \$255,000 through 2031	3,500,000	-	-
Combination Tax and Revenue Certificates of Obligation, Series 2012, 2.00% to 2.50%, maturing in annual installments of \$270,000 to \$635,000 through 2032	3,465,000	6,180,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2013, 1.50% to 2.75%, maturing in annual installments of \$320,000 to \$610,000 through 2033	-	10,000,000	-
	<u>\$ 12,940,000</u>	<u>\$ 31,060,000</u>	<u>\$ -</u>
General Obligations			
General Obligation Refunding Bonds, Series 2007, 4.00%, maturing in annual installments of \$30,000 to \$1,230,000 through 2022	\$ 2,583,225	\$ 3,221,775	\$ -
General Obligation Refunding Bonds, Series 2010, 2.00% to 4.00%, maturing in annual installments of \$30,000 to \$940,000 through 2017	1,579,750	1,970,250	-
	<u>\$ 4,162,975</u>	<u>\$ 5,192,025</u>	<u>\$ -</u>
State Infrastructure Bank Loan			
State Infrastructure Bank Loan, Series 2006, 4.1% maturing in annual installments of \$76,945 to \$196,540 through 2018	\$ 542,130	\$ 443,561	\$ -
Revenue Bonds			
Sales Tax Revenue Bonds, Series 1999, 4.05% to 4.65%, maturing in annual installments of \$445,000 to \$485,000 through 2014	\$ -	\$ -	\$ 485,000
City of Kerrville, Texas Electric System Revenue Refunding Bonds, Series 2001, 5.125% to 5.25%; maturing in annual installments of \$2,295,000 to \$2,415,000 through 2013	-	-	2,065,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,550,000</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

During the year ended September 30, 2013, the following changes occurred in business-type and governmental activities long-term debt:

	Beginning of Year	Additions	Deletions	End of Year	Within One Year
Governmental Activities					
General obligation bonds	\$ 4,539,000	\$ -	\$ 376,025	\$ 4,162,975	\$ 387,150
Certificates of Obligation	13,230,000	-	290,000	12,940,000	300,000
State infrastructure bank loan	630,597	-	88,467	542,130	92,094
Unamortized bond premium/(discount)	<u>310,483</u>	<u>-</u>	<u>18,079</u>	<u>292,404</u>	<u>18,079</u>
Net bonds payable	18,710,080	-	772,571	17,937,509	797,323
Compensated absences	686,014	499,265	488,063	697,216	496,032
Landfill closure and postclosure costs	<u>3,115,128</u>	<u>66,444</u>	<u>-</u>	<u>3,181,572</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 22,511,222</u>	<u>\$ 565,709</u>	<u>\$ 1,260,634</u>	<u>\$ 21,816,297</u>	<u>\$ 1,293,355</u>
Business-type Activities					
General obligation bonds	\$ 5,661,000	\$ -	\$ 468,975	\$ 5,192,025	\$ 482,850
Certificates of Obligation	22,195,000	10,000,000	1,135,000	31,060,000	1,480,000
State infrastructure bank loan	515,943	-	72,382	443,561	75,350
Unamortized bond premium/(discount)	<u>584,409</u>	<u>49,262</u>	<u>39,469</u>	<u>594,202</u>	<u>39,469</u>
Net bonds payable	28,956,352	10,049,262	1,715,826	37,289,788	2,077,669
Compensated absences	<u>154,241</u>	<u>91,759</u>	<u>87,670</u>	<u>158,330</u>	<u>89,995</u>
Business-type activity long-term liabilities	<u>\$ 29,110,593</u>	<u>\$ 10,141,021</u>	<u>\$ 1,803,496</u>	<u>\$ 37,448,118</u>	<u>\$ 2,167,664</u>
Discrete Component Units					
KPUB					
Revenue refunding bonds	\$ 4,480,000	\$ -	\$ 2,415,000	\$ 2,065,000	\$ 2,065,000
Unamortized bond premium	93,192	-	93,192	-	-
	<u>4,573,192</u>	<u>-</u>	<u>2,508,192</u>	<u>2,065,000</u>	<u>2,065,000</u>
EIC					
Revenue bonds	<u>950,000</u>	<u>-</u>	<u>465,000</u>	<u>485,000</u>	<u>465,000</u>
	<u>\$ 5,523,192</u>	<u>\$ -</u>	<u>\$ 2,973,192</u>	<u>\$ 2,550,000</u>	<u>\$ 2,530,000</u>

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Annual debt service requirements to maturity for general debt:

Fiscal Years Ending September 30	Government Activities		
	Principal	Interest	Total
2014	\$ 779,244	\$ 564,564	\$ 1,343,808
2015	1,143,595	537,170	1,680,765
2016	1,180,876	501,726	1,682,602
2017	1,222,768	462,934	1,685,702
2018	1,278,177	422,471	1,700,648
2019 – 2023	5,915,445	1,486,787	7,402,232
2024 – 2028	4,315,000	664,744	4,979,744
2029 – 2031	1,810,000	81,816	1,891,816
Total	\$ 17,645,105	\$ 4,722,212	\$ 22,367,317

Fiscal Years Ending September 30	Business-Type Activities		
	Principal	Interest	Total
2014	\$ 2,038,200	\$ 1,197,279	\$ 3,235,479
2015	2,205,715	1,030,017	3,235,732
2016	2,270,580	968,614	3,239,194
2017	2,336,128	902,721	3,238,849
2018	2,413,463	834,353	3,247,816
2019 – 2023	11,301,500	3,054,296	14,355,796
2024 – 2028	8,235,000	1,609,904	9,844,904
2029 – 2032	5,895,000	405,818	6,300,818
Total	\$ 36,695,586	\$ 10,003,002	\$ 46,698,588

Fiscal Years Ending September 30	EIC		
	Principal	Interest	Total
2014	\$ 485,000	\$ 11,276	\$ 496,276

Fiscal Years Ending September 30	KPUB		
	Principal	Interest	Total
2014	\$ 2,065,000	\$ 54,206	\$ 2,119,206

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

New Bond Issues

In February 2013, the City issued \$10,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2013 bonds allocated to business activities for capital improvements including extensions and improvements to the waterworks and sewer system and to pay issuance costs. During this process, the City's credit rating was upgraded to "AA" by Standard & Poor's. The certificates were issued at a \$49,262 premium and incurred \$88,019 in issuance costs.

Note 7: Other Information

Risk Management

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

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Closure and Post-closure Care Costs

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of the landfill post-closure care cost is based on the amount of the landfill used during the year. The estimated liability for landfill post-closure care costs of \$3,181,572 as of September 30, 2013, is based on 70% usage (filled) of the landfill. It is estimated that an additional \$1,337,707 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 (2016). The City's estimated total cost of the landfill post-closure care of \$4,519,279 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, 2013. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

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

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

Contingent Liabilities and Commitments

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

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Note 8: Employee Retirement Systems and Pension Plans

Plan Description

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

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

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

	2011	2012	2013
Employee deposit rate	7%	7%	7%
Matching ratio (employer to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	0%	100%, Repeating Transfers	100%, Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI	0% of CPI

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually, the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeated benefits, such as Updated Service Credits and Annuity Increases.

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

	Fiscal Years Ended September 30		
	2013	2012	2011
NPO, beginning of year	\$ -	\$ -	\$ -
Annual required contribution	1,218,714	1,194,876	1,480,136
Contributions made (100%)	1,218,714	1,194,876	1,480,136
NPO, end of year	\$ -	\$ -	\$ -

The required contribution rates for calendar years 2013 and 2012 were determined as part of the December 31, 2011 and 2010, actuarial valuations, respectively. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Summary of the actuarial assumptions used is as follows:

	2011	2012	2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	30 years; closed period	25 years; closed period	24 years; closed period
Amortization period for new gains/losses	25 years	25 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions			
Investment rate of return *	7.0%	7.0%	7.0%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%
cost of living adjustments	0.0%	0.0%	0.0%

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial value of plan assets	\$ 54,660,977
Actuarial accrued liability (AAL)	\$ 56,223,668
Funded rate	97.2%
Unfunded AAL	\$ 1,562,691
Covered payroll	\$ 14,360,878
Unfunded AAL as a % of covered payroll	10.9%

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

Plan Years September 30,	Annual Contributions	Annual Pension Cost (APC)	Percentage of APC Contributed	Pension Obligation (Asset)
2011	\$ 1,480,136	\$ 1,480,136	100%	-
2012	1,194,876	1,194,876	100%	-
2013	1,218,714	1,218,714	100%	-

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2013

Note 9: Investment in Joint Venture

The City and Kerr County operate a municipal airport under a joint venture agreement. Participants provide financial support and are entitled to an undivided 50% interest in net position. The following is condensed financial information for the airport as of and for the year ended September 30, 2013:

Assets

Cash	\$ 443,770
Receivables	2,600
Prepaid items	3,478
Nondepreciable property	
Land	2,849,809
Depreciable property, net	
Buildings	1,418,896
Improvements	11,779,239
Vehicle	21,604
Machinery and equipment	<u>9,824</u>
Total assets	<u>\$ 16,529,220</u>

Liabilities and Net Position

Liabilities

Accounts payable	\$ 116,215
Deferred revenue	8,488
Other current liabilities	<u>2,300</u>
Total liabilities	<u>127,003</u>

Net Position

Invested in capital assets	16,079,372
Restricted for capital projects	114,617
Unrestricted	<u>208,228</u>
Total net position	<u>\$ 16,402,217</u>

Revenues

Capital grants and contributions	\$ 199,049
Operating grants and contributions	180,802
Charges for services	<u>224,125</u>

Total Revenues

603,976

Expenses

Airport operations	<u>787,575</u>
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Operating income

(183,599)

General Revenues

Unrestricted investment earnings	<u>44</u>
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Change in Net Position

(183,555)

Net Position, As Previously Reported

16,568,673

Change in Accounting Principle

17,100

Net Position, Beginning of Year

16,585,773

Net Position, End of Year

\$ 16,402,218

Note 10: Subsequent Event

After year-end, the Kerrville Public Utility Board issued City of Kerrville, Texas, Utility System Revenue Bonds, Series 2013 in the amount of \$6,300,000. Proceeds will be used for sub-station projects.



