



CITY OF KERRVILLE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2020



City of Kerrville, Texas

Comprehensive Annual Financial Report

Year Ended September 30, 2020

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

Amy Dozier, Chief Financial Officer



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City of Kerrville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2020

Table of Contents

	<u>Page</u>	<u>Exhibit/Table</u>
Introductory Section		
Letter of Transmittal	1	
GFOA Certificate of Achievement for Excellence in Financial Reporting	7	
Organization Chart.....	8	
List of Principal Officials.....	9	
Financial Section		
Independent Auditor's Report.....	10	
Management's Discussion and Analysis.....	13	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position	21	Exhibit A-1
Statement of Activities.....	22	Exhibit A-2
Fund Financial Statements:		
Balance Sheet – Governmental Funds	24	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	25	Exhibit A-4
Statement of Revenues, Expenditures and Changes in		
Fund Balances – Governmental Funds	26	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities	27	Exhibit A-6
Statement of Net Position – Proprietary Funds.....	28	Exhibit A-7
Statement of Revenues, Expenses and Changes in		
Net Position – Proprietary Funds.....	30	Exhibit A-8
Statement of Cash Flows – Proprietary Funds.....	31	Exhibit A-9
Statements of Net Position – Component Units.....	32	Exhibit A-10
Statements of Activities – Component Units	33	Exhibit A-11
Notes to Basic Financial Statements	34	
<u>Required Supplementary Information</u>		
Texas Municipal Retirement System – Schedule of Changes in Net		
Pension Liability and Related Ratios – City	68	Exhibit B-1
Texas Municipal Retirement System – Schedule of Contributions – City.....	69	Exhibit B-2
Texas Municipal Retirement System – Schedule of Changes in Total		
OPEB Liability and Related Ratios – City.....	70	Exhibit B-3

City of Kerrville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2020

Table of Contents

	<u>Page</u>	<u>Exhibit/Table</u>
Texas Municipal Retirement System – Schedule of Changes in Net Pension Liability and Related Ratios – KPUB.....	71	Exhibit B-4
Texas Municipal Retirement System – Schedule of Contributions – KPUB	72	Exhibit B-5
Texas Municipal Retirement System – Schedule of Changes in Total OPEB Liability and Related Ratios – KPUB	73	Exhibit B-6
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (General Fund)	74	Exhibit B-7
Notes to Required Supplementary Information	76	
 <u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information</u>		
Combining Balance Sheet – Nonmajor Governmental Funds	77	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	79	Exhibit C-2
 <u>Budgetary Comparison Schedules</u>		
Special Revenue Funds:		
Library Memorial.....	81	Exhibit C-3
Hotel/Motel Tax.....	82	Exhibit C-4
Hotel Reserve.....	83	Exhibit C-5
History Center.....	84	Exhibit C-6
Grant	85	Exhibit C-7
Police	86	Exhibit C-8
PEG.....	87	Exhibit C-9
Municipal Court.....	88	Exhibit C-10
TIRZ Fund	89	Exhibit C-11
Parkland Dedication	90	Exhibit C-12
Debt Service Fund.....	91	Exhibit C-13
 <u>Internal Service Funds</u>		
Combining Statement of Net Position.....	92	Exhibit C-14
Combining Statement of Revenues, Expenses and Changes in Net Position.....	93	Exhibit C-15
Combining Statement of Cash Flows.....	94	Exhibit C-16
 <u>Economic Improvement Corporation</u>		
Balance Sheet.....	95	Exhibit C-17
Statement of Revenues, Expenditures and Changes in Fund Balance	96	Exhibit C-18

City of Kerrville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2020

Table of Contents

	<u>Page</u>	<u>Exhibit/Table</u>
Statistical Section		
Net Position by Component	97	Table D-1
Expenses, Program Revenues and Net (Expense) Revenue.....	98	Table D-2
General Revenues and Total Change in Net Position	100	Table D-3
Fund Balances of Governmental Funds	102	Table D-4
Changes in Fund Balances of Governmental Funds	103	Table D-5
Tax Revenues by Source, Governmental Funds	105	Table D-6
Assessed Value and Estimated Actual Value of Taxable Property.....	106	Table D-7
Direct and Overlapping Property Tax Rates	107	Table D-8
Principal Property Tax Payers.....	108	Table D-9
Property Tax Levies and Collections	109	Table D-10
Gross Sales by Category	110	Table D-11
Ratios of Outstanding Debt by Type.....	112	Table D-12
Ratios of General Bonded Debt Outstanding.....	113	Table D-13
Direct and Overlapping Governmental Activities Debt.....	114	Table D-14
Legal Debt Margin Information	115	Table D-15
Pledged-Revenue Coverage	116	Table D-16
Demographic and Economic Statistics.....	117	Table D-17
Principal Employers – Kerr County	118	Table D-18
Budgeted Full-time – Equivalent Employees by Function/Program	119	Table D-19
Operating Indicators by Function/Program.....	121	Table D-20
Capital Asset Statistics by Function/Program.....	122	Table D-21

Federal Financial Assistance

Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters based on an Audit of Financial Statements Performance in Accordance with <i>Government Auditing Standards</i>	123
Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance	125
Schedule of Expenditures of Federal Awards	128
Notes to the Schedule of Expenditures of Federal Awards.....	129
Schedule of Findings and Questioned costs.....	130
Summary Schedule of Prior Audit Findings	133



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Introductory Section



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City of Kerrville

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Letter of Transmittal

February 23, 2021

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, 2020, is hereby submitted. This report was prepared through the cooperative effort of the Finance Department and the City's independent auditor, in accordance with Section 103.001 of the Texas Local Government Code and Article VIII, Section 8.08 of the Charter of the City of Kerrville. The purpose of the report is to provide the City Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

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

BKD, LLP, Certified Public Accountants, has issued unmodified opinions on the City's financial statements for the year ended September 30, 2020. 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, 2020, 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, 2020, 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 health care, hospitality (made up of tourism, youth camps, retreat facilities, RV parks and hunting), manufacturing, and retail.

The City continues to experience steady increases in population. The official census populations for 2000 and 2010 were 20,425 and 22,347 respectively. The 2020 population estimate was 25,162 representing an increase of 4,737 (23%) over 2000 and 2,815 (13%) increase since 2010. The population estimate is calculated by City staff using residential water account data. The 2020 population estimate may be revised pending 2020 census results.

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, fire and emergency medical services), streets, parks and recreation, planning and zoning, code enforcement, a public library, and business-type activities, such as water and sewer services and golf. Solid waste collection services are provided through private contractors; non-residential customers contract with the collection firm of their choice, while residential customers contract through the City with collection fees added to their municipal water and sewer bill.

The annual budget of the City serves as the foundation for its financial planning and control. The budget is proposed by the City Manager and adopted by the City Council in accordance with policies and procedures established by the City Charter, State Law, Council ordinances and policies. The budget is prepared and presented by fund (e.g., general fund), department (e.g., police) or function (e.g., debt service) and line items (e.g., salaries and wages). The fund level is the legal level of control for budget expenditures.

The budgetary process begins each year with budget priorities set by City Council. Next, the City's Finance Department prepares revenue estimates and budget instructions. Then, each City department prepares expenditure estimates and requests. Estimates and requests are reviewed by a budget committee that includes the City Manager. The requests are evaluated within the total financial framework of the City.

The City Manager makes final decisions as to what budget recommendations are submitted to the City Council. The City Charter requires that a working copy of the budget be filed with the City Secretary no later than July 31. The City Manager's proposed budget is reviewed extensively by the City Council, along with a final public review process, including required public hearings prior to budget adoption. The City Charter requires adoption of the City budget no later than September 30.

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

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

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. Several manufacturing firms are located in the Kerrville area, as well as a variety of commercial establishments, restaurants, building supply stores, big box retail, banks and supermarkets. Sales tax revenues have increased steadily since 2011 as Kerrville continues to expand its position as a retail hub for a large geographic area, mostly west of Kerrville. In addition, sales tax revenue related to online sales increased significantly in 2020 due both to the COVID-19 pandemic and changes in state laws.

Economic and recreation opportunities continue to expand in Kerrville. In addition to recently renovated parks, a six-mile-long River Trail and a youth sports complex, in 2020 the City completed projects to extend River Trail to Schreiner University and renovate the city-owned tennis center. Both of these projects were funded by Kerrville's EIC. The EIC also helped fund the renovation of a historic downtown theater that reopened in 2020 as a live music and events venue. In addition, the City completed a new wastewater lift station that greatly expands sewer capacity and an enhanced water filtration system at the Water Treatment Plan, resulting in some of the highest quality drinking water in the State of Texas.

Representatives of the City along with other community leaders continue to encourage development of this area to attract light, clean industry as well as additional retail and hospitality. In accordance with this goal, in August 2020, Killdeer Mountain Manufacturing (KMM) announced their plans to build a manufacturing facility in Kerrville. KMM expects to employ 400 people in the new facility that will manufacture aerospace electronic components. State and local leaders worked together to recruit the company and offer incentives. Kerr County's unemployment rate of 5.1% is significantly higher than in previous years due to the COVID-19 pandemic but continues to remain below state and national averages.

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

Long-term Financial Planning

The City's financial management policy instructs the general fund to maintain an unassigned fund balance between 15% and 25% of annual operating expenditures, which exceeds the Government Finance Officers Association 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 policy allows the City to better weather economic downturns and strategically handle contingencies and unforeseen emergencies.

COVID-19 obviously presented an unforeseen emergency in 2020. The City responded quickly to reduce spending in anticipation of reduced revenues. However, sales tax revenues actually increased during FY 2020 and other revenue categories saw smaller than expected declines. In addition, the City received significant CARES Act funding. These factors combined with cost cutting measures resulted in favorable financial results for the year.

The City's General Fund's unassigned fund balance is approximately \$9.3 million or 35% of General Fund operating expenditures as of September 30, 2020. In addition, the City uses a five-year forecast in its budget process to guide decisions and assist in policy. The long-range view allows the City to plan appropriately for the future impact of current decisions. The City maintains a 10-year Community Investment Plan (CIP), with all planned capital projects reviewed annually by the City staff and City Council. This annual review allows the City to change and adjust priorities by responding to changing growth patterns, economic conditions, or federal and state mandates.

The CIP is used exclusively as a planning tool, and therefore does not commit the City to any project or project funding. The intent of the CIP is for the City staff to identify specific capital improvements needed and project affordability. The CIP is not a capital budget, and as such provides only recommended projects and the means of financing the improvements. Recommended improvements are not approved until official action has been taken by the City Council. The CIP presented in the FY 2020 budget book identified approximately \$48 million in projects during the next ten years. This list focuses on water and sewer infrastructure improvements including the construction of a new lift station and installation of a new water filtration system previously mentioned. General Fund projects include extensive streets and drainage projects in addition to the recreation projects previously mentioned. The City anticipates funding these improvements with both cash and debt. Debt obligations include both self-supporting debt (e.g., water and sewer improvements) and general obligation debt (e.g., streets and drainage). This CIP was reviewed and updated in the FY 2021 budget process to ensure consistency with current economic trends and City needs.

Awards and Acknowledgements

GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2019, and a reproduction of the certificate is included in this report. The City has received a Certificate of Achievement for 36 consecutive fiscal years (FY 1984 through FY 2019).

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

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

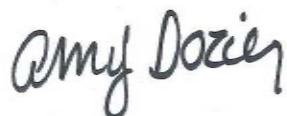
The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. Many individuals devoted extra hours and exhibited dedicated effort in ensuring the accuracy and timeliness of this report. Appreciation is expressed to the City employees throughout the organization, especially those responsible for the maintenance of records upon which this report is based. Acknowledgment and appreciation is also given to representatives of BKD, LLP, Certified Public Accountants, for their dedicated assistance and input into the preparation of this report.

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

Respectfully submitted,



Mark McDaniel
City Manager



Amy Dozier
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**City of Kerrville
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

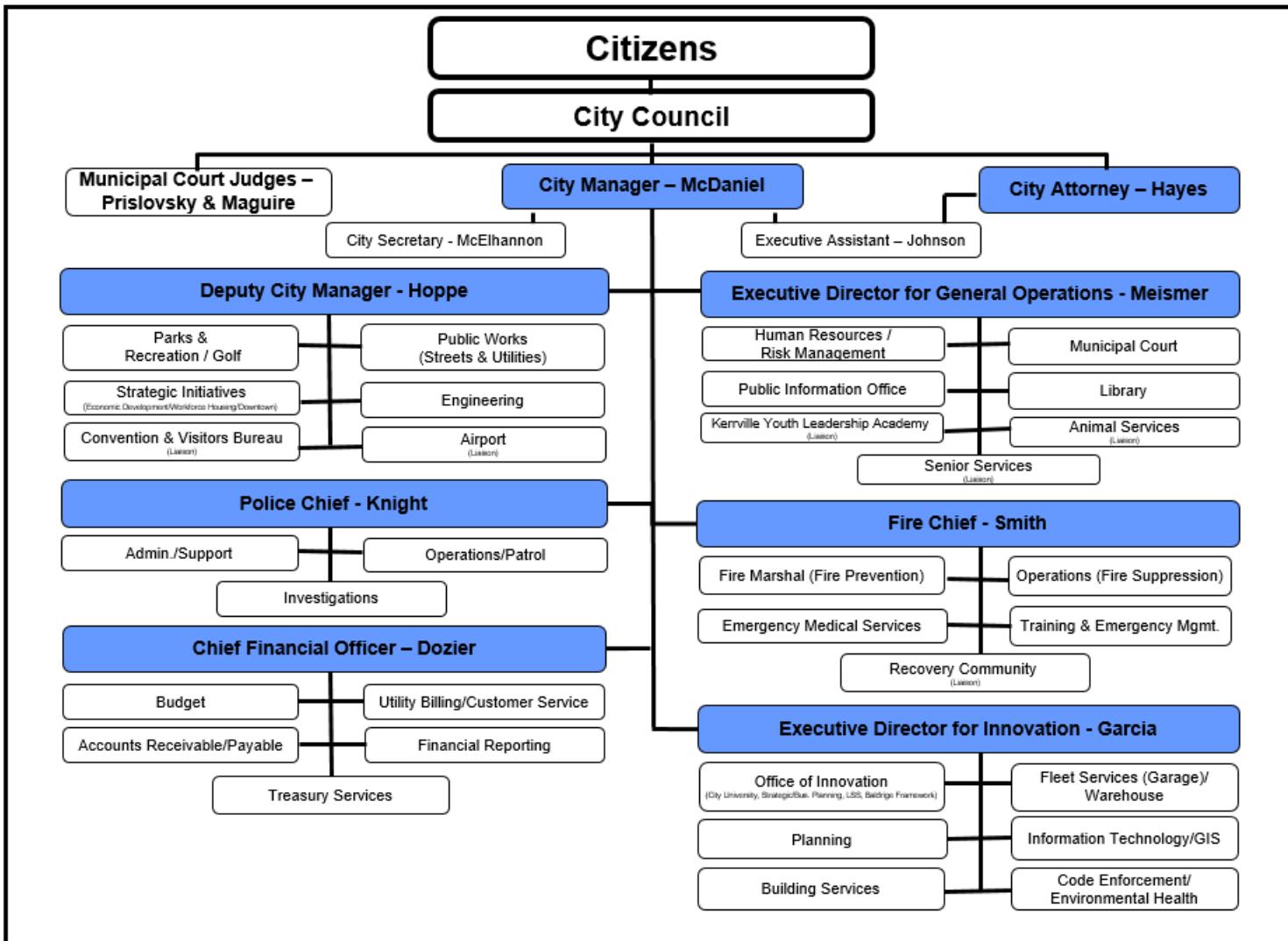
Christopher P. Monell

Executive Director/CEO



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City of Kerrville, Texas
Organization Chart
Year Ended September 30, 2020





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City of Kerrville, Texas
List of Principal Officials
Year Ended September 30, 2020

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
-------------	-----------------	------------------------

Elected Officials

Bill Blackburn	Mayor	Nov 2020
Gary Cochrane	Place 1	May 2021
Kim Clarkson	Place 2	May 2021
Judy Eychner	Place 3, Mayor Pro Tem	Nov 2020
Delayne Sigerman	Place 4	Nov 2020

Appointed Officials

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



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Financial Section



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Independent Auditor's Report

The Honorable Mayor and City Council
City of Kerrville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Kerrville, Texas (City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kerrville-Kerr County Airport Board, a joint venture between the City of Kerrville and Kerr County, which statements reflect total net position of \$16,936,466 of which 50% (\$8,468,233) is recorded in the statement of net position and represents 6.0% of the governmental activities total assets. We also did not audit the financial statements of Kerrville Public Utility Board (KPUB), a discretely presented component unit, which represents approximately 95%, 94% and 90%, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included as equity in joint venture and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of KPUB were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory information, combining statements, budgetary comparison schedules, financial statements of the Economic Improvement Corporation and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory information and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
February 23, 2021



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Introduction

As management of the City of Kerrville, Texas (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. 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 – 6 of this report.

Financial Highlights

Government-wide

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the 2020 fiscal year by \$146,887,172. Of this amount, \$29,994,580 (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 2020, the City's total net position increased by \$4,567,088 or 3.2%. The net position of business-type activities increased by \$1,400,061 or 2.8%. The net position of governmental activities increased by \$3,167,027 or 3.4%.
- Total expenses of all the City's programs were \$48,011,053 in 2020 as compared to \$54,930,990 in 2019.

Fund Statements

- As of September 30, 2020, the City's governmental funds reported combined ending fund balances of \$35,721,380. Of this total amount, \$9,281,477 or approximately 26.0%, 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 \$9,281,477 or 34.9% 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.

Government-wide Financial Statements

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

The government-wide financial statements can be found on pages 21 – 23 of this report.

Fund Financial Statements

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

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

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 13 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 11 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 24 – 27 of this report.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two enterprise funds. The City uses enterprise funds to account for its water and wastewater services, and the City's public golf course.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for an automotive maintenance facility and employees' health insurance services. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 28 – 31 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 34 – 67 of this report.

Comparative Financial Information

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$146,887,172 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (77.6%) reflects its investment in capital assets (e.g., land, buildings, infrastructure and system improvements), less any related debt used to acquire those assets that is outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay these liabilities.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 48,464,104	\$ 46,308,467	\$ 15,574,947	\$ 21,274,328	\$ 64,039,051	\$ 67,582,795
Capital assets	<u>86,982,469</u>	<u>86,828,807</u>	<u>88,738,978</u>	<u>84,507,506</u>	<u>175,721,447</u>	<u>171,336,313</u>
Total assets	<u>135,446,573</u>	<u>133,137,274</u>	<u>104,313,925</u>	<u>105,781,834</u>	<u>239,760,498</u>	<u>238,919,108</u>
Deferred outflows of resources	<u>2,018,914</u>	<u>5,066,351</u>	<u>556,388</u>	<u>1,220,171</u>	<u>2,575,302</u>	<u>6,286,522</u>
Long-term liabilities	<u>36,327,575</u>	<u>41,306,972</u>	<u>50,517,336</u>	<u>51,178,621</u>	<u>86,844,911</u>	<u>92,485,593</u>
Other liabilities	<u>3,336,547</u>	<u>4,319,597</u>	<u>2,499,439</u>	<u>5,791,098</u>	<u>5,835,986</u>	<u>10,110,695</u>
Total liabilities	<u>39,664,122</u>	<u>45,626,569</u>	<u>53,016,775</u>	<u>56,969,719</u>	<u>92,680,897</u>	<u>102,596,288</u>
Deferred inflows of resources	<u>2,297,218</u>	<u>239,936</u>	<u>470,513</u>	<u>49,322</u>	<u>2,767,731</u>	<u>289,258</u>
Net position						
Net investment in capital assets	67,069,890	67,740,741	46,865,902	45,521,130	113,935,792	113,261,871
Restricted for debt service	1,176,035	1,243,043	1,780,765	1,743,520	2,956,800	2,986,563
Unrestricted	<u>27,258,222</u>	<u>23,353,336</u>	<u>2,736,358</u>	<u>2,718,314</u>	<u>29,994,580</u>	<u>26,071,650</u>
Total net position	<u>\$ 95,504,147</u>	<u>\$ 92,337,120</u>	<u>\$ 51,383,025</u>	<u>\$ 49,982,964</u>	<u>\$ 146,887,172</u>	<u>\$ 142,320,084</u>

During 2020, business-type activities saw a decrease in current and other assets that was substantially offset by an increase in capital assets as cash was used to for the construction of large water and wastewater system capital projects. Long-term liabilities for both governmental and business-type activities decreased due primarily to a decrease in the pension liability due to strong investment results in 2019. In addition, in governmental activities, the City's landfill liability related to post closure costs decreased due to the approval of a permit expansion in fiscal year 2020 that substantially increases the expected life of the landfill due to expanded capacity.