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Required Supplementary Information



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City of Kerrville, Texas
Schedule of Funding Progress
September 30, 2013

Exhibit B-1

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability AAL (UAAL)	Unfunded AAL (UAAL)	Funded Ratio as a Percentage	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ 25,957,288	\$ 41,318,492	\$ 15,361,204	62.8%	\$ 13,296,388	115.5%
12/31/2009	27,570,274	41,493,389	13,923,115	66.4%	14,181,671	98.2%
12/31/2010 *	29,089,086	34,001,942	4,912,856	85.6%	14,100,396	34.8%
12/31/2010 **	48,347,946	48,182,214	(165,732)	100.3%	14,100,396	-1.18%
12/31/2011	51,308,746	53,838,919	2,530,173	95.3%	13,805,563	18.3%
12/31/2012	54,660,977	56,223,668	1,562,691	97.2%	14,360,878	10.9%

* Actuarial valuation performed under the original fund structure

** Actuarial valuation performed under the new fund structure

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

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

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects of TMRS city rates and funding ratios, please see the December 31, 2011, TMRS Comprehensive Annual Financial Report (CAFR).

City of Kerrville, Texas
Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual (General Fund)
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Ad valorem taxes, penalties and interest	\$ 14,939,900	\$ 14,939,900	\$ 15,761,029	\$ 821,129
Intergovernmental	1,191,000	1,191,000	1,120,372	(70,628)
Licenses and permits	324,975	325,935	350,543	24,608
Charges for services	3,134,495	2,453,100	2,563,359	110,259
Fines and forfeitures	506,618	513,618	432,834	(80,784)
Grants	29,500	29,500	16,144	(13,356)
Investment income	12,900	41,919	22,359	(19,560)
Miscellaneous	285,650	937,266	905,292	(31,974)
	<u>20,425,038</u>	<u>20,432,238</u>	<u>21,171,932</u>	<u>739,694</u>
Total revenues				
Expenditures				
General government				
City council	7,006	7,006	3,916	3,090
City clerk	145,465	146,285	146,859	(574)
Legal	261,474	261,474	236,801	24,673
Municipal court	356,514	363,514	330,313	33,201
City Manager	607,030	607,030	557,596	49,434
Human resources	298,022	298,177	300,941	(2,764)
Finance	351,280	351,280	349,392	1,888
Information systems	663,234	671,034	708,904	(37,870)
Landfill operations	340,727	385,527	338,876	46,651
General operations	1,154,633	1,384,081	1,386,791	(2,710)
	<u>4,185,385</u>	<u>4,475,408</u>	<u>4,360,389</u>	<u>115,019</u>
Total general government				
Public safety				
Police	4,848,632	4,877,632	4,755,681	121,951
Fire	3,743,916	3,743,916	3,710,633	33,283
Fire marshal	164,201	164,201	154,693	9,508
Emergency medical services	2,407,345	2,407,345	2,517,113	(109,768)
	<u>11,164,094</u>	<u>11,193,094</u>	<u>11,138,120</u>	<u>54,974</u>
Total public safety				
Public works				
Planning	133,711	131,631	130,860	771
Construction development	336,125	338,205	243,978	94,227
Public services	365,460	365,441	315,325	50,116
Streets	2,064,602	2,084,352	2,190,964	(106,612)
Code enforcement	120,207	120,207	111,144	9,063
	<u>3,020,105</u>	<u>3,039,836</u>	<u>2,992,271</u>	<u>47,565</u>
Total public works				

Exhibit B-2

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Cultural and recreation				
Parks administration	\$ 370,215	\$ 383,515	\$ 367,002	\$ 16,513
Tennis center	30,300	30,300	25,392	4,908
Swimming pools	102,176	102,176	99,739	2,437
Parks maintenance	782,842	780,152	716,150	64,002
Recreation	132,437	121,827	112,659	9,168
Library	671,574	677,759	644,524	33,235
Total cultural and recreation	<u>2,089,544</u>	<u>2,095,729</u>	<u>1,965,466</u>	<u>130,263</u>
Capital outlay	<u>479,618</u>	<u>479,618</u>	<u>446,249</u>	<u>33,369</u>
Total expenditures	<u>20,938,746</u>	<u>21,283,685</u>	<u>20,902,495</u>	<u>381,190</u>
Excess (deficiency) of revenues over expenditures	<u>(513,708)</u>	<u>(851,447)</u>	<u>269,437</u>	<u>1,120,884</u>
Other Financing Sources (Uses)				
Transfers in other funds	1,250,000	1,256,185	1,256,185	-
Transfers out other funds	<u>(82,135)</u>	<u>(782,135)</u>	<u>(700,000)</u>	<u>82,135</u>
Total other financing sources	<u>1,167,865</u>	<u>474,050</u>	<u>556,185</u>	<u>82,135</u>
Net Changes in Fund Balance	654,157	(377,397)	825,622	1,203,019
Fund Balance, Beginning of Year	<u>8,740,436</u>	<u>8,740,436</u>	<u>8,740,436</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 9,394,593</u>	<u>\$ 8,363,039</u>	<u>\$ 9,566,058</u>	<u>\$ 1,203,019</u>

City of Kerrville, Texas
Notes to Required Supplementary Information
September 30, 2013

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

A public hearing is conducted to obtain taxpayers' comments.

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

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

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

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

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

Appropriations for annually budgeted funds lapse at year-end.

City of Kerrville, Texas
Notes to Required Supplementary Information
September 30, 2013

Excess of Expenditures Over Appropriations

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

Major Function and Department	Excess Expenditures
General Government	
City clerk	\$ (574)
Human resources	\$ (2,764)
Information systems	\$ (37,870)
General operations	\$ (2,710)
Public Safety	
Emergency medical services	\$ (109,768)
Public Works	
Streets	\$ (106,612)

Modified Approach for Capital Assets – Street System

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

Classification	Pavement Condition Index of Street Systems		
	2013	2012	2011
Secondary arterial	88	89	88
Collector	79	79	77
Industrial	88	87	89
Residential	79	79	79
Overall system	79	79	79

	Comparison of Needed-to-Actual Maintenance/Preservation				
	2013	2012	2011	2010	2009
Overall system					
Needed	\$ -	\$ -	\$ -	\$ -	\$ -
Actual	600,000	580,000	475,000	550,000	1,290,000

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



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

City of Kerrville, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

	Special Revenue Funds			
	Library Memorial	Hotel/Motel Tax	Hotel Reserve Fund	History Center
Assets				
Cash and cash equivalents	\$ 51,901	\$ 272,475	\$ 310,900	\$ 102,515
Investments	11,393	59,811	68,246	22,503
Taxes receivable	-	-	-	-
	63,294	332,286	379,146	125,018
Liabilities				
Accounts payable and accrued expenses	-	-	-	-
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	-
Fund Balances				
Restricted	-	332,286	379,146	-
Committed	63,294	-	-	125,018
	\$ 63,294	\$ 332,286	\$ 379,146	\$ 125,018
Total fund balances	\$ 63,294	\$ 332,286	\$ 379,146	\$ 125,018

Exhibit C-1

	Capital Projects Fund	Debt Service Fund	
Grant	Park Land Dedication	Debt Service Fund	Total Nonmajor Funds
\$ 164,670	\$ 83,878	\$ 1,096,856	\$ 2,083,194
36,147	18,412	240,773	457,286
-	-	52,924	52,924
<u>200,817</u>	<u>102,290</u>	<u>1,390,553</u>	<u>2,593,404</u>
<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
<u>-</u>	<u>-</u>	<u>44,592</u>	<u>44,592</u>
817	-	1,345,961	2,058,210
-	102,290	-	290,602
<u>\$ 817</u>	<u>\$ 102,290</u>	<u>\$ 1,345,961</u>	<u>\$ 2,348,812</u>

City of Kerrville, Texas
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2013

	Special Revenue Funds			
	Library Memorial	Hotel/Motel Tax	Hotel Reserve Fund	History Center
Revenues				
License and permits	\$ -	\$ -	\$ -	\$ -
Taxes and penalties	-	957,853	-	-
Charges for services	-	-	-	696
Grants	23,346	-	-	-
Investment income	144	-	1,214	295
Miscellaneous	316,756	-	-	13,230
	<u>340,246</u>	<u>957,853</u>	<u>1,214</u>	<u>14,221</u>
Total revenues				
	<u>340,246</u>	<u>957,853</u>	<u>1,214</u>	<u>14,221</u>
Expenditures				
Current				
Cultural and recreation	20,984	826,500	-	10,280
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>20,984</u>	<u>826,500</u>	<u>-</u>	<u>10,280</u>
Total expenditures				
	<u>20,984</u>	<u>826,500</u>	<u>-</u>	<u>10,280</u>
Excess (deficiency) of revenues over (under) expenditures	<u>319,262</u>	<u>131,353</u>	<u>1,214</u>	<u>3,941</u>
Other Financing Sources (Uses)				
Transfers to other funds	<u>(266,685)</u>	<u>-</u>	<u>(142,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(266,685)</u>	<u>-</u>	<u>(142,000)</u>	<u>-</u>
Net Change in Fund Balances	52,577	131,353	(140,786)	3,941
Fund Balances, Beginning of Year	<u>10,717</u>	<u>200,933</u>	<u>519,932</u>	<u>121,077</u>
Fund Balances, End of Year	<u>\$ 63,294</u>	<u>\$ 332,286</u>	<u>\$ 379,146</u>	<u>\$ 125,018</u>

Exhibit C-2

	Capital Projects Fund	Debt Service Fund	
Grant	Park Land Dedication	Debt Service Fund	Total Nonmajor Funds
\$ -	\$ 8,675	\$ -	\$ 8,675
-	-	1,261,989	2,219,842
-	-	-	696
339,323	-	-	362,669
-	232	3,445	5,330
-	-	170,000	499,986
<u>339,323</u>	<u>8,907</u>	<u>1,435,434</u>	<u>3,097,198</u>
339,415	-	-	1,197,179
-	-	754,492	754,492
-	-	589,698	589,698
<u>339,415</u>	<u>-</u>	<u>1,344,190</u>	<u>2,541,369</u>
<u>(92)</u>	<u>8,907</u>	<u>91,244</u>	<u>555,829</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(408,685)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(408,685)</u>
(92)	8,907	91,244	147,144
<u>909</u>	<u>93,383</u>	<u>1,254,717</u>	<u>2,201,668</u>
<u>\$ 817</u>	<u>\$ 102,290</u>	<u>\$ 1,345,961</u>	<u>\$ 2,348,812</u>

City of Kerrville, Texas
Library Memorial
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2013

Exhibit C-3

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Grants	\$ -	\$ -	\$ 23,346	\$ 23,346
Investment income	100	100	144	44
Miscellaneous	<u>36,900</u>	<u>303,585</u>	<u>316,756</u>	<u>13,171</u>
Total revenues	<u>37,000</u>	<u>303,685</u>	<u>340,246</u>	<u>36,561</u>
Expenditures				
Culture and recreation	<u>30,000</u>	<u>30,000</u>	<u>20,984</u>	<u>9,016</u>
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>20,984</u>	<u>9,016</u>
Excess of revenues over expenditures	<u>7,000</u>	<u>273,685</u>	<u>319,262</u>	<u>45,577</u>
Other Financing Uses				
Transfer to other funds	<u>-</u>	<u>(266,685)</u>	<u>(266,685)</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>(266,685)</u>	<u>(266,685)</u>	<u>-</u>
Net Change in Fund Balance	7,000	7,000	52,577	45,577
Fund Balance, Beginning of Year	<u>10,717</u>	<u>10,717</u>	<u>10,717</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 17,717</u>	<u>\$ 17,717</u>	<u>\$ 63,294</u>	<u>\$ 45,577</u>

City of Kerrville, Texas
Hotel Reserve
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2013

Exhibit C-4

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 1,214</u>	<u>\$ (786)</u>
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>1,214</u>	<u>(786)</u>
Other Financing Uses				
Transfer to other funds	<u>-</u>	<u>(142,000)</u>	<u>(142,000)</u>	<u>-</u>
Net Change in Fund Balance	2,000	(140,000)	(140,786)	(786)
Fund Balance, Beginning of Year	<u>519,932</u>	<u>519,932</u>	<u>519,932</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 521,932</u></u>	<u><u>\$ 379,932</u></u>	<u><u>\$ 379,146</u></u>	<u><u>\$ (786)</u></u>

City of Kerrville, Texas
Hotel/Motel Tax
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2013

Exhibit C-5

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Hotel/motel taxes	\$ 835,000	\$ 835,000	\$ 957,853	\$ 122,853
Investment income	100	100	-	(100)
Total revenues	<u>835,100</u>	<u>835,100</u>	<u>957,853</u>	<u>122,753</u>
Expenditures				
Culture and recreation	<u>835,000</u>	<u>835,000</u>	<u>826,500</u>	<u>8,500</u>
Total expenditures	<u>835,000</u>	<u>835,000</u>	<u>826,500</u>	<u>8,500</u>
Net Change in Fund Balance	100	100	131,353	131,253
Fund Balance, Beginning of Year	<u>200,933</u>	<u>200,933</u>	<u>200,933</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 201,033</u></u>	<u><u>\$ 201,033</u></u>	<u><u>\$ 332,286</u></u>	<u><u>\$ 131,253</u></u>

City of Kerrville, Texas
History Center
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2013

Exhibit C-6

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 300	\$ 300	\$ 696	\$ 396
Investment income	250	250	295	45
Miscellaneous	<u>12,000</u>	<u>12,000</u>	<u>13,230</u>	<u>1,230</u>
Total revenues	<u>12,550</u>	<u>12,550</u>	<u>14,221</u>	<u>1,671</u>
Expenditures				
Cultural and recreation	<u>12,550</u>	<u>102,500</u>	<u>10,280</u>	<u>92,220</u>
Total expenditures	<u>12,550</u>	<u>102,500</u>	<u>10,280</u>	<u>92,220</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(89,950)</u>	<u>3,941</u>	<u>93,891</u>
Net Change in Fund Balance	-	(89,950)	3,941	93,891
Fund Balance, Beginning of Year	<u>121,077</u>	<u>121,077</u>	<u>121,077</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 121,077</u>	<u>\$ 31,127</u>	<u>\$ 125,018</u>	<u>\$ 93,891</u>

City of Kerrville, Texas
Debt Service
Budgetary Comparison Schedule
Year Ended September 30, 2013

Exhibit C-7

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes and penalties	\$ 1,215,000	\$ 1,215,000	\$ 1,261,989	\$ 46,989
Investment income	3,000	3,000	3,445	445
Miscellaneous	-	-	170,000	170,000
Total revenues	<u>1,218,000</u>	<u>1,218,000</u>	<u>1,435,434</u>	<u>217,434</u>
Expenditures				
Debt service	1,426,124	1,426,124	1,344,190	81,934
Total expenditures	<u>1,426,124</u>	<u>1,426,124</u>	<u>1,344,190</u>	<u>81,934</u>
Excess (deficiency) of revenues over expenditures	<u>(208,124)</u>	<u>(208,124)</u>	<u>91,244</u>	<u>299,368</u>
Other Financing Sources				
Transfers from other funds	252,135	252,135	-	(252,135)
Total other financing sources	<u>252,135</u>	<u>252,135</u>	<u>-</u>	<u>(252,135)</u>
Net Change in Fund Balance	44,011	44,011	91,244	47,233
Fund Balance, Beginning of Year	<u>1,254,717</u>	<u>1,254,717</u>	<u>1,254,717</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,298,728</u>	<u>\$ 1,298,728</u>	<u>\$ 1,345,961</u>	<u>\$ 47,233</u>

City of Kerrville, Texas
Internal Service Funds
Combining Statement of Net Position
September 30, 2013

Exhibit C-8

	Garage	Flexfund Insurance	Total Internal Service Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 36,983	\$ 433,167	\$ 470,150
Investments	8,118	95,086	103,204
Inventories	25,737	-	25,737
	<u>70,838</u>	<u>528,253</u>	<u>599,091</u>
Capital Assets			
Buildings	159,000	-	159,000
Vehicles	25,556	-	25,556
Machinery and equipment	32,930	-	32,930
Accumulated depreciation	(211,070)	-	(211,070)
	<u>6,416</u>	<u>-</u>	<u>6,416</u>
Net capital assets	<u>6,416</u>	<u>-</u>	<u>6,416</u>
Total assets	<u>77,254</u>	<u>528,253</u>	<u>605,507</u>
Liabilities			
Accounts payable and accrued expenses	3,496	2,145	5,641
Due to other funds	4,660	-	4,660
Accrued compensated absences	17,717	-	17,717
	<u>25,873</u>	<u>2,145</u>	<u>28,018</u>
Total liabilities	<u>25,873</u>	<u>2,145</u>	<u>28,018</u>
Net Position			
Net investment in capital assets	6,416	-	6,416
Restricted	44,965	526,108	571,073
	<u>51,381</u>	<u>526,108</u>	<u>577,489</u>
Total net position	<u>51,381</u>	<u>526,108</u>	<u>577,489</u>
Total liabilities and net position	<u>\$ 77,254</u>	<u>\$ 528,253</u>	<u>\$ 605,507</u>