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 the liability changes noted above in addition to increased revenues due to the contribution of a library endowment trust, a contribution from the Kerrville Independent School District to extend a road and utilities to a new middle school campus and CARES Act funding.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue						
Program revenue						
Charges for services	\$ 7,011,875	\$ 6,683,930	\$ 13,859,625	\$ 12,636,102	\$ 20,871,500	\$ 19,320,032
Operating grants and contributions	2,627,054	862,680	-	-	2,627,054	862,680
Capital grants and contributions	4,527,469	3,462,693	1,000,000	1,000,000	5,527,469	4,462,693
General revenue						
Property tax	11,587,087	11,073,307	-	-	11,587,087	11,073,307
Sales tax	7,825,534	7,297,167	-	-	7,825,534	7,297,167
Hotel occupancy tax	1,173,973	1,415,761	-	-	1,173,973	1,415,761
Franchise tax	1,851,256	1,943,378	-	-	1,851,256	1,943,378
Alcoholic beverage tax	98,861	112,508	-	-	98,861	112,508
Investment earnings	567,470	618,479	176,974	444,824	744,444	1,063,303
Miscellaneous revenue	264,625	266,755	6,338	5,119	270,963	271,874
Total revenue	<u>37,535,204</u>	<u>33,736,658</u>	<u>15,042,937</u>	<u>14,086,045</u>	<u>52,578,141</u>	<u>47,822,703</u>
Expenses						
General government	\$ 7,854,943	\$ 7,900,898	-	-	7,854,943	7,900,898
Public safety	14,995,589	14,984,076	-	-	14,995,589	14,984,076
Cultural and recreation	5,743,205	5,242,653	-	-	5,743,205	5,242,653
Public works	7,119,537	11,660,777	-	-	7,119,537	11,660,777
Interest on long-term debt	738,863	633,074	-	-	738,863	633,074
Water and sewer operations	-	-	10,514,155	13,401,647	10,514,155	13,401,647
Golf course	-	-	1,044,761	1,107,865	1,044,761	1,107,865
Total expenses	<u>36,452,137</u>	<u>40,421,478</u>	<u>11,558,916</u>	<u>14,509,512</u>	<u>48,011,053</u>	<u>54,930,990</u>
Excess (deficiencies) before transfers	1,083,067	(6,684,820)	3,484,021	(423,467)	4,567,088	(7,108,287)
Transfers	<u>2,083,960</u>	<u>2,006,063</u>	<u>(2,083,960)</u>	<u>(2,006,063)</u>	<u>-</u>	<u>-</u>
Changes in Net Position	3,167,027	(4,678,757)	1,400,061	(2,429,530)	4,567,088	(7,108,287)
Net Position, Beginning of Year	92,337,120	97,015,877	49,982,964	52,412,494	142,320,084	149,428,371
Net Position, End of Year	\$ 95,504,147	\$ 92,337,120	\$ 51,383,025	\$ 49,982,964	\$ 146,887,172	\$ 142,320,084

Overall Financial Position and Results of Operations

Governmental Activities

The City's net position from governmental activities increased by \$3,167,027. In fiscal year 2020, revenues increased by \$3,798,546 due to increases in multiple revenue categories. A library endowment trust was donated to the City. The Kerrville Independent School District made a contribution to extend a road and utilities around a new middle school. The City received CARES Act funding and recurring revenues such as property tax and sales tax increased. Expenses in governmental funds decreased by \$4,969,341 due to a combination of factors. The annual landfill liability accrual was reduced following a permit expansion that substantially increased the expected life of the landfill. Depreciation expense decreased following a change in accounting estimate in fiscal year 2019 and pension expense decreased due to strong investment performance in 2019.

Business-type Activities

The City's net position from business-type activities increased by \$1,400,061 due to a combination of increased revenues and decreased expenses. Revenues increased due to water and sewer rate changes and less rainfall in fiscal year 2020. Expenses decreased compared to fiscal year 2019 because fiscal year 2019 contained unusual items for large maintenance projects and an asset disposal that did not recur in fiscal year 2020.

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 \$35,721,381, an increase of \$1,040,239 in comparison with the prior year. Approximately 26.0% of total fund balance or \$9,281,477 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has been committed for restricted purposes (debt service, capital projects).

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 \$9,281,477. 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 34.9% or over three months of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$2,242,370 during the current fiscal year. Key factors are as follows:

- Increases in the City's two largest revenue sources, property tax and sales tax.
- A library endowment trust fund contribution of \$1,248,489.

The Governmental IP Fund's fund balance decreased by \$965,574 in fiscal year 2020 due primarily to capital outlay expenditures for projects to extend River Trail, renovate the City-owned tennis center and construct an extension to Olympic Drive.

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 \$2,736,358 with unrestricted net position of the Water Fund at the end of the year amounting to \$2,976,009.

Overall, the Water Fund's net position increased from operations by \$1,495,925. The increase is due to a combination of increased revenues and decreased expenses. Revenues increased due to rate changes and less rainfall compared to the prior year. Expenses decreased compared to the prior year because fiscal year 2019 contained unusual expenses related to large maintenance projects and an asset disposal.

General Fund Budgetary Analysis

In fiscal year 2020, the fund balance increased by \$2,242,370, which is \$5,481,110 better than budgeted. This is due to higher than anticipated revenues combined with lower than anticipated expenditures.

Actual revenues exceeded budget by \$1,104,010, primarily due to a library endowment trust fund contribution.

Actual expenditures were \$4,307,606 less than budget due primarily to budget cuts made in anticipation of COVID-19 related revenue shortfalls and expenses for patrol officers that were paid in the grant fund with CARES Act funding.

Capital Asset and Long-term Debt Administration

Major Capital Additions

In 2020, construction in progress increased due to projects to extend River Trail, renovate the tennis center, extend Olympic Drive, build a new lift station and construct a new water filtration system.

Capital Assets

As of September 30, 2020, total capital assets of the City's governmental and business-type amount to \$175,721,447 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and system improvements (including streets and drainage infrastructure) and machinery and equipment.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 7,535,757	\$ 7,535,757	\$ 488,831	\$ 488,831	\$ 8,024,588	\$ 8,024,588
Construction in progress	3,295,236	990,746	11,334,900	4,461,263	14,630,136	5,452,009
Streets	25,446,610	28,860,706	24,696	-	25,471,306	28,860,706
Buildings	12,191,849	12,725,251	2,725,286	2,837,362	14,917,135	15,562,613
Improvements other than buildings	33,439,576	32,146,616	72,935,409	75,432,058	106,374,985	107,578,674
Vehicles	3,186,166	2,846,858	258,482	353,962	3,444,648	3,200,820
Machinery and equipment	1,469,060	1,448,935	925,343	913,043	2,394,403	2,361,978
Office equipment	418,215	273,938	46,031	20,987	464,246	294,925
Total	\$ 86,982,469	\$ 86,828,807	\$ 88,738,978	\$ 84,507,506	\$ 175,721,447	\$ 171,336,313

Additional information on the City's capital assets can be found in Note 4 on pages 45 – 47 of this report.

Long-term Debt

At the end of the current fiscal year, the City has total governmental activities net bonded debt outstanding of \$27,086,251, which the City expects to retire through the Debt Service Fund. The City also has business activity net bonded debt outstanding of \$41,637,967 at September 30, 2020. The City's net bonded debt decreased by \$5,113,644. The decrease was due to scheduled principal payments as well as a refunding of debt issued in 2011.

The City's financial policies limit Water Fund debt service to no more than 35% of total water and sewer revenues. The City's debt service remained below that level in fiscal year 2020 and the City intends to comply with that policy with any future debt issuances.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Gross Bonded Debt						
General obligation	\$ 6,730,000	\$ 5,220,000	\$ 8,285,000	\$ 9,830,000	\$ 15,015,000	\$ 15,050,000
Certificates of obligation	<u>19,005,000</u>	<u>22,580,000</u>	<u>32,460,000</u>	<u>33,845,000</u>	<u>51,465,000</u>	<u>56,425,000</u>
Total bonded debt	25,735,000	27,800,000	40,745,000	43,675,000	66,480,000	71,475,000
Bond premium/discount	<u>1,351,251</u>	<u>1,307,685</u>	<u>892,967</u>	<u>1,055,177</u>	<u>2,244,218</u>	<u>2,362,862</u>
Net bonded debt	<u>27,086,251</u>	<u>29,107,685</u>	<u>41,637,967</u>	<u>44,730,177</u>	<u>68,724,218</u>	<u>73,837,862</u>
Other Long-term Debt						
Cailloux Foundation promissory note	-	-	-	-	-	-
Kerrville Public Utility Board note	1,000,000	-	7,500,000	7,500,000	8,500,000	7,500,000
State infrastructure bank loan	-	-	-	-	-	-
Compensated absences	1,121,930	1,003,698	222,253	201,089	1,344,183	1,204,787
Net pension liability	4,532,986	8,962,473	928,447	1,835,690	5,461,433	10,798,163
Total OPEB liability	1,116,437	941,248	228,669	192,787	1,345,106	1,134,035
Landfill closure and post-closure costs	<u>1,469,971</u>	<u>3,584,670</u>	-	-	<u>1,469,971</u>	<u>3,584,670</u>
Total	<u>\$ 36,327,575</u>	<u>\$ 43,599,774</u>	<u>\$ 50,517,336</u>	<u>\$ 54,459,743</u>	<u>\$ 86,844,911</u>	<u>\$ 98,059,517</u>

Additional information on the City's long-term debt can be found in Note 6 on pages 50 – 52 of this report.

The City's ten-year Community Investment Plan identified almost \$48 million of capital improvements in the next 10 years. The City plans to use a combination of debt, cash and grant/donation funding to pay for the projects. In September 2020, Standard & Poor's confirmed the City's general obligation bond rating of an AA.

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 \$0.5116 per \$100 of assessed value for fiscal year 2021, which is a decrease from \$0.5400 in fiscal year 2020. Due to growth and increased valuations, property tax revenue is expected to increase approximately 3% compared to fiscal year 2020.

Despite the global pandemic, sales tax revenue in fiscal year 2020 was 7.2% higher than in fiscal year 2019. The City conservatively budgeted a 6% decrease in sales tax revenue for fiscal year 2021 due to concerns about recession. To date, however, the City continues to see sales tax revenue increases led by strong regional retail, online and manufacturing performance.

Water and sewer rates remain unchanged for fiscal year 2021. Due to growth, the City expects revenues to be up very slightly compared to fiscal year 2020.

Hotel occupancy tax revenue in fiscal year 2020 was \$1,173,973, down 17% compared to the prior year due to COVID-19. Fiscal year 2021 is budgeted to be better than fiscal year 2020, but not expected to return to 2019 levels.

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, City of Kerrville, 701 Main Street, Kerrville, Texas 78028, or you may call (830) 258-1121.



Basic Financial Statements



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City of Kerrville, Texas
Statement of Net Position
September 30, 2020

Exhibit A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 4,810,466	\$ 1,806,590	\$ 6,617,056	\$ 2,993,280
Investments	4,296,753	1,613,662	5,910,415	15,044,022
Receivables (net of allowances for uncollectibles)				
Taxes	424,707	-	424,707	-
Accounts	778,166	1,628,313	2,406,479	4,636,710
Due from other governments	2,669,386	-	2,669,386	687,746
Internal balances	57,579	(57,579)	-	-
Inventories	33,933	472,216	506,149	1,011,261
Restricted assets				
Cash and cash equivalents	16,125,182	6,055,875	22,181,057	-
Investments	10,799,699	4,055,870	14,855,569	4,481,508
Equity in joint venture	8,468,233	-	8,468,233	-
Advance to the City of Kerrville	-	-	-	8,500,000
Capital assets (net of accumulated depreciation, where applicable)				
Depreciable	76,151,476	76,915,247	153,066,723	5,778,135
Non-depreciable	10,830,993	11,823,731	22,654,724	42,992,544
Total assets	<u>135,446,573</u>	<u>104,313,925</u>	<u>239,760,498</u>	<u>86,125,206</u>
Deferred Outflows of Resources				
Deferred outflows – pensions	1,683,285	344,771	2,028,056	1,926,012
Deferred outflows – OPEB	211,010	43,220	254,230	46,438
Deferred outflows – loss on refunding	124,619	168,397	293,016	-
Total deferred outflows of resources	<u>2,018,914</u>	<u>556,388</u>	<u>2,575,302</u>	<u>1,972,450</u>
Liabilities				
Accounts payable and accrued liabilities	3,327,997	1,052,602	4,380,599	5,428,356
Customer deposits	8,550	140,251	148,801	534,840
Unearned revenue	-	1,306,586	1,306,586	-
Noncurrent liabilities				
Due within one year				
Bonds and notes payable	1,880,000	3,027,210	4,907,210	401,000
Compensated absences	608,377	153,314	761,691	-
Due in more than one year				
Bonds and notes payable	25,206,251	46,110,757	71,317,008	3,680,000
Note payable to KPUB	1,000,000	-	1,000,000	-
Net pension liability	4,532,986	928,447	5,461,433	1,150,256
Total OPEB liability	1,116,437	228,669	1,345,106	295,219
Compensated absences	513,553	68,939	582,492	-
Landfill closure and post-closure costs	1,469,971	-	1,469,971	-
Total liabilities	<u>39,664,122</u>	<u>53,016,775</u>	<u>92,680,897</u>	<u>11,489,671</u>
Deferred Inflows of Resources				
Deferred inflows – pensions	2,207,013	452,038	2,659,051	2,530,105
Deferred inflows – OPEB	90,205	18,475	108,680	10,711
Total deferred inflows of resources	<u>2,297,218</u>	<u>470,513</u>	<u>2,767,731</u>	<u>2,540,816</u>
Net Position				
Net investment in capital assets	67,069,890	46,865,902	113,935,792	44,689,679
Restricted for				
Debt service	1,176,035	1,780,765	2,956,800	367,619
Unrestricted	27,258,221	2,736,358	29,994,579	29,009,871
Total net position	<u>\$ 95,504,146</u>	<u>\$ 51,383,025</u>	<u>\$ 146,887,171</u>	<u>\$ 74,067,169</u>

City of Kerrville, Texas
Statement of Activities
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities					
General government	\$ 7,854,943	\$ 207,323	\$ -	\$ -	
Public safety	14,970,589	4,124,682	1,445,857	55,712	
Culture and recreation	5,743,205	678,273	1,156,197	2,464,433	
Public works	7,144,537	2,001,597	25,000	2,007,324	
Interest on long-term debt	<u>738,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total expenses	<u>36,452,137</u>	<u>7,011,875</u>	<u>2,627,054</u>	<u>4,527,469</u>	
Business-type Activities					
Water	10,514,155	12,997,143	-	1,000,000	
Golf course	<u>1,044,761</u>	<u>862,482</u>	<u>-</u>	<u>-</u>	
Total business-type activities	<u>11,558,916</u>	<u>13,859,625</u>	<u>-</u>	<u>1,000,000</u>	
Total primary government	<u>\$ 48,011,053</u>	<u>\$ 20,871,500</u>	<u>\$ 2,627,054</u>	<u>\$ 5,527,469</u>	
Component Units					
Economic Improvement Corporation	\$ 6,376,165	\$ -	\$ 1,000,000	\$ -	
Kerrville Public Utility Board	<u>40,424,572</u>	<u>41,672,978</u>	<u>-</u>	<u>279,482</u>	
Total component units	<u>\$ 46,800,737</u>	<u>\$ 41,672,978</u>	<u>\$ 1,000,000</u>	<u>\$ 279,482</u>	

General Revenues

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

Transfers

Total general revenues and transfers

Change in net position

Net Position, Beginning of Year

Net Position, End of Year

Exhibit A-2

Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (7,647,620)	\$ -	\$ (7,647,620)	
(9,344,338)	-	(9,344,338)	
(1,444,302)	-	(1,444,302)	
(3,110,616)	-	(3,110,616)	
<u>(738,863)</u>	<u>-</u>	<u>(738,863)</u>	
<u>(22,285,739)</u>	<u>-</u>	<u>(22,285,739)</u>	
-	3,482,988	3,482,988	
<u>-</u>	<u>(182,279)</u>	<u>(182,279)</u>	
<u>-</u>	<u>3,300,709</u>	<u>3,300,709</u>	
<u>(22,285,739)</u>	<u>3,300,709</u>	<u>(18,985,030)</u>	
		\$ (5,376,165)	
		<u>1,527,888</u>	
		<u>(3,848,277)</u>	
11,587,087	-	11,587,087	-
7,825,534	-	7,825,534	3,912,347
1,173,973	-	1,173,973	-
1,851,256	-	1,851,256	-
98,861	-	98,861	-
567,469	176,974	744,443	394,250
264,625	6,338	270,963	4,576
<u>2,083,960</u>	<u>(2,083,960)</u>	<u>-</u>	
<u>25,452,765</u>	<u>(1,900,648)</u>	<u>23,552,117</u>	<u>4,311,173</u>
3,167,026	1,400,061	4,567,087	462,896
<u>92,337,120</u>	<u>49,982,964</u>	<u>142,320,084</u>	<u>73,604,273</u>
<u>\$ 95,504,146</u>	<u>\$ 51,383,025</u>	<u>\$ 146,887,171</u>	<u>\$ 74,067,169</u>

City of Kerrville, Texas
Balance Sheet – Governmental Funds
September 30, 2020

Exhibit A-3

	General Fund	Governmental IP Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 8,229,496	\$ 7,934,083	\$ 4,563,071	\$ 20,726,650
Investments	6,440,022	7,086,899	1,382,849	14,909,770
Receivables, net				
Taxes	355,217	-	69,490	424,707
Accounts	778,166	-	-	778,166
Due from other funds	1,125,120	-	-	1,125,120
Due from other governments	1,577,887	-	1,091,499	2,669,386
Inventories	12,394	-	-	12,394
Total assets	<u>\$ 18,518,302</u>	<u>\$ 15,020,982</u>	<u>\$ 7,106,909</u>	<u>\$ 40,646,193</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,307,790	\$ 1,820,990	\$ 68,155	\$ 3,196,935
Due to other funds	-	-	1,062,783	1,062,783
Customer deposits	8,550	-	-	8,550
Total liabilities	<u>1,316,340</u>	<u>1,820,990</u>	<u>1,130,938</u>	<u>4,268,268</u>
Deferred Inflows of Resources				
Unavailable revenue	604,820	-	51,724	656,544
Fund Balances				
Nonspendable	12,394	-	-	12,394
Restricted				
Landfill	3,137,160	-	-	3,137,160
Debt service	-	-	1,176,035	1,176,035
Tourism	-	-	1,347,046	1,347,046
Grants	-	-	3,117	3,117
Library	1,287,593	-	-	1,287,593
Cailloux Theater	662,707	-	-	662,707
Police	-	-	112,142	112,142
PEG	-	-	66,426	66,426
Municipal court	-	-	107,134	107,134
TIRZ	-	-	22,914	22,914
Committed				
Park improvements	-	-	129,218	129,218
History center	-	-	219,905	219,905
Library	-	-	2,740,309	2,740,309
Insurance reserve	160,974	-	-	160,974
Capital improvements	2,054,837	13,199,992	-	15,254,829
Unassigned	<u>9,281,477</u>	<u>-</u>	<u>-</u>	<u>9,281,477</u>
Total fund balances	<u>16,597,142</u>	<u>13,199,992</u>	<u>5,924,246</u>	<u>35,721,380</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,518,302</u>	<u>\$ 15,020,982</u>	<u>\$ 7,106,908</u>	<u>\$ 40,646,192</u>

City of Kerrville, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2020

Exhibit A-4

Total fund balances – governmental funds balance sheet	\$ 35,721,380
Amounts reported for governmental activities in the statement of net position are different because	
Receivable balances unavailable to pay for current period expenditures are unavailable in the funds. Unavailable revenues at year-end consist of:	
Property taxes	389,309
Ambulance fees	244,648
Court fines	<u>22,587</u>
	656,544
Capital assets used in governmental activities, excluding the internal service funds, are not reported in the funds.	
	86,964,901
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	
	329,418
The equity in a joint venture is not reported in the funds.	
	8,468,233
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end, excluding internal service funds, consist of:	
Deferred outflows - pensions	1,663,007
Deferred outflows - OPEB	208,469
Deferred outflows - loss on refunding	124,619
Deferred inflows - pensions	(2,180,423)
Deferred inflows - OPEB	<u>(89,118)</u>
	(273,446)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.	
Long-term liabilities, excluding internal service funds, at year-end consist of:	
Principal outstanding	(26,735,000)
Bond premiums	(1,351,251)
Land closure/post-closure costs	(1,469,971)
Net pension liability	(4,478,374)
Total OPEB liability	(1,102,987)
Compensated absences	<u>(1,106,859)</u>
	(36,244,442)
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	
	<u>(118,442)</u>
Net position of governmental activities	<u><u>\$ 95,504,146</u></u>

City of Kerrville, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2020

Exhibit A-5

	General Fund	Governmental IP Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes and penalties	\$ 19,699,578	\$ -	\$ 2,837,133	\$ 22,536,711
Licenses and permits	946,315	-	15,126	961,441
Intergovernmental	1,457,455	3,057,324	2,762,275	7,277,054
Charges for services	4,301,930	-	44,819	4,346,749
Grants	1,308,931	-	-	1,308,931
Fines and forfeitures	286,338	-	20,309	306,647
Investment income	280,286	200,639	86,544	567,469
Miscellaneous	375,514	67,228	16,596	459,338
 Total revenues	 28,656,347	 3,325,191	 5,782,802	 37,764,340
Expenditures				
Current				
General government	5,265,667	230,435	1,046,378	6,542,480
Public safety	12,604,078	1,654	1,373,754	13,979,486
Culture and recreation	3,401,299	-	1,591,187	4,992,486
Public works	3,873,613	123,530	25,000	4,022,143
Capital outlay	1,441,493	5,921,281	171,380	7,534,154
Debt service				
Principal	-	-	1,915,000	1,915,000
Interest	-	-	851,628	851,628
 Total expenditures	 26,586,150	 6,276,900	 6,974,327	 39,837,377
 Excess (deficiency) of revenues over (under) expenditures	 2,070,197	 (2,951,709)	 (1,191,525)	 (2,073,037)
Other Financing Sources (Uses)				
Proceeds from issuance of long-term debt	-	-	3,285,000	3,285,000
Premium on issuance of debt	-	-	248,548	248,548
Payment to the refunded bond escrow agent	-	-	(2,435,000)	(2,435,000)
Bond issuance cost	-	-	(69,233)	(69,233)
Transfers in	2,344,998	2,102,825	80,030	4,527,853
Transfers out	(2,172,825)	(116,690)	(154,378)	(2,443,893)
 Net other financing sources (uses)	 172,173	 1,986,135	 954,967	 3,113,275
Net Change in Fund Balances	2,242,370	(965,574)	(236,558)	1,040,238
Fund Balances, Beginning of Year	14,354,772	14,165,566	6,160,804	34,681,142
Fund Balances, End of Year	\$ 16,597,142	\$ 13,199,992	\$ 5,924,246	\$ 35,721,380