City of Kerrville, Texas
Internal Service Funds
Combining Statement of Revenues, Expenses and
Changes in Net Position
Year Ended September 30, 2013

Exhibit C-9

	Garage	Flexfund Insurance	Total Internal Service Funds
Revenues			
Charges for services	\$ 246,750	\$ 2,983,619	\$ 3,230,369
Total revenues	<u>246,750</u>	<u>2,983,619</u>	<u>3,230,369</u>
Operating Expenses			
Personnel services	221,876	180,058	401,934
Repairs and maintenance	3,406	-	3,406
Supplies and materials	16,249	-	16,249
Utilities	5,254	-	5,254
Depreciation	2,052	-	2,052
General administration	6,532	-	6,532
Premiums and other charges	-	2,915,075	2,915,075
Total operating expenses	<u>255,369</u>	<u>3,095,133</u>	<u>3,350,502</u>
Operating loss	<u>(8,619)</u>	<u>(111,514)</u>	<u>(120,133)</u>
Net Change in Net Position	(8,619)	(111,514)	(120,133)
Net Position, Beginning of Year	<u>60,000</u>	<u>637,622</u>	<u>697,622</u>
Net Position, End of Year	<u>\$ 51,381</u>	<u>\$ 526,108</u>	<u>\$ 577,489</u>

City of Kerrville, Texas
Internal Service Funds
Combining Statement of Cash Flows
Year Ended September 30, 2013

Exhibit C-10

	Garage	Flexfund Insurance	Total Internal Service Funds
Operating Activities			
Cash received from customers	\$ 246,750	\$ 2,983,619	\$ 3,230,369
Cash payments to employees	(220,977)	(180,058)	(401,035)
Cash payments to suppliers for goods and services	(30,665)	(2,912,969)	(2,943,634)
Net cash used in operating activities	(4,892)	(109,408)	(114,300)
Investing Activities			
Sales (purchases) of investments, net	(118)	6,940	6,822
Net cash provided by (used in) investing activities	(118)	6,940	6,822
Net Decrease In Cash and Cash Equivalents	(5,010)	(102,468)	(107,478)
Cash and Cash Equivalents, Beginning of Year	41,993	535,635	577,628
Cash and Cash Equivalents, End of Year	\$ 36,983	\$ 433,167	\$ 470,150
Reconciliation of Operating Loss to Net Cash Used In Operating Activities			
Operating loss	\$ (8,619)	\$ (111,514)	\$ (120,133)
Item not requiring cash			
Depreciation	2,052	-	2,052
Change in			
Decrease (increase) in inventories	(839)	-	(839)
Decrease (increase) in prepaid expenses	-	1,727	1,727
Increase (decrease) in accounts payable	1,615	379	1,994
Increase (decrease) in accrued wages payable	899	-	899
Total adjustments	3,727	2,106	5,833
Net cash used in operating activities	\$ (4,892)	\$ (109,408)	\$ (114,300)

City of Kerrville, Texas
Balance Sheet
Economic Improvement Corporation
September 30, 2013

Exhibit C-11

Assets

Cash and cash equivalents	\$	3,241,531
Investments		711,556
Due from other governments		474,116
		4,427,203
Total assets		\$ 4,427,203

Liabilities

Accounts payable and accrued liabilities	\$	68,152
		68,152
Total liabilities		\$ 68,152

Fund Balances

Restricted for debt service	\$	427,423
Restricted for capital projects		859,176
Unassigned		3,072,452
		4,359,051
Total fund balance		4,359,051
Total liabilities and fund balance		\$ 4,427,203

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

Total fund balances – EIC balance sheet	\$	4,359,051
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**Amounts Reported for Governmental Activities in the Discretely Presented
Component Unit Statement of Net Position are Different Because**

Accrued bond interest is not reported in the funds		(5,493)
Capital assets used in governmental activities are not reported in the funds		1,138,436
Sales tax revenue bonds are not reported in the funds		(485,000)
		(485,000)

EIC net position	\$	5,006,994
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City of Kerrville, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balance
Economic Improvement Corporation
For the Year Ended September 30, 2013

Exhibit C-12

Revenues	
Sales and other taxes	\$ 2,776,748
Investment income	5,309
Other income	<u>105,943</u>
Total revenues	<u>2,888,000</u>
Expenditures	
General government	1,711,833
Capital contribution	508,498
Debt service – principal payment	465,000
Debt service – interest payment	<u>33,246</u>
Total expenditures	<u>2,718,577</u>
Excess of revenues under expenditures	<u>169,423</u>
Net Change in Fund Balance	169,423
Fund Balance, Beginning of Year	<u>4,189,628</u>
Fund Balance, End of Year	<u><u>\$ 4,359,051</u></u>
 Reconciliation of EIC Statement of Revenues, Expenditures and Change in Fund Balances to Discrete Presented Component Unit Statement of Activities	
EIC change in fund balance	\$ 169,423
 Amounts Reported for Governmental Activities in the Discretely Presented Component Unit Statement Activities are Different Because	
Bond principal payment is not reported in the Statement of Activities	<u>465,000</u>
EIC change in net position	<u><u>\$ 634,423</u></u>



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Statistical Section

Statistical Section

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

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

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

City of Kerrville, Texas
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)
September 30, 2013

Table D-1

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net investment in capital assets	\$ 19,649	\$ 28,690	\$ 31,632	\$ 38,146	\$ 38,524	\$ 50,261	\$ 45,568	\$ 49,627	\$ 57,920	\$ 61,342
Restricted	10,072	4,268	3,446	1,468	3,640	2,207	5,712	6,251	1,509	1,434
Unrestricted	5,603	8,399	10,432	9,212	8,101	2,756	7,616	10,097	15,355	15,684
Total governmental activities net assets	<u>\$ 35,324</u>	<u>\$ 41,357</u>	<u>\$ 45,510</u>	<u>\$ 48,826</u>	<u>\$ 50,265</u>	<u>\$ 55,224</u>	<u>\$ 58,896</u>	<u>\$ 65,975</u>	<u>\$ 74,784</u>	<u>\$ 78,460</u>
Business-Type Activities										
Net investment in capital assets	\$ 17,893	\$ 21,902	\$ 25,937	\$ 29,487	\$ 31,994	\$ 39,572	\$ 37,551	\$ 38,078	\$ 38,404	\$ 38,699
Restricted	-	-	-	-	-	-	-	-	2,898	4,105
Unrestricted	10,540	8,561	5,711	5,345	6,611	4,809	10,245	8,641	4,739	5,064
Total business-type activities net assets	<u>\$ 28,433</u>	<u>\$ 30,463</u>	<u>\$ 31,648</u>	<u>\$ 34,832</u>	<u>\$ 38,605</u>	<u>\$ 44,381</u>	<u>\$ 47,796</u>	<u>\$ 46,719</u>	<u>\$ 46,041</u>	<u>\$ 47,868</u>
Primary Government										
Net investment in capital assets	\$ 37,542	\$ 50,592	\$ 57,569	\$ 67,633	\$ 70,518	\$ 89,833	\$ 83,119	\$ 87,705	\$ 96,324	\$ 100,041
Restricted	10,072	4,268	3,446	1,468	3,640	2,207	5,712	6,251	4,407	5,539
Unrestricted	16,143	16,960	16,143	14,557	14,712	7,565	17,861	18,738	20,094	20,748
Total primary government net assets	<u>\$ 63,757</u>	<u>\$ 71,820</u>	<u>\$ 77,158</u>	<u>\$ 83,658</u>	<u>\$ 88,870</u>	<u>\$ 99,605</u>	<u>\$ 106,692</u>	<u>\$ 112,694</u>	<u>\$ 120,825</u>	<u>\$ 126,328</u>

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

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Governmental Activities					
General government	\$ 3,987	\$ 4,292	\$ 5,345	\$ 8,253	\$ 4,938
Public safety	7,768	7,934	8,122	9,854	11,533
Culture and recreation	2,559	2,862	3,023	3,685	3,262
Development and public works	2,085	2,295	2,311	2,417	3,009
Business programs	158	188	211	314	180
Non departmental	687	168	-	-	-
Interest on long-term debt	506	491	467	572	459
	<u>17,750</u>	<u>18,230</u>	<u>19,479</u>	<u>25,095</u>	<u>23,381</u>
Total governmental activities expenses					
Business-Type Activities					
Water and sewer services	4,899	4,939	5,709	6,104	6,612
Emergency medical services	1,631	1,627	1,863	-	-
Kerrville Schreiner Park	250	375	450	492	545
Golf course	934	882	923	929	898
	<u>7,714</u>	<u>7,823</u>	<u>8,945</u>	<u>7,525</u>	<u>8,055</u>
Total business-type activities expenses					
Total primary government expenses	<u>\$ 25,464</u>	<u>\$ 26,053</u>	<u>\$ 28,424</u>	<u>\$ 32,620</u>	<u>\$ 31,436</u>
Program Revenue					
Governmental Activities					
Charges for services					
General government	\$ 1,803	\$ 2,110	\$ 2,376	\$ 2,486	\$ 2,474
Public safety	427	549	761	3,399	2,339
Cultural and recreation	110	159	479	172	150
Development and public works	243	282	417	359	85
Business programs	-	-	-	-	-
Nondepartmental	212	-	-	-	-
Operating grants and contributions	1,425	1,089	879	205	904
Capital grants and contributions	274	1,347	382	1,707	1,234
	<u>4,494</u>	<u>5,536</u>	<u>5,294</u>	<u>8,328</u>	<u>7,186</u>
Total governmental activities program revenues					
Business-Type Activities					
Charges for services					
Water and sewer services	6,229	6,509	7,714	7,537	8,803
Emergency medical services	1,604	1,429	1,493	-	-
Kerrville Schreiner Park	214	310	352	357	403
Golf course	792	797	852	794	912
Operating grants and contributions	627	38	779	32	685
Capital Grants and Contributions	3,004	130	38	2,077	1,421
	<u>12,470</u>	<u>9,213</u>	<u>11,228</u>	<u>10,797</u>	<u>12,224</u>
Total business -type activities program revenues					
Total primary government program revenues	<u>\$ 16,964</u>	<u>\$ 14,749</u>	<u>\$ 16,522</u>	<u>\$ 19,125</u>	<u>\$ 19,410</u>
Net (Expense)/Revenue					
Governmental activities	\$ (13,256)	\$ (12,694)	\$ (14,185)	\$ (16,767)	\$ (16,195)
Business-type activities	4,756	1,390	2,283	3,272	4,169
Total primary government net expense	<u>\$ (8,500)</u>	<u>\$ (11,304)</u>	<u>\$ (11,902)</u>	<u>\$ (13,495)</u>	<u>\$ (12,026)</u>