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, 2020

Exhibit A-6

Net change in fund balances – total governmental funds	\$ 1,040,238
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	7,534,154
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(7,315,459)
The issuance of long-term debt (bonds and related premium and capital leases) provides current financial resources to governmental funds, but has no effect on net position.	(3,533,548)
Current year payments on long-term debt are reported as debt service in the governmental funds but are a reduction of the associated liability on the statement of net position.	4,350,000
Current year changes in joint venture equity are not reported in the governmental fund statements.	(194,713)
Amortization of bond premiums and effect of losses on refundings is reported in the statement of activities but is not recognized in the governmental funds.	204,982
Current year change in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(114,239)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(22,984)
Current year pension & OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.	(840,175)
Current year changes in landfill post-closure costs do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	2,114,699
Internal service funds are used by management to share the costs of certain activities including self-insurance and fleet maintenance to individual funds. This is a net loss for the year.	56,461
In the governmental fund financial statements the the effect of net book value of disposed assets is not shown. This value represents the net book value loss on disposal of capital assets.	(79,468)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.	(32,922)
Change in net position of governmental activities	<u><u>\$ 3,167,026</u></u>

City of Kerrville, Texas
Statement of Net Position – Proprietary Funds
September 30, 2020

	Business-type Activities – Enterprise Funds			Governmental	
	Water Fund	Nonmajor Golf Course Fund	Total Enterprise Funds	Activities Internal Service Funds	
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,733,970	\$ 72,620	\$ 1,806,590	\$ 208,998	
Investments	1,613,662	-	1,613,662	186,682	
Receivables (net of allowances for uncollectibles)	1,628,313	-	1,628,313	-	
Inventories	436,489	35,727	472,216	21,539	
Total current assets	<u>5,412,434</u>	<u>108,347</u>	<u>5,520,781</u>	<u>417,219</u>	
Noncurrent Assets					
Restricted assets					
Cash and cash equivalents	6,055,875	-	6,055,875	-	
Investments	4,055,870	-	4,055,870	-	
Total restricted assets	<u>10,111,745</u>	<u>-</u>	<u>10,111,745</u>	<u>-</u>	
Capital assets					
Land	488,831	-	488,831	-	
Buildings	3,803,928	374,668	4,178,596	159,000	
Improvements other than buildings	111,765,551	2,488,855	114,254,406	-	
Vehicles	1,522,108	10,360	1,532,468	18,056	
Machinery and equipment	3,515,983	276,682	3,792,665	56,664	
Office equipment	167,302	-	167,302	-	
Construction in progress	11,334,900	-	11,334,900	-	
Accumulated depreciation	(44,875,935)	(2,134,255)	(47,010,190)	(216,152)	
Net capital assets	<u>87,722,668</u>	<u>1,016,310</u>	<u>88,738,978</u>	<u>17,568</u>	
Total noncurrent assets	<u>97,834,413</u>	<u>1,016,310</u>	<u>98,850,723</u>	<u>17,568</u>	
Total assets	<u>103,246,847</u>	<u>1,124,657</u>	<u>104,371,504</u>	<u>434,787</u>	
Deferred Outflows of Resources					
Deferred outflows - pension	283,929	60,842	344,771	20,278	
Deferred outflows - OPEB	35,592	7,628	43,220	2,541	
Deferred charges for refunding	168,397	-	168,397	-	
Total deferred outflows of resources	<u>\$ 487,918</u>	<u>\$ 68,470</u>	<u>\$ 556,388</u>	<u>\$ 22,819</u>	

Exhibit A-7

	Business-type Activities – Enterprise Funds			Governmental Activities
	Water Fund	Nonmajor Golf Course Fund	Total Enterprise Funds	Internal Service Funds
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 1,007,488	45,114	\$ 1,052,602	\$ 12,620
Unearned revenue	1,266,436	40,150	1,306,586	-
Compensated absences – current	117,774	35,540	153,314	-
Due to other funds	49,145	8,434	57,579	4,758
Customer deposits	140,251	-	140,251	-
Bonds and notes – current	3,027,210	-	3,027,210	-
Total current liabilities	<u>5,608,304</u>	<u>129,238</u>	<u>5,737,542</u>	<u>17,378</u>
Noncurrent Liabilities				
Net pension liability	764,602	163,845	928,447	54,612
Total OPEB liability	188,315	40,354	228,669	13,450
Bonds and notes – noncurrent	46,110,757	-	46,110,757	-
Compensated absences – noncurrent	68,939	-	68,939	15,071
Total noncurrent liabilities	<u>47,132,613</u>	<u>204,199</u>	<u>47,336,812</u>	<u>83,133</u>
Total liabilities	<u>52,740,917</u>	<u>333,437</u>	<u>53,074,354</u>	<u>100,511</u>
Deferred Inflows of Resources				
Deferred inflows - pension	372,267	79,771	452,038	26,590
Deferred inflows - OPEB	<u>15,215</u>	<u>3,260</u>	<u>18,475</u>	<u>1,087</u>
Total deferred inflows of resources	<u>387,482</u>	<u>83,031</u>	<u>470,513</u>	<u>27,677</u>
Net Position				
Net investment in capital assets	45,849,592	1,016,310	46,865,902	17,568
Restricted for debt service	1,780,765	-	1,780,765	-
Unrestricted	2,976,009	(239,651)	2,736,358	311,850
Total net position	<u>\$ 50,606,366</u>	<u>\$ 776,659</u>	<u>\$ 51,383,025</u>	<u>\$ 329,418</u>

City of Kerrville, Texas
Statement of Revenues, Expenses and Changes
in Net Position – Proprietary Funds
Year Ended September 30, 2020

Exhibit A-8

	Business-type Activities – Enterprise Funds			Governmental Activities Internal Service Funds
	Water Fund	Nonmajor Golf Course Fund	Total Enterprise Funds	
Operating Revenues				
Charges for services	\$ 12,650,578	\$ 862,482	\$ 13,513,060	\$ 3,557,592
Other charges	346,565	-	346,565	-
	<u>12,997,143</u>	<u>862,482</u>	<u>13,859,625</u>	<u>3,557,592</u>
Operating Expenses				
Personnel services	3,505,060	524,217	4,029,277	329,276
Repairs and maintenance	1,108,469	65,022	1,173,491	3,880
Supplies and materials	598,642	166,534	765,176	20,724
Utilities	635,059	67,755	702,814	4,587
Depreciation	3,057,969	69,982	3,127,951	3,343
General administration	439,838	151,251	591,089	7,570
Premiums and other charges	-	-	-	3,131,751
	<u>9,345,037</u>	<u>1,044,761</u>	<u>10,389,798</u>	<u>3,501,131</u>
Operating income (loss)	<u>3,652,106</u>	<u>(182,279)</u>	<u>3,469,827</u>	<u>56,461</u>
Nonoperating Revenues (Expenses)				
Investment income	176,897	77	176,974	-
Loss on disposal of assets	-	-	-	-
Miscellaneous revenue	-	6,338	6,338	-
Interest expense	(1,169,118)	-	(1,169,118)	-
	<u>(992,221)</u>	<u>6,415</u>	<u>(985,806)</u>	<u>-</u>
Net income (loss) before contributions and transfers	<u>2,659,885</u>	<u>(175,864)</u>	<u>2,484,021</u>	<u>56,461</u>
Capital Contributions and Transfers				
Capital contributions	1,000,000	-	1,000,000	-
Transfers in	-	80,000	80,000	-
Transfers out	(2,163,960)	-	(2,163,960)	-
	<u>(1,163,960)</u>	<u>80,000</u>	<u>(1,083,960)</u>	<u>-</u>
Change in Net Position	<u>1,495,925</u>	<u>(95,864)</u>	<u>1,400,061</u>	<u>56,461</u>
Net Position, Beginning of Year	<u>49,110,441</u>	<u>872,523</u>	<u>49,982,964</u>	<u>272,957</u>
Net Position, End of Year	<u>\$ 50,606,366</u>	<u>\$ 776,659</u>	<u>\$ 51,383,025</u>	<u>\$ 329,418</u>

City of Kerrville, Texas
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2020

Exhibit A-9

	Business-Type Activities – Enterprise Funds			Governmental Activities
	Water Fund	Nonmajor Golf Course Fund	Total Enterprise Funds	Internal Service Funds
Operating Activities				
Cash received from customers	\$ 12,505,080	\$ 854,729	\$ 13,359,809	\$ 3,557,592
Cash payments to employees	(3,339,290)	(494,642)	(3,833,932)	(315,037)
Cash payments to other suppliers for goods and services	(3,310,118)	(412,591)	(3,722,709)	(3,162,950)
Other operating activities	873,543	-	873,543	-
Net cash provided by (used in) operating activities	6,729,215	(52,504)	6,676,711	79,605
Noncapital Financing Activities				
Transfers from other funds	-	77,189	77,189	-
Transfers to other funds	(2,163,960)	-	(2,163,960)	-
Proceeds from other nonoperating revenues	-	6,337	6,337	-
Net cash provided by (used in) noncapital financing activities	(2,163,960)	83,526	(2,080,434)	-
Capital and Related Financing Activities				
Capital contributions	1,000,000	-	1,000,000	-
Proceeds from issuance of debt	-	-	-	-
Principal and interest paid	(4,221,896)	-	(4,221,896)	-
Acquisition or construction of capital assets	(7,359,422)	-	(7,359,422)	(16,276)
Net cash provided by capital and related financing activities	(10,581,318)	-	(10,581,318)	(16,276)
Investing Activities				
Investment income	176,897	77	176,974	(7,578)
Sale of investments	-	-	-	(62,781)
Purchase of investments	(1,805,106)	-	(1,805,106)	-
Net cash provided by investing activities	(1,628,209)	77	(1,628,132)	(70,359)
Net Increase (Decrease) in Cash and Cash Equivalents	(7,644,272)	31,099	(7,613,173)	(7,030)
Cash and Cash Equivalents, Beginning of Year	15,434,117	41,521	15,475,638	216,028
Cash and Cash Equivalents, End of Year	\$ 7,789,845	\$ 72,620	\$ 7,862,465	\$ 208,998
Reconciliation to the Statement of Net Position				
Cash and cash equivalents	\$ 1,733,970	\$ 72,620	\$ 1,806,590	\$ 208,998
Restricted cash and cash equivalents	6,055,875	-	6,055,875	-
	\$ 7,789,845	\$ 72,620	\$ 7,862,465	\$ 208,998
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 3,652,106	\$ (182,279)	\$ 3,469,827	\$ 56,461
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	3,057,969	69,982	3,127,951	3,343
Depreciation	(145,498)	-	(145,498)	-
Change in assets and deferred outflows	1,623	27,240	28,863	3,187
(Increase) decrease in receivables	-	-	-	-
(Increase) decrease in inventories	535,966	114,849	650,815	38,284
(Increase) decrease in prepaid expenses	(20,737)	(5,727)	(26,464)	(1,481)
Change in liabilities and deferred inflows	(461,506)	10,731	(450,775)	1,313
Increase (decrease) in accounts payable	470,318	(8,916)	461,402	3,993
Increase (decrease) in accrued compensated absences	10,760	-	10,760	1,062
Increase (decrease) in due to other funds	(747,143)	(160,100)	(907,243)	(53,368)
Increase (decrease) in net pension liability	29,550	6,332	35,882	2,111
Increase (decrease) in total OPEB liability	340,749	73,017	413,766	24,700
Increase (decrease) in deferred pension inflows	5,058	2,367	7,425	-
Total adjustments	3,077,109	129,775	3,206,884	23,144
Net cash provided by (used in) operating activities	\$ 6,729,215	\$ (52,504)	\$ 6,676,711	\$ 79,605