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

Table D-2

	Fiscal Year				
	2009	2010	2011	2012	2013
\$	4,927	\$ 4,594	\$ 4,022	\$ 4,077	\$ 4,667
	12,001	11,880	12,632	11,312	11,631
	3,656	2,707	3,461	3,082	3,371
	4,277	3,635	3,104	3,004	3,327
	189	183	177	167	-
	-	-	-	-	-
	372	655	717	645	566
	<u>25,422</u>	<u>23,654</u>	<u>24,113</u>	<u>22,287</u>	<u>23,562</u>
	8,601	7,582	8,198	8,737	8,442
	-	-	-	-	-
	582	542	1	-	-
	996	990	952	1,041	934
	<u>10,179</u>	<u>9,114</u>	<u>9,151</u>	<u>9,778</u>	<u>9,376</u>
\$	<u>35,601</u>	<u>32,768</u>	<u>33,264</u>	<u>32,065</u>	<u>32,938</u>
\$	1,599	\$ 5,200	\$ 2,638	\$ 2,126	\$ 1,054
	2,448	2,589	2,225	1,327	2,442
	214	134	75	583	410
	45	-	435	470	359
	-	-	-	-	-
	-	-	-	-	-
	1,564	1,473	1,461	303	719
	6,883	351	2,959	5,553	2,000
	<u>12,753</u>	<u>9,747</u>	<u>9,793</u>	<u>10,362</u>	<u>6,984</u>
	8,758	8,943	10,536	10,009	11,072
	-	-	-	-	-
	371	344	-	-	-
	937	784	903	1,031	877
	-	4	-	-	-
	5,935	2,723	-	-	508
	<u>16,001</u>	<u>12,798</u>	<u>11,439</u>	<u>11,040</u>	<u>12,457</u>
\$	<u>28,754</u>	<u>22,545</u>	<u>21,232</u>	<u>21,402</u>	<u>19,441</u>
\$	(12,669)	\$ (13,907)	\$ (14,320)	\$ (11,925)	\$ (16,578)
	5,822	3,684	2,288	1,262	3,081
\$	<u>(6,847)</u>	<u>(10,223)</u>	<u>(12,032)</u>	<u>(10,663)</u>	<u>(13,497)</u>

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

	Fiscal Year			
	2004	2005	2006	2007
Net (Expense)/Revenue				
Governmental activities	\$ (13,256)	\$ (12,694)	\$ (14,185)	\$ (16,767)
Business-type activities	4,756	1,390	2,283	3,272
Total primary government net expense	<u>(8,500)</u>	<u>(11,304)</u>	<u>(11,902)</u>	<u>(13,495)</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes levied for general purposes	5,829	6,296	6,913	7,433
Property taxes levied for debt service	648	593	609	527
Sales and use taxes	5,998	6,465	6,967	7,212
Hotel occupancy taxes	692	801	906	938
Franchise taxes	1,321	1,436	1,749	1,752
Alcoholic beverage taxes	55	55	66	89
Capital contributions	225	-	-	-
Investment income	(32)	382	588	850
Miscellaneous income	-	25	201	525
Gain/(loss) on sale of assets	-	-	70	11
Transfers	451	(219)	(501)	984
Total governmental activities	<u>15,187</u>	<u>15,834</u>	<u>17,568</u>	<u>20,321</u>
Business-Type Activities				
Investment income	129	255	302	289
Miscellaneous income	200	208	256	257
Gain/(loss) on sale of assets	-	-	-	(7)
Transfers	(451)	219	501	(839)
Total business-type activities	<u>(122)</u>	<u>682</u>	<u>1,059</u>	<u>(300)</u>
Total primary government	<u>\$ 15,065</u>	<u>\$ 16,516</u>	<u>\$ 18,627</u>	<u>\$ 20,021</u>
Change in Net Position				
Governmental activities	\$ 1,931	\$ 3,140	\$ 3,383	\$ (4,391)
Business-type activities	4,634	2,072	3,342	2,972
Total primary government	<u>\$ 6,565</u>	<u>\$ 5,212</u>	<u>\$ 6,725</u>	<u>\$ (1,419)</u>

Table D-3

Fiscal Year						
2008	2009	2010	2011	2012	2013	
\$ (16,195)	\$ (12,669)	\$ (13,907)	\$ (14,320)	\$ (11,925)	\$ (16,578)	
4,169	5,822	3,684	2,288	1,262	3,081	
(12,026)	(6,847)	(10,223)	(12,032)	(10,663)	(13,497)	
7,693	8,130	8,255	8,314	8,439	8,427	
894	1,006	1,301	1,242	1,216	1,262	
4,966	4,926	4,537	4,773	5,120	5,554	
977	882	873	846	854	958	
2,019	1,930	1,764	1,836	1,826	1,716	
72	67	60	58	53	55	
-	-	-	-	-	-	
392	168	78	52	56	44	
	115	229	1,427	1,257	1,322	
(202)	13	(19)	-	(235)	-	
824	390	447	4,259	2,149	1,250	
17,635	17,627	17,525	22,807	20,735	20,588	
251	138	72	9	23	50	
212	205	226	69	186	333	
(35)	2	-	-	-	-	
(824)	(390)	(447)	(4,259)	(2,149)	(1,250)	
(396)	(45)	(149)	(4,181)	(1,940)	(867)	
\$ 17,239	\$ 17,582	\$ 17,376	\$ 18,626	\$ 18,795	\$ 19,721	
\$ 1,440	\$ 4,958	\$ 3,618	\$ 8,487	\$ 8,810	\$ 4,010	
3,773	5,777	3,535	(1,893)	(678)	2,214	
\$ 5,213	\$ 10,735	\$ 7,153	\$ 6,594	\$ 8,132	\$ 6,224	



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

Table D-4

	Fiscal Year				
	2004	2005	2006	2007	2008
General fund					
Reserved	\$ 1,544	\$ 1,290	\$ 1,475	\$ 1,812	\$ 71
Unreserved	3,677	4,863	5,859	5,837	6,494
Total general fund	\$ 5,221	\$ 6,153	\$ 7,334	\$ 7,649	\$ 6,565
All other governmental funds					
Reserved	\$ 8,743	\$ 5,456	\$ 4,540	\$ 6,425	\$ 969
Unreserved, reported in					
Special revenue funds	1,555	1,544	2,632	3,219	536
Capital projects funds	-	-	-	-	2,929
Total all other governmental funds	\$ 10,298	\$ 7,000	\$ 7,172	\$ 9,644	\$ 4,434
	Fiscal Year				
	2009	2010	2011	2012	2013
General fund					
Nonspendable	\$ -	\$ -	\$ 35	\$ 33	\$ 35
Restricted	-	-	1,667	2,340	2,657
Committed	-	-	715	666	580
Unassigned	-	-	3,719	5,701	6,294
Reserved	2,335	1,353	-	-	-
Unreserved	3,755	3,157	-	-	-
Total general fund	\$ 6,090	\$ 4,510	\$ 6,136	\$ 8,740	\$ 9,566
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	1,901	9,266	8,923
Committed	-	-	5,093	762	1,638
Unassigned	-	-	-	-	-
Reserved	1,390	1,494	-	-	-
Unreserved, reported in					
Special revenue funds	706	875	-	-	-
Capital projects funds	5,970	4,670	-	-	-
Total all other governmental funds	\$ 8,066	\$ 7,039	\$ 6,994	\$ 10,028	\$ 10,561