City of Kerrville, Texas
Statements of Net Position – Component Units
September 30, 2020

Exhibit A-10

	Kerrville Economic Improvement Corporation (EIC)	Kerrville Public Utility Board (KPUB)	Total
Assets			
Cash and cash equivalents	\$ 2,397,178	\$ 596,102	\$ 2,993,280
Investments	-	15,044,022	15,044,022
Receivables (net of allowances for uncollectible)	1,949	4,634,761	4,636,710
Due from other governments	687,746	-	687,746
Inventories	-	1,011,261	1,011,261
Restricted assets			
Investments	-	4,481,508	4,481,508
Advance to City of Kerrville	-	8,500,000	8,500,000
Capital assets nondepreciable			
Land	1,138,436	252,885	1,391,321
Construction in progress	-	4,386,814	4,386,814
Depreciable (net of accumulated depreciation)			
Buildings	-	2,468,773	2,468,773
Improvements other than buildings	-	37,195,586	37,195,586
Vehicles	-	1,733,584	1,733,584
Machinery and equipment	-	1,594,601	1,594,601
Total assets	<u>4,225,309</u>	<u>81,899,897</u>	<u>86,125,206</u>
Deferred Outflows of Resources			
Deferred outflows – pensions	-	1,926,012	1,926,012
Deferred outflows – OPEB	<u>46,438</u>	<u>46,438</u>	<u>46,438</u>
Total deferred outflows of resources	<u>-</u>	<u>1,972,450</u>	<u>1,972,450</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	1,234	5,427,122	5,428,356
Payable from restricted assets			
Customer deposits	-	534,840	534,840
Bonds payable, current	<u>-</u>	<u>401,000</u>	<u>401,000</u>
Total current liabilities	<u>1,234</u>	<u>6,362,962</u>	<u>6,364,196</u>
Noncurrent Liabilities			
Net pension liability	-	1,150,256	1,150,256
Total OPEB liability	-	295,219	295,219
Bonds payable, net of current portion	<u>-</u>	<u>3,680,000</u>	<u>3,680,000</u>
Total noncurrent liabilities	<u>-</u>	<u>5,125,475</u>	<u>5,125,475</u>
Total liabilities	<u>1,234</u>	<u>11,488,437</u>	<u>11,489,671</u>
Deferred Inflows of Resources			
Deferred inflows – pensions	-	2,530,105	2,530,105
Deferred inflows – OPEB	<u>-</u>	<u>10,711</u>	<u>10,711</u>
Total deferred inflows of resources	<u>-</u>	<u>2,540,816</u>	<u>2,540,816</u>
Net Position			
Net investment in capital assets	1,138,436	43,551,243	44,689,679
Restricted for			
Debt service	-	367,619	367,619
Capital projects	-	-	-
Unrestricted	<u>3,085,639</u>	<u>25,924,232</u>	<u>29,009,871</u>
Total net position	<u>\$ 4,224,075</u>	<u>\$ 69,843,094</u>	<u>\$ 74,067,169</u>

City of Kerrville, Texas
Statements of Activities – Component Units
Year Ended September 30, 2020

Exhibit A-11

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	EIC	KPUB
Kerrville Economic Improvement Corporation						
General government	\$ 6,376,165	\$ -	\$ 1,000,000	\$ -	\$ (5,376,165)	\$ -
Total EIC	<u>6,376,165</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>(5,376,165)</u>	<u>-</u>
Kerrville Public Utility Board						
Purchased power	27,568,854	41,672,978	-	279,482	-	14,383,606
Distribution	3,334,014	-	-	-	-	(3,334,014)
Administration and other	6,089,518	-	-	-	-	(6,089,518)
Depreciation and amortization	3,432,186	-	-	-	-	(3,432,186)
Total KPUB	<u>40,424,572</u>	<u>41,672,978</u>	<u>0</u>	<u>279,482</u>	<u>-</u>	<u>1,527,888</u>
Total Component Units	<u>\$ 46,800,737</u>	<u>\$ 41,672,978</u>	<u>\$ 1,000,000</u>	<u>\$ 279,482</u>	<u>\$ (5,376,165)</u>	<u>\$ 1,527,888</u>
General Revenues						
Sales taxes				3,912,347		-
Investment earnings				33,402		360,848
Miscellaneous income				-		4,576
Total general revenues				<u>3,945,749</u>		<u>365,424</u>
Change in Net Position						
Net Position, Beginning of Year				(1,430,416)		1,893,312
Net Position, End of Year				<u>5,654,491</u>		<u>67,949,782</u>
					<u>\$ 4,224,075</u>	<u>\$ 69,843,094</u>



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Notes to Basic Financial Statements



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City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Note 1: Summary of Significant Accounting Policies

General Statement

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

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

Financial Reporting Entity

The City is a home rule municipality governed by an elected mayor and a four-member City Council that appoints a City Manager. The City's (primary government) financial statements include its component units. The accompanying general purpose financial statements comply with the provisions of the GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, and GASB Statement No. 80, in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either: (1) the City's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

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

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

Kerrville 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, 2020

Government-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

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

Additionally, the City reports the following fund types:

- **Special Revenue Funds** – accounts for the collection and disbursement of earmarked monies.
- **Debt Service Fund** – accounts for the accumulation and use of property and sales tax revenue to meet the debt service requirements of the City's general and revenue bonded debt.
- **Capital Projects Fund** – accounts for the acquisition or construction of governmental capital assets not recorded in the Government IP Fund.
- **Nonmajor Golf Course fund** – accounts for all activities of the City's municipal golf course.
- **Internal Service Funds** – accounts for automotive maintenance and employee benefit services provided to other departments or agencies of the City.

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

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Deposits and Investments

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

State law and the City's investment policy restrict both time and demand deposits to those depositories doing business in the State of Texas and further require full insurance and/or pledging of collateral. CDs are limited to a stated maturity not exceeding 18 months. Pledged collateral, equal to 102% of the covered account balance is required for all deposits and is limited to obligations of the U.S. government or U.S. state, its agencies or instrumentalities and municipal obligations rated A or better by two nationally recognized rating agencies. Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are monitored and priced at market on a daily basis as a contractual responsibility of the depository.

State law and the City's investment policy limit repurchase agreements to those with defined termination dates executed with a primary dealer (as defined by the Federal Reserve). The agreements require written master repurchase agreement with a defined termination date, secured by approved obligations, held by an independent third-party custodian with a final maturity not to exceed 90 days.

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

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

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

Receivables and Payables

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Property Tax Calendar

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

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

Inventories and Prepaid Expenses

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

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

Restricted Assets

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

Capital Assets

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

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 buildings	40 years
System infrastructure	40 years
Streets	20 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 KPUB utility plant computes depreciation using the straight-line method over the estimated service lives of the various classes of depreciable property. Rates will be changed as needed based upon period engineering studies. Depreciation as a percentage of average depreciable plant was 4.4% for the year ended September 30, 2020.

Deferred Outflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Compensated Absences

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

Unearned Revenue

Enterprise funds report unearned revenue in connection with resources that have been received, but not yet earned. The Water Fund received funding for future capital projects from the Texas Water Development Board. These funds will be recognized as revenue as the City completes related capital projects for which these funds were provided. Prepayment for golf course fees within the nonmajor Golf Course Fund are reported as unearned.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Long-term Obligations

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

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

Defined Benefit Pension Plan

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

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

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

Defined Benefit Other Postemployment Benefit Plan

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Use of Estimates

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

Future Adoption of Accounting Principles

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2020.

<u>Statement No.</u>	<u>Title</u>	<u>Adoption Required</u>
84	Fiduciary Activities	September 30, 2021
87	Leases	September 30, 2022
91	Conduit Debt Obligations	September 30, 2022

Note 2: Deposits and Investments

At year-end, the carrying amount of the City's cash on hand and deposits with financial institutions was \$8,779,007 (excluding certificates of deposits of \$1,480,000). At September 30, 2020, the City had sufficient collateral pledged to insure deposits.

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Investments as of September 30, 2020, are as follows:

Investment Type	Carrying Amount	Days to Maturity	Rating as of Year-End
U.S. agency securities	\$ 4,768,682	557	AA+
Commercial paper	13,475,480	179	A-1
Equity securities	901,573	N/A	N/A
TexPool Prime local government pool	8,709,193	53	AAAm
Texas CLASS local government pool	6,487,708	22	AAAm
LOGIC local government pool	7,359,632	54	AAAm
Certificates of deposit	<u>1,480,000</u>	365	N/A
 Total fair value – primary government	 <u>\$ 43,182,268</u>		
 Portfolio weighted-average maturity		153	

Deposits and investments as of September 30, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position

Cash and cash equivalents – primary government	\$ 6,617,056
Restricted cash and cash equivalents – primary government	22,181,057
Investments – primary government	5,910,415
Restricted investments – primary government	14,855,569
Cash and cash equivalents – EIC	<u>2,397,178</u>
 Total cash, cash equivalents and investments	 <u>\$ 51,961,275</u>

Deposits and investments as of September 30, 2020, consist of the following:

Deposits and investments as of September 30, 2020,

consist of the following

Deposits (excluding certificates of deposits)	\$ 8,779,007
Investments	<u>43,182,268</u>
 Total deposits and investments	 <u>\$ 51,961,275</u>

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

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

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

During 2020, the City became the trustee of an endowment fund trust for the library. The City amended its Investment Policy to establish a separate strategy for endowment funds. The investment strategy for trust funds with restricted corpus is primarily income growth and allows for investments in high-credit quality, intermediate term securities which will protect the corpus and generate a reasonable income stream on an annual basis.

- **Concentration of Credit Risk** – The City's investment policy recognizes that over-concentration of assets by market sector or maturity as a risk to the portfolio. Diversification is a major objective of the investment program. The 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	25%

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

- **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 one year for the total portfolio. Longer maturities may be utilized for bond proceeds, but only if matched to planned expenditures of the funds.
- **Custodial Credit Risk – Investments** – For an investment, this is the risk that, in the event of the failure of a counterparty which is holding the City's securities as a custodian. The PFIA, Government Code 105 (depository law) and the City's Investment Policy require that all securities purchased be delivered delivery versus payment to the custodian. Investment are then held in the City's name. Failure of the custodian would not affect ownership or access to the investments. These guarantees and requirements prevent any custodial credit risk for the City.

Note 3: Receivables

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

	Governmental			Business-type Activities		Component Units	
	General	Other Governmental Funds	Total Governmental			K PUB	EIC
				Water	K PUB		
Taxes receivable	\$ 536,062	\$ 94,775	\$ 630,837	\$ -	\$ -	\$ -	\$ -
Allowance for uncollectible taxes	(180,845)	(25,285)	(206,130)	-	-	-	-
	<u>355,217</u>	<u>69,490</u>	<u>424,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounts receivable	2,495,113	-	2,495,113	1,921,003	4,721,105	-	-
Allowance for uncollectible accounts	(1,716,947)	-	(1,716,947)	(292,690)	(86,344)	-	-
	<u>778,166</u>	<u>-</u>	<u>778,166</u>	<u>1,628,313</u>	<u>4,634,761</u>	<u>-</u>	<u>-</u>
Other receivables	-	-	-	-	-	1,949	-
Allowance for uncollectible accounts	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,949</u>	<u>-</u>
Due from other governments	1,577,887	1,091,499	2,669,386	-	-	687,746	-
Total	<u>\$ 2,711,270</u>	<u>\$ 1,160,989</u>	<u>\$ 3,872,259</u>	<u>\$ 1,628,313</u>	<u>\$ 4,634,761</u>	<u>\$ 689,695</u>	

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Note 4: Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance October 1, 2019	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2020
Governmental Activities					
Capital assets not being depreciated					
Land and land improvements	\$ 7,535,757	\$ -	\$ -	\$ -	\$ 7,535,757
Construction in progress	990,746	4,146,793	-	(1,842,303)	3,295,236
Total capital assets not being depreciated	<u>8,526,503</u>	<u>4,146,793</u>	<u>-</u>	<u>(1,842,303)</u>	<u>10,830,993</u>
Capital assets being depreciated					
Buildings	19,657,747	6,600	-	-	19,664,347
Improvements other than buildings	38,036,378	2,226,820	-	-	40,263,198
Streets	34,622,034	1,430,414	-	-	36,052,448
Vehicles	7,744,459	1,092,854	(682,854)	-	8,154,459
Machinery and equipment	4,372,136	289,166	(32,184)	25,590	4,654,708
Office equipment	589,960	201,588	(5,075)	-	786,473
Total capital assets being depreciated	<u>105,022,714</u>	<u>5,247,442</u>	<u>(720,113)</u>	<u>25,590</u>	<u>109,575,633</u>
Less: accumulated depreciation for					
Buildings	(6,932,496)	(540,002)	-	-	(7,472,498)
Improvements other than buildings	(5,889,762)	(933,860)	-	-	(6,823,622)
Streets	(5,761,328)	(4,844,510)	-	-	(10,605,838)
Vehicles	(4,897,601)	(677,526)	606,834	-	(4,968,293)
Machinery and equipment	(2,923,201)	(265,624)	28,767	(25,590)	(3,185,648)
Office equipment	(316,022)	(57,280)	5,044	-	(368,258)
Total accumulated depreciation	<u>(26,720,410)</u>	<u>(7,318,802)</u>	<u>640,645</u>	<u>(25,590)</u>	<u>(33,424,157)</u>
Capital assets being depreciated, net	<u>78,302,304</u>	<u>(2,071,360)</u>	<u>(79,468)</u>	<u>-</u>	<u>76,151,476</u>
Governmental activities capital assets, net	<u>\$ 86,828,807</u>	<u>\$ 2,075,433</u>	<u>\$ (79,468)</u>	<u>\$ (1,842,303)</u>	<u>\$ 86,982,469</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

	Balance October 1, 2019	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2020
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 488,831	\$ -	\$ -	\$ -	\$ 488,831
Construction in progress	4,461,263	6,873,637	-	-	11,334,900
Total capital assets not being depreciated	<u>4,950,094</u>	<u>6,873,637</u>	<u>-</u>	<u>-</u>	<u>11,823,731</u>
Capital assets being depreciated					
Building	4,168,731	9,865	-	-	4,178,596
Improvements other than buildings	114,058,212	170,865	-	-	114,229,077
Streets	-	25,329	-	-	25,329
Vehicles	1,532,468	-	-	-	1,532,468
Machinery and equipment	3,731,498	247,373	(160,616)	(25,590)	3,792,665
Office equipment	134,948	32,354	-	-	167,302
Total capital assets being depreciated	<u>123,625,857</u>	<u>485,786</u>	<u>(160,616)</u>	<u>(25,590)</u>	<u>123,925,437</u>
Less: accumulated depreciation for					
Building	(1,331,369)	(121,941)	-	-	(1,453,310)
Improvements other than buildings	(38,626,154)	(2,667,514)	-	-	(41,293,668)
Streets	-	(633)	-	-	(633)
Vehicles	(1,178,506)	(95,480)	-	-	(1,273,986)
Machinery and equipment	(2,818,455)	(235,073)	160,616	25,590	(2,867,322)
Office equipment	(113,961)	(7,310)	-	-	(121,271)
Total accumulated depreciation	<u>(44,068,445)</u>	<u>(3,127,951)</u>	<u>160,616</u>	<u>25,590</u>	<u>(47,010,190)</u>
Capital assets being depreciated, net	<u>79,557,412</u>	<u>(2,642,165)</u>	<u>-</u>	<u>-</u>	<u>76,915,247</u>
Business-type activities capital assets, net	<u>\$ 84,507,506</u>	<u>\$ 4,231,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,738,978</u>

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

General government	\$ 720,139
Public safety	731,459
Culture and recreation	677,991
Public works	<u>5,185,870</u>
Total depreciation expense – governmental activities	<u>\$ 7,315,459</u>
Business-type activities	
Water Fund	\$ 3,057,969
Golf course	<u>69,982</u>
Total depreciation expense – business-type activities	<u>\$ 3,127,951</u>
Internal Service Fund	
Garage fund	<u>\$ 3,343</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

	Balance October 1, 2019	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2020
EIC					
Land	\$ 1,138,436	\$ -	\$ -	\$ -	\$ 1,138,436
Total capital assets	<u>\$ 1,138,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,138,436</u>
KPUB					
Capital assets, not being depreciated					
Land	\$ 233,398	\$ 19,487	\$ -	\$ -	\$ 252,885
Construction in progress	<u>4,154,160</u>	<u>4,868,420</u>	<u>(4,635,766)</u>	<u>-</u>	<u>4,386,814</u>
Total capital assets not being depreciated	<u>4,387,558</u>	<u>4,887,907</u>	<u>(4,635,766)</u>	<u>-</u>	<u>4,639,699</u>
Capital assets, being depreciated					
Buildings	6,894,394	-	496,070	(20,794)	7,369,670
Improvements other than buildings	68,698,361	-	3,611,072	(402,738)	71,906,695
Vehicles	3,006,656	-	114,631	(44,657)	3,076,630
Machinery and equipment	<u>1,737,207</u>	<u>-</u>	<u>413,993</u>	<u>-</u>	<u>2,151,200</u>
Total capital assets being depreciated	<u>80,336,618</u>	<u>-</u>	<u>4,635,766</u>	<u>(468,189)</u>	<u>84,504,195</u>
Less accumulated depreciation for					
Buildings	(4,573,312)	(348,379)	-	20,794	(4,900,897)
Improvements other than buildings	(32,305,782)	(3,000,063)	-	594,736	(34,711,109)
Vehicles	(1,159,988)	(227,715)	-	44,657	(1,343,046)
Machinery and equipment	<u>(472,832)</u>	<u>(83,767)</u>	<u>-</u>	<u>-</u>	<u>(556,599)</u>
Total accumulated depreciation	<u>(38,511,914)</u>	<u>(3,659,924)</u>	<u>-</u>	<u>660,187</u>	<u>(41,511,651)</u>
Total capital assets being depreciated, net	<u>41,824,704</u>	<u>(3,659,924)</u>	<u>4,635,766</u>	<u>191,998</u>	<u>42,992,544</u>
Business-type activities capital assets, net	<u>\$ 46,212,262</u>	<u>\$ 1,227,983</u>	<u>\$ -</u>	<u>\$ 191,998</u>	<u>\$ 47,632,243</u>

KPUB uses a composite rate to depreciate its investment in the electric plant. The composite rate was 4.4% for the year ended September 30, 2020.

Construction Commitments

The City has numerous active construction projects as of September 30, 2020. The projects include street, water and sewer projects, park and other improvements. These improvements are being paid with bond proceeds, EIC contributions and internally generated sources.

	Spent to Date	Remaining Commitments	Total Commitments
Governmental IP Fund			
River Trail-Schreiner University	\$ 1,272,656	\$ 15,050	\$ 1,287,706
Olympic Drive Extension	1,864,454	783,887	2,648,341
Street Reconstruction	873,756	1,988,862	2,862,618
Clock Tower Elevator Enclosure	<u>-</u>	<u>348,242</u>	<u>348,242</u>
	<u>\$ 4,010,866</u>	<u>\$ 3,136,041</u>	<u>\$ 7,146,907</u>
Water Fund			
TTHM Mitigation	\$ 3,885,229	\$ 162,253	\$ 4,047,482
	<u>\$ 3,885,229</u>	<u>\$ 162,253</u>	<u>\$ 4,047,482</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Note 5: Interfund Receivables, Payables, and Transfers

Interfund receivables and payables:

Interfund Payable	Interfund Receivable General Fund
Water Fund	\$ 49,145
Nonmajor Enterprise Funds	8,434
Grant Fund	1,062,783
Internal Service Funds	<u>4,758</u>
	<u><u>\$ 1,125,120</u></u>

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

Interfund transfers:

Transfer Fund	Transfer In	Transfer Out	Purpose of Transfer
General	\$ 2,344,998	\$ 2,172,825	Budgetary
Governmental IP	2,102,825	116,690	Capital Projects
Library Memorial	76,690	-	Capital Projects
Hotel/Motel	3,340	40,000	Budgetary
Hotel Reserve	-	3,340	Operating
Grant	-	66,805	Operating
Debt Service	-	44,233	Budgetary and Debt Proceeds
Golf Course	80,000	-	Budgetary
Water	<u>-</u>	<u>2,163,960</u>	Budgetary
	<u><u>\$ 4,607,853</u></u>	<u><u>\$ 4,607,853</u></u>	

- **Eliminations** – Interfund transfers are reported in the governmental activities and business-type activities fund financial statements. In the government-wide financial statements, interfund transfers are eliminated within the governmental activities column and within the business-type column.
- **Purpose of Transfers** – Interfund transfers between the General Fund, Nonmajor Governmental Funds and the Governmental IP Fund relate to the funding of capital projects. The Water Fund provides transfers to the General Fund to pay for administrative services and street use. Debt Service Fund transfers relate to an interfund loan. The Hotel/Motel Fund transfer relates to funding for tourism events in other funds. The Golf Course Fund receives funding transfers for operational expenses.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Note 6: Long-term Debt

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

In December 2019 the City refunded the remaining principal balance of the Certificate of Obligation, Series 2011 and issued \$2,285,000 of Series 2019 General Obligation Refunding Bonds, with interest rates ranging from 2.0% to 5% at a premium of \$248,548.