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				
	2004	2005	2006	2007	2008
Revenues					
Taxes and penalties	\$ 14,605	\$ 15,655	\$ 17,201	\$ 17,936	\$ 16,554
Licenses and permits	430	480	624	501	491
Intergovernmental	1,514	949	1,357	830	937
Charges for services	1,210	1,464	1,523	3,084	1,938
Grants	33	1,488	961	422	341
Fines and forfeitures	394	322	307	341	420
Investment income	226	374	581	820	392
Miscellaneous	768	843	875	906	1,250
Total revenues	19,180	21,575	23,429	24,840	22,323
Expenditures					
General government	3,907	4,032	4,422	5,755	4,439
Public safety	7,613	7,452	7,839	10,243	10,775
Culture and recreation	2,409	2,629	3,036	3,717	3,147
Development and public works	2,080	2,073	2,199	2,297	4,731
Business programs	158	181	212	323	180
Nondepartmental	279	168	862	890	-
Capital outlay	4,322	6,192	2,365	2,814	363
Debt service					
Principal	620	589	605	629	347
Interest	514	480	456	436	460
Other charges	2	2	1	166	1
Total expenditures	21,904	23,798	21,997	27,270	24,443
Excess of revenues over (under) expenditures	(2,724)	(2,223)	1,432	(2,430)	(2,120)
Other Financing Sources (Uses)					
Capital contributions	274	-	-	-	-
Proceeds from debt issuance	-	-	-	6,242	-
Bond premium/discount	-	-	-	4	-
Proceeds from sale of assets	-	-	70	66	33
Payment to refunded bond escrow agent	-	-	-	(2,526)	-
Transfers-in	3,214	5,761	5,796	4,410	2,479
Transfers-out	(2,763)	(5,944)	(6,296)	(3,343)	(1,655)
Total other financing sources (uses)	725	(183)	(430)	4,853	857
Net change in fund balances	\$ (1,999)	\$ (2,406)	\$ 1,002	\$ 2,423	\$ (1,263)
Debt Service as a Percentage of Noncapital Expenditures	6.5%	6.1%	5.4%	5.0%	3.7%

Table D-5

Fiscal Year					
2009	2010	2011	2012	2013	
\$ 16,987	\$ 16,790	\$ 17,026	\$ 17,558	\$ 17,981	
428	346	366	328	359	
1,243	1,289	2,364	1,535	1,120	
1,964	1,850	2,629	2,549	2,564	
409	258	484	786	719	
506	507	656	467	433	
168	78	52	56	44	
1,307	1,345	1,270	1,211	1,405	
<u>23,012</u>	<u>22,463</u>	<u>24,847</u>	<u>24,490</u>	<u>24,626</u>	
4,576	4,304	3,704	3,716	4,360	
11,042	11,645	11,591	10,666	11,138	
3,336	2,685	3,071	2,815	3,163	
4,562	2,745	2,724	2,806	2,992	
189	183	177	167	-	
-	-	-	-	-	
432	2,503	841	6,536	1,519	
456	1,119	582	725	754	
371	653	719	619	590	
1	1	-	155	-	
<u>24,965</u>	<u>25,838</u>	<u>23,409</u>	<u>28,205</u>	<u>24,517</u>	
<u>(1,953)</u>	<u>(3,375)</u>	<u>1,438</u>	<u>(3,715)</u>	<u>109</u>	
-	-	-	-	-	
4,760	-	1,983	6,965	-	
18	-	151	138	-	
13	-	-	-	-	
-	-	(2,090)	-	-	
1,817	1,530	2,070	2,856	2,523	
(1,427)	(1,082)	(1,164)	(606)	(1,273)	
<u>5,181</u>	<u>448</u>	<u>950</u>	<u>9,353</u>	<u>1,250</u>	
<u>\$ 3,228</u>	<u>\$ (2,927)</u>	<u>\$ 2,388</u>	<u>\$ 5,638</u>	<u>\$ 1,359</u>	
3.5%	7.5%	5.9%	7.4%	5.9%	

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

Table D-6

Fiscal Years	Property Tax	Sales & Use Tax	Occupancy Tax	Franchise Tax	Mixed Beverage Tax	Total
2004	\$ 6,540	\$ 3,999	\$ 692	\$ 1,322	\$ 55	\$ 12,608
2005	6,833	4,310	802	1,437	55	13,437
2006	7,522	4,645	906	1,749	66	14,888
2007	7,960	4,808	938	1,753	70	15,529
2008	8,519	4,966	977	2,019	73	16,554
2009	9,097	4,926	883	2,014	67	16,987
2010	9,495	4,537	872	1,826	61	16,791
2011	9,512	4,772	846	1,826	58	17,014
2012	9,642	5,120	838	1,846	53	17,499
2013	9,698	5,554	958	1,716	54	17,980
Percent Change 2004 – 2013	48.3%	38.9%	38.4%	29.8%	-1.8%	42.6%

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

Table D-7

Fiscal Years	Assessed Value	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2004	\$ 1,166,141	\$ 17,433	\$ 1,148,708	\$ 0.5633	\$ 1,148,708	100%
2005	1,326,954	114,244	1,212,710	0.5633	1,212,710	100%
2006	1,380,357	84,707	1,295,650	0.5578	1,295,650	100%
2007	1,686,874	116,651	1,570,223	0.5513	1,570,223	100%
2008	1,685,474	122,418	1,563,056	0.5500	1,563,056	100%
2009	1,847,126	594,562	1,252,564	0.5500	1,252,564	100%
2010	1,872,261	601,551	1,270,710	0.5625	1,270,710	100%
2011	1,882,517	622,484	1,260,033	0.5625	1,260,033	100%
2012	1,883,208	613,787	1,269,421	0.5625	1,269,421	100%
2013	1,898,458	618,795	1,279,663	0.5625	1,279,663	100%

Source: Kerr County Central Appraisal District

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

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

Table D-8

Fiscal Years	City of Kerrville Direct Tax Rate			Overlapping Tax Rates			Total Direct & Overlapping Rates
	General Government	Debt Service	Total	School District	Kerr County	Guadalupe River Authority	
2004	0.5079	0.0554	0.5633	1.7520	0.3721	0.0434	2.7308
2005	0.5149	0.0484	0.5633	1.6700	0.3896	0.0374	2.6603
2006	0.5126	0.0452	0.5578	1.5000	0.3896	0.0275	2.4749
2007	0.5149	0.0364	0.5513	1.1500	0.3896	0.0363	2.1272
2008	0.4932	0.0568	0.5500	1.1800	0.4293	0.0329	2.1922
2009	0.4891	0.0609	0.5500	1.1800	0.4293	0.0329	2.1922
2010	0.4851	0.0774	0.5625	1.1800	0.4443	0.0329	2.2197
2011	0.4890	0.0735	0.5625	1.1800	0.4443	0.0324	2.2192
2012	0.4890	0.0735	0.5625	1.1800	0.4443	0.0324	2.2192
2013	0.4890	0.0735	0.5625	1.1800	0.4443	0.0324	2.2192

Source: Kerr County Central Appraisal District

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

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

Table D-9

Taxpayer	2013			2004		
	Assessed Value	Rank	Percentage of Total City Assessed Value	Assessed Value	Rank	Percentage of Total City Assessed Value
James Avery Craftsman Inc.	\$ 16,193,734	1	0.85%			
Windstream	14,559,687	2	0.77%			
Emeritus	9,115,001	3	0.48%	\$ 11,161,481	6	0.96%
Wal-Mart Inc.	7,784,640	4	0.41%	14,017,262	2	1.20%
Comanche Trace Ranch & Golf	7,313,056	5	0.39%			
Wal-Mart Stores Inc. #508	6,989,802	6	0.37%			
Home Depot	6,813,801	7	0.36%			
Lowe's Home Centers, Inc.	6,270,099	8	0.33%	12,818,527	3	1.10%
Atek Plastics	5,121,625	9	0.27%			
Atmos Energy/Mid-Tex Division	5,091,492	10	0.27%			
Mooney Aircraft Corp.				11,425,395	5	0.98%
Kerrville Telephone Co.				24,532,173	1	2.10%
1859-Historic Hotels, Ltd				4,308,036	8	0.37%
Home Depot, USA, INC				12,053,269	4	1.03%
Kerrville Bus Company				4,472,443	7	0.38%
Albertson's Inc.				4,160,802	9	0.36%
Butt, Charles C. etal				4,019,134	10	0.34%
	85,252,937		4.49%	102,968,522		8.83%
All Other	1,813,205,063		95.51%	1,063,172,478		91.17%
Total	\$ 1,898,458,000		100.00%	\$ 1,166,141,000		100.00%

Source: Kerr Central Appraisal District



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

Table D-10

Fiscal Years	Taxes Levied for the FY	Collected Within Year of the Levy			Total Collections to Date		
		Current Yr Amount	Percentage of Levy	Delinquent Collections in Subsequent Years	Combined Amount	Percentage of Levy	
2004	\$ 6,470	\$ 6,387	98.72%	\$ 73	\$ 6,460	99.85%	
2005	6,811	6,742	98.99%	53	6,795	99.77%	
2006	7,384	7,339	99.39%	22	7,361	99.69%	
2007	7,895	7,785	98.61%	86	7,871	99.70%	
2008	8,455	8,362	98.90%	40	8,402	99.37%	
2009	9,040	8,861	98.02%	5	8,866	98.08%	
2010	9,398	9,275	98.69%	-	9,275	98.69%	
2011	9,439	9,298	98.51%	14	9,312	98.65%	
2012	9,537	9,404	98.61%	22	9,426	98.84%	
2013	9,679	9,417	97.29%	93	9,510	98.25%	

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

Type	Fiscal Year			
	2004	2005	2006	2007
Accommodation/food services	\$ 62,702,450	\$ 65,101,091	\$ 68,172,280	\$ 72,472,587
Admin/support/waste mgmt/remediation srvc	12,298,693	12,323,806	13,299,811	13,813,495
Agriculture/forestry/fishing/hunting	2,742	22,116	35,417	1,455,359
Arts/entertainment/recreation	3,318,909	4,424,411	5,858,534	6,127,292
Construction	45,178,260	53,604,919	55,043,428	71,008,454
Educational services	13,720,951	15,144,648	15,412,866	12,533,142
Finance/insurance	598,810	623,206	585	4,500
Health care/social assistance	6,280,397	2,783,434	1,782,028	2,269,027
Information	26,206,208	29,256,311	32,558,327	33,926,843
Manufacturing	48,723,948	82,114,566	85,740,516	94,245,808
Mining/quarrying/oil and gas extraction	-	-	-	2,154,458
Other	1,227,372	194,943	2,656	-
Other services (except public administration)	63,248,501	60,017,991	57,201,113	57,953,413
Professional/scientific/technical services	24,939,107	17,326,184	22,360,842	8,346,513
Public administration	34,094,929	30,323,605	36,377,677	33,932,290
Real estate/rental/leasing	2,879,888	2,441,498	3,005,807	3,806,407
Retail trade	551,728,324	587,697,025	604,169,924	614,179,010
Transportation/warehousing	2,595,055	2,682,230	2,710,773	4,592,467
Wholesale trade	34,615,403	48,197,984	78,118,341	72,911,430
Management of companies/enterprises	-	9,627,348	-	-
Total	\$ 934,359,947	\$ 1,023,907,316	\$ 1,081,850,925	\$ 1,105,732,495
Direct sales tax rate	1.50%	1.50%	1.50%	1.50%

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

Table D-11

Fiscal Year						
2008	2009	2010	2011	2012	***2013	
\$ 79,709,250	\$ 73,976,846	\$ 74,777,208	\$ 75,367,568	\$ 77,902,407	\$ 38,283,753	
14,511,132	12,584,798	12,487,071	20,060,075	18,870,225	9,936,615	
1,783,726	155,040	40,197	33,643	352,751	420,906	
6,353,400	6,410,637	10,245,245	10,203,919	5,331,787	2,561,344	
73,056,708	82,928,490	60,295,196	78,350,310	72,304,961	45,973,290	
21,199,623	22,448,430	13,677,155	27,269,909	31,052,368	13,905,362	
-	636	192,706	6,275	12,973	34,760	
3,854,807	3,372,232	3,915,694	3,614,412	3,540,104	11,560,529	
31,220,301	30,481,547	24,866,344	23,979,339	23,287,473	12,050,424	
102,006,694	57,339,275	48,940,992	39,636,780	45,925,795	26,734,429	
12,802,985	7,150,181	398,584	-	-	-	
-	-	-	-	-	-	
47,552,517	42,876,628	44,416,436	44,651,159	46,341,559	22,069,843	
25,606,137	17,559,824	14,700,029	17,100,198	17,175,563	13,495,363	
37,657,444	122,436,391	31,580,361	38,957,201	44,214,112	20,268,544	
2,107,522	1,901,858	2,490,669	2,848,689	8,313,596	1,521,951	
637,216,432	567,285,481	636,717,056	672,668,692	678,913,289	360,007,376	
2,988,094	2,645,480	3,054,389	2,877,438	3,122,381	1,571,262	
79,739,508	58,580,998	55,808,281	48,756,748	52,800,978	30,305,310	
-	-	-	-	-	-	
<u>\$ 1,179,366,280</u>	<u>\$ 1,110,134,772</u>	<u>\$ 1,038,603,613</u>	<u>\$ 1,106,382,355</u>	<u>\$ 1,129,462,322</u>	<u>\$ 610,701,061</u>	
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	

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

Table D-12

Governmental Activities				
Fiscal Years	General Obligation Bonds	Certificates of Obligation	Bank Loans	Capital Leases
2004	\$ -	\$ 6,800	\$ -	\$ 165
2005	-	6,542	-	147
2006	-	6,277	-	128
2007	2,657	5,539	1,550	35
2008	2,646	5,255	1,498	26
2009	2,634	9,889	1,445	-
2010	2,623	9,424	802	26
2011	4,566	6,878	716	-
2012	4,539	13,230	631	-
2013	4,163	12,940	542	-

Business-type Activities							Percentage of	
Fiscal Years	General Obligation Bonds	Certificates of Obligation	Water & Sewer Bonds	Bank Loans	Capital Leases	Total Primary Government	Personal Income	Per Capita
2004	\$ 1,538	\$ 8,246	\$ 3,493	\$ -	\$ 20	\$ 20,262	5.34%	\$ 934
2005	1,046	8,084	2,611	-	-	18,430	4.58%	837
2006	515	7,759	2,141	-	-	16,820	4.18%	751
2007	3,062	4,333	1,651	1,250	-	20,077	4.70%	879
2008	3,299	4,015	1,135	1,208	-	19,082	4.61%	819
2009	3,286	10,918	580	1,165	-	29,917	6.48%	1,308
2010	3,272	14,411	-	648	-	31,206	6.50%	1,346
2011	5,694	17,022	-	585	-	35,461	7.22%	1,541
2012	5,661	22,195	-	516	-	46,772	8.70%	2,084
2013	5,192	31,060	-	444	-	54,341	9.40%	2,364

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

Table D-13

Fiscal Years	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Available In Debt Service Fund	Total		
2004	\$ -	\$ 78	\$ -	0.00%	\$ -
2005	-	226	-	0.13%	-
2006	-	395	-	0.12%	-
2007	5,670	620	5,050	0.32%	221
2008	4,945	760	4,185	0.27%	180
2009	5,920	953	4,967	0.40%	217
2010	5,895	1,079	4,816	0.38%	208
2011	4,566	1,147	3,419	0.27%	153
2012	4,539	1,246	3,293	0.26%	147
2013	4,163	1,337	2,826	0.22%	123

City of Kerrville, Texas
Direct and Overlapping
Governmental Activities Debt

Table D-14

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes			
Kerrville ISD	\$ 27,310,000	76%	\$ 20,663,189
Kerr County	11,227,100	43%	<u>4,809,499</u>
Subtotal, Overlapping Debt			25,472,687
City of Kerrville Direct Debt	4,162,975	100%	<u>4,162,975</u>
Total Direct and Overlapping Debt			<u><u>\$ 29,635,662</u></u>
Average Debt Per Capita			\$ 1,289

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

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

Table D-15

	Fiscal Year				
	2004	2005	2006	2007	2008
Total Taxable Assessed Value	\$ 1,095,678	\$ 1,148,708	\$ 1,212,710	\$ 1,422,660	\$ 1,412,660
Annual payment	7,305	7,658	8,085	9,484	9,418
Debt limit	109,568	114,871	121,271	142,266	141,266
Total net debt applicable to limit	-	-	-	2,657	2,646
Legal debt margin	109,568	114,871	121,271	139,609	138,620

	Fiscal Year				
	2009	2010	2011	2012	2013
Total taxable assessed value	\$ 1,252,564	\$ 1,244,875	\$ 1,260,033	\$ 1,269,421	\$ 1,279,663
Annual payment	8,350	8,299	8,400	8,463	8,531
Debt limit	125,256	124,488	126,003	126,942	127,966
Total net debt applicable to limit	2,634	4,605	4,566	4,539	2,826
Legal debt margin	122,622	119,883	121,437	122,403	125,140

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed value	\$ 1,898,458
Exempt real property	(618,795)
	<u>1,279,663</u>
Debt limit (10% of assessed value)	<u>127,966</u>
Debt applicable to limit	
General obligation bonds	4,163
Less: Amount set aside for repayment of general obligation debt	<u>1,337</u>
Total net debt applicable to limit	<u>2,826</u>
Legal debt margin	<u>\$ 125,140</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 assess 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						
				Debt Service		
Fiscal Years	Utility Service Charges	Less Operating Expenses*	Net Available Revenue	Principal	Interest	Coverage
2004	\$ 6,381	\$ 3,617	\$ 2,764	\$ 1,270	\$ 649	1.44
2005	6,679	3,727	2,952	1,497	588	1.42
2006	7,935	4,357	3,578	1,350	525	1.91
2007	7,785	4,700	3,085	530	65	5.18
2008	8,803	5,030	3,773	530	57	6.43
2009	8,757	6,849	1,908	555	32	3.25
2010	8,943	5,468	3,475	580	5	5.94
2011	10,536	6,459	4,077	-	-	N/A
2012	10,009	5,843	4,166	-	-	N/A
2013	11,072	5,311	5,761	-	-	N/A

* Total operating expense excluding depreciation

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

Table D-17

	Fiscal Year				
	2004	2005	2006	2007	2008
Population	21,696	22,010	22,391	22,846	23,303
Personal income (000s)	\$ 438,107	\$ 444,448	\$ 452,141	\$ 461,329	\$ 470,557
Per capita personal income	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193
Median age	43.8	43.8	43.8	43.8	45.0
Education level in years of schooling Percentage with high school diploma or greater	81.2%	81.2%	81.2%	81.2%	81.2%
School enrollment	5,880	5,662	5,791	5,726	5,834
Unemployment rate	2.5%	4.2%	3.7%	3.5%	4.3%

	Fiscal Year				
	2009	2010	2011	2012	2013
Population	22,927	22,347	22,347	22,347	22,983
Personal income (000s)	\$ 462,965	\$ 481,160	\$ 490,848	\$ 492,940	\$ 578,275
Per capita personal income	\$ 20,193	\$ 20,193	\$ 24,871	\$ 23,965	\$ 25,161
Median age	45.0	45.3	44.5	46.0	45.7
Education level in years of schooling Percentage with high school diploma or greater	81.2%	81.2%	85.1%	85.6%	87.5%
School enrollment	5,976	6,177	5,200	4,923	5,031
Unemployment rate	5.6%	6.1%	6.3%	6.9%	5.60%

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

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

Table D-18

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Kerrville ISD	700	1	3.27%	-	-	-
Peterson Regional Medical Center	672	2	3.14%	-	-	-
Kerrville State Hospital	552	3	2.58%	-	-	-
HEB Food and Drug Store	432	4	2.02%	-	-	-
So. Texas Veterans Health Care	394	5	1.84%	-	-	-
Kerr County	305	6	1.43%	-	-	-
James Avery Craftsman, Inc.	301	7	1.41%	-	-	-
City of Kerrville	291	8	1.36%	-	-	-
Sava Senior Center	279	9	1.30%	-	-	-
Wal-Mart Inc.	276	10	1.29%	-	-	-
	4,202		19.65%	-	-	-
All others	17,185		80.35%	-	-	-
Total employed	21,387		100.00%	-	-	-

Source: City Economic Development Corporation

* Information not available prior to 2005.



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

	Fiscal Year				
	2004	2005	2006	2007	2008
General Fund					
City clerk	1	1	1	2	2
Legal services	3	3	3	3	3
City manager	3	3	3	3	3
Human resources	4	4	4	4	4
Finance	5	5	5	5	5
Information systems	3	3	3	3	3
Purchasing	1	1	1	1	1
Municipal court	5	5	5	5	5
Kerrville Schreiner Park	8	8	8	8	8
Police	66	66	69	70	70
Fire	42	42	42	43	52
Fire prevention	2	2	2	2	2
EMS	21	21	21	21	21
Planning and GIS	3	1	3	3	3
Building inspection	6	6	5	5	5
Code enforcement	2	2	2	2	2
Environment health	2	2	2	2	2
Airport administration	-	1	1	1	1
Business programs	2	2	2	2	2
Parks and recreation	2	2	2	2	2
Swimming pools	1	1	1	1	1
Parks maintenance	12	12	12	13	13
Performing arts center	1	1	1	1	1
Recreation	3	3	3	3	3
Public works	7	7	7	7	8
Streets and drainage	11	11	11	11	11
Library	13	13	13	13	13
Total general fund	229	228	232	236	246
Water and Sewer Fund					
Water records	8	8	8	8	8
Utility administration	5	5	6	3	3
Water production	9	9	11	11	11
Utility construction	9	9	9	9	9
Wastewater services	13	13	12	11	11
Utility information system	-	-	-	3	3
Utility laboratory	4	4	4	4	4
Total water and sewer fund	48	48	50	49	49
Golf Course Fund					
Golf course maintenance	8	8	8	8	8
Pro shop	3	3	3	3	3
Total golf course fund	11	11	11	11	11
Landfill					
Garage	4	4	5	5	5
Total	8	8	9	9	9
Grand total	296	295	302	305	315

Source: City Budget Office

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

Table D-19

Fiscal Year					
2009	2010	2011	2012	2013	
2	2	1	2	2	2
2	1	2	2	2	2
2	4	4	4	4	4
4	4	4	4	4	4
6	6	7	5	5	5
2	4	4	5	5	5
1	1	1	-	-	0
5	5	6	5	5	5
8	8	7	6	6	6
67	72	64	71	71	71
53	53	46	49	49	49
1	2	1	2	2	2
20	24	28	27	27	27
3	3	3	2	2	2
4	5	5	5	5	5
2	4	2	2	2	2
2	-	-	-	-	0
-	-	-	-	-	0
2	2	2	2	2	2
2	-	-	-	-	-
1	1	1	-	-	-
15	16	12	12	12	12
-	-	-	-	-	-
3	4	2	1	1	1
8	16	15	21	21	21
8	-	-	-	-	-
10	11	10	10	10	10
233	248	227	237	237	237
6	7	7	8	8	8
3	4	3	4	4	4
10	11	11	11	11	11
9	9	9	9	9	9
13	14	14	14	14	17
3	1	-	-	-	-
4	4	4	4	4	4
48	50	48	50	53	53
8	8	8	8	8	8
3	3	5.5	3	3	3
11	11	13.5	11	11	11
5	5	3	5	5	5
4	4	4	4	4	4
9	9	7	9	9	9
301	318	296	307	310	310

City of Kerrville, Texas

Operating Indicators by Function/Program

Last Ten Fiscal Years

Table D-20

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Calls for service	23,350	23,117	23,658	24,442	26,483	24,886	15,277	15,308	15,937	16,126
Avg. response time per call (minutes)	5.1	5.1	4.9	4	4	4.6	4.6	8.0	8.0	9.0
Clearance rate	60%	60%	60%	48%	49%	48%	57%	67%	62%	54%
Fire										
Number of calls answered	6,973	6,456	6,790	7,540	7,580	7,701	7,823	7,986	7,989	8,118
Reports processed	6,847	6,793	6,800	7,592	7,581	8,007	7,837	7,986	7,989	8,118
Inspections	1,107	1,079	634	314	538	428	326	471	568	458
Highway and Streets										
Street maintenance – man hours	20,083	20,083	21,085	21,170	21,360	18,930	7,192	1,391	2,000	1,749
Pothole repairs – man hours	1,549	1,549	1,626	2,109	1,936	1,450	1,549	1,459	1,800	1,323
Traffic control (signs) – man hours	2,012	2,021	2,122	2,294	2,102	1,900	2,022	1,625	1,722	1,804
Sanitation										
Annual tonnage at landfill	45,417	48,200	54,429	51,992	57,984	55,840	51,484	7,939	8,000	7,500
Annual tonnage diverted by recycling	1,419	1,950	1,968	1,963	1,666	2,376	2,353	1,908	1,700	1,200
Culture and Recreation										
Park maintenance – man hours	24,493	24,532	24,437	26,525	22,464	27,391	25,175	19,148	20,785	17,675
Golf course – rounds of golf played	37,750	37,812	38,387	35,570	37,999	36,643	32,464	33,270	36,262	32,509
Swimming pool attendance	13,474	18,257	16,586	11,476	12,204	13,461	10,753	9,071	7,613	9,719
Kerrville Schreiner Park										
Entrance permits processed	26,818	39,824	39,495	31,593	45,100	6,396	5,674	4,183	5,407	7,263
Phone reservations processed	1,827	3,274	3,026	3,235	6,004	4,254	3,087	3,628	3,340	3,421
Water										
Water meters read	104,344	105,648	106,705	108,839	113,790	114,654	114,916	115,295	115,777	116,563
Work orders processed	7,764	7,812	7,910	7,864	8,147	12,011	11,477	10,281	10,221	10,672
Water main breaks	88	64	65	48	28	58	118	71	53	42
Total water consumption (thousands of gallons)	1,104,828	1,013,137	1,126,497	1,063,816	1,181,774	1,288,848	1,096,605	1,368,522	1,289,982	1,302,333
Cost per thousand gallons	\$ 0.85	\$ 1.05	\$ 1.20	\$ 1.25	\$ 1.30	\$ 1.16	\$ 1.25	\$ 1.03	\$ 1.10	\$ 1.07
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,300	2,400	2,400	2,770	2,254	2,287	2,400	2,016	2,148	2,199

City of Kerrville, Texas

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Table D-21

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	3	3	3	3	4	4	4	4	4	4
Highway and Streets										
Streets (miles)	130	130	135	138	140	142	142	142	142	142
Area in square miles	18.8	18.8	19.5	19.5	20.6	21.1	21.1	21.1	21.1	21.1
Culture and Recreation										
Parks acreage	917	917	917	917	937	937	937	937	937	937
Swimming pools	2	2	2	2	2	2	1	1	1	1
Picnic areas and playgrounds	21	21	21	21	38	36	36	36	36	36
Municipal auditoriums	1	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	1	1
Tennis center	1	1	1	1	1	1	1	1	1	1
Water										
Water main (miles)	197	217	218	220	227	234	234	238	241	246
Average daily consumption (millions of gallons)	3.50	3.71	4.20	2.90	4.18	3.45	2.73	3.24	3.82	3.88
Sewer										
Sanitary sewers (miles)	176	186	189	191	196	195	194	202	194	214
Storm sewers (miles)	6	9	10	10	12	13	13	13	13	13
Maximum treatment capacity (millions of gallons)	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.5	4.5

Sources: Various city departments



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