In September 2020, City's EIC Component Unit borrowed \$1,000,000 from KPUB, with an interest rate of 2.0% payable with a balloon payment in 2023. The proceeds will be used to fund an economic development incentive project.

Debt Currently Outstanding:

	Governmental Activities	Business-type Activities	Component Units
Certificates of Obligations			
Combination Tax and Revenue Certificates of Obligation, Series 2008, 3.33%, maturing in annual installments of \$185,000 to \$225,000 through 2023	\$ -	\$ 655,000	\$ -
Combination Tax and Revenue Certificates of Obligation, Series 2012, 2.00% to 2.50%, maturing in annual installments of \$465,000 to \$645,000 through 2032	2,370,000	4,200,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2013, 1.50% to 2.75%, maturing in annual installments of \$450,000 to \$610,000 through 2033	-	6,960,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2015, 2% to 3.625%, maturing in annual installments of \$360,000 to \$585,000 through 2035	7,115,000	-	-
Combination Tax and Revenue Certificates of Obligation, Series 2016, 2% to 3.625%, maturing in annual installments of \$370,000 to \$610,000 through 2035	-	7,650,000	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018A, 0.93% to 2.38%, maturing in installments of \$5,000 to \$365,000 through 2050.	-	8,000,000	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018B, 0.79% to 2.33%, maturing in installments of \$5,000 to \$225,000 with installments through 2049.	-	4,995,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2019, 2% to 4.0%, maturing in annual installments of \$330,000 to \$635,000 through 2040	9,520,000	-	-
	<u>\$ 19,005,000</u>	<u>\$ 32,460,000</u>	<u>\$ -</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

	Governmental Activities	Business-type Activities	Component Units		
General Obligations					
General Obligation Refunding Bonds, Series 2017, 2.00% to 5.00%, maturing in annual installments of \$190,000 to \$1,755,000 through 2030	\$ 4,455,000	\$ 8,285,000	\$ -		
General Obligation Refunding Bonds, Series 2019, 2.00% to 5.00%, maturing in annual installments of \$175,000 to \$245,000 through 2031	2,275,000	-	-		
	<u><u>\$ 6,730,000</u></u>	<u><u>\$ 8,285,000</u></u>	<u><u>\$ -</u></u>		
Revenue Bonds					
City of Kerrville, Texas Electric System Revenue Refunding Bonds, Series 2013, 0.49% to 4.13%; maturing in annual installments of \$375,000 to \$520,000 through 2029	\$ -	\$ -	\$ 4,081,000		
Kerrville Public Utility Board Loan					
Kerrville Public Utility Board Loan, 2.4%, maturing in annual installments of \$1,071,429 beginning 2023 through 2029	\$ -	\$ 7,500,000	\$ -		
Kerrville Public Utility Board Loan, 2%, payable in one payment due in 2024	1,000,000	-	-		
	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 7,500,000</u></u>	<u><u>\$ -</u></u>		
During the year ended September 30, 2019, 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	\$ 5,220,000	\$ 2,285,000	\$ 775,000	\$ 6,730,000	\$ 970,000
Certificates of obligation	22,580,000	-	3,575,000	19,005,000	910,000
Kerrville Public Utility Board note	-	1,000,000	-	1,000,000	-
Unamortized bond premium	1,307,685	248,548	204,982	1,351,251	204,982
Net bonds and notes payable	29,107,685	3,533,548	4,554,982	28,086,251	2,084,982
Compensated absences	1,003,698	662,497	544,265	1,121,930	608,377
Landfill closure and post-closure costs	3,584,670	-	2,114,699	1,469,971	-
Governmental activity long-term liabilities	<u><u>\$ 33,696,053</u></u>	<u><u>\$ 4,196,045</u></u>	<u><u>\$ 7,213,946</u></u>	<u><u>\$ 30,678,152</u></u>	<u><u>\$ 2,693,359</u></u>
Business-type Activities					
General obligation bonds	\$ 9,830,000	\$ -	\$ 1,545,000	\$ 8,285,000	\$ 1,315,000
Certificates of obligation	33,845,000	-	1,385,000	32,460,000	1,550,000
Kerrville Public Utility Board note	7,500,000	-	-	7,500,000	-
Unamortized bond premium	1,055,177	-	162,210	892,967	162,210
Net bonds and notes payable	52,230,177	-	3,092,210	49,137,967	3,027,210
Compensated absences	201,089	127,723	106,559	222,253	153,314
Business-type activity long-term liabilities	<u><u>\$ 52,431,266</u></u>	<u><u>\$ 127,723</u></u>	<u><u>\$ 3,198,769</u></u>	<u><u>\$ 49,360,220</u></u>	<u><u>\$ 3,180,524</u></u>
Discrete Component Unit – KPUB					
Revenue refunding bonds	\$ 4,473,000	-	\$ 392,000	\$ 4,081,000	\$ 401,000

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

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

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

Fiscal Years Ending September 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 1,880,000	\$ 836,224	\$ 2,716,224
2022	1,935,000	781,749	2,716,749
2023	1,540,000	731,571	2,271,571
2024	2,590,000	683,236	3,273,236
2025	1,645,000	613,105	2,258,105
2026-2030	8,320,000	2,157,163	10,477,163
2031-2035	5,810,000	912,219	6,722,219
2036-2040	<u>3,015,000</u>	<u>193,863</u>	<u>3,208,863</u>
Total	<u>\$ 26,735,000</u>	<u>\$ 6,909,130</u>	<u>\$ 33,644,130</u>

Fiscal Years Ending September 30	Business-type Activities		
	Principal	Interest	Total
2021	\$ 2,865,000	\$ 1,232,002	\$ 4,097,002
2022	3,160,000	1,158,125	4,318,125
2023	3,246,429	1,083,842	4,330,271
2024	3,416,429	1,004,915	4,421,344
2025	3,481,429	918,990	4,400,418
2026-2030	17,070,714	3,086,192	20,156,906
2031-2035	7,530,000	1,371,884	8,901,884
2036-2040	2,290,000	758,745	3,048,745
2041-2045	2,560,000	489,972	3,049,972
2046-2050	<u>2,625,000</u>	<u>178,131</u>	<u>2,803,131</u>
Total	<u>\$ 48,245,000</u>	<u>\$ 11,282,798</u>	<u>\$ 59,527,798</u>

Fiscal Years Ending September 30	KPUB		
	Principal	Interest	Total
2021	401,000	130,055	531,055
2022	411,000	120,325	531,325
2023	422,000	109,197	531,197
2024	434,000	96,584	530,584
2025	448,000	82,531	530,531
2026-2030	<u>1,965,000</u>	<u>159,053</u>	<u>2,124,053</u>
Total	<u>\$ 4,081,000</u>	<u>\$ 697,745</u>	<u>\$ 4,778,745</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

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 approximately 60% of the premium for dependent coverage. All funds are deposited into the internal service fund and paid to the provider out of the same fund.

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

Closure and Post-closure Care Costs

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of the landfill post-closure care cost is based on the amount of the landfill used during the year. The estimated liability for landfill post-closure care costs of \$1,469,971 as of September 30, 2020, is based on 11.9% usage (filled) of the landfill. It is estimated that an additional \$10,872,611 will be recognized as post-closure care expenses between the date of the statement of net position and the date the landfill is expected to be filled to capacity. The City received approval from the Texas Commission on Environmental Quality in fiscal year 2020 to greatly expand permitted capacity. The City expects the new capacity to be sufficient for 100 years. The City's estimated total cost of the landfill post-closure care of \$12,342,582 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, 2020. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

The City has contractually obligated the landfill operator to bear the cost of the landfill closure. The City monitors the closure costs and meets the financial assurance requirements noted below. For the governmental activities of the City, landfill closure and post-closure costs are generally liquidated by the General Fund.

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Contingent Liabilities and Commitments

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

The City contracts for garbage disposal with a third-party. Under the terms of the agreement the City bills and collects the residential billing and remits that amount to the contracting party.

Note 8: Employee Retirement Systems and Pension Plans

Plan Description

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

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

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

For the year ended September 30, 2020, the City and KPUB reported the following:

	City	KPUB	Entity
Pension liability	\$ 5,461,433	\$ 1,150,256	\$ 6,611,689
Deferred outflows of resources	2,028,056	1,926,012	3,954,068
Deferred inflows of resources	2,659,051	2,530,105	5,189,156
Pension expense	2,773,131	519,777	3,292,908

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Benefits Provided:

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

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

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

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

Employees Covered by Benefit Terms:

At the December 31, 2019, valuation and measurement date, the following employees were covered by the benefit terms:

	<u>City</u>	<u>KPUB</u>
Retirees or beneficiaries currently receiving benefits	245	39
Inactive employees entitled to but not yet receiving benefits	179	30
Active employees	<u>305</u>	<u>53</u>
Total	<u>729</u>	<u>122</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Contributions

Employees for the City and KPUB were required to contribute 7% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined. For the fiscal year ended September 30, 2020, contributions of \$1,815,452 and \$558,073, were made by the City and KPUB, respectively, and were equal to the required contributions.

Net Pension Liability

The City's net pension liability and KPUB's net pension liability at September 30, 2020, were measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year for the City and KPUB
Overall Payroll Growth	3.5% per year for the City and KPUB
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation for the City and KPUB

Salary increases were based on a service-related table. Mortality rates for active members, retirees and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a four-year set-forward for males and a three-year set-forward for females.

Actuarial assumptions used in the December 31, 2019, valuations were based on the results of actuarial experience studies. This experience study was for the period December 31, 2014 through December 31, 2018. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2014 through 2018, and dated December 31, 2019. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	2.48%
Private equity	<u>10.0%</u>	7.75%
Total	<u><u>100%</u></u>	

Discount Rate

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Changes in the City's Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of October 1, 2019	\$ 82,717,176	\$ 71,919,013	\$ 10,798,163
Changes for the year:			
Service cost	2,639,179	-	2,639,179
Interest on total pension liability	5,537,157	-	5,537,157
Effect of difference in expected and actual experience	324,153	-	324,153
Effect of assumptions changes or inputs	287,290	-	287,290
Employer contributions	-	1,815,452	(1,815,452)
Member contributions	-	1,264,794	(1,264,794)
Benefit payments, including refunds of employee contributions	(4,009,623)	(4,009,623)	-
Net investment income	-	11,108,975	(11,108,975)
Administrative expenses	-	(62,825)	62,825
Other	-	(1,887)	1,887
Balances as of September 30, 2020	<u>\$ 87,495,332</u>	<u>\$ 82,033,899</u>	<u>\$ 5,461,433</u>

Changes in KPUB's Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of December 31, 2018	\$ 28,178,787	\$ 24,878,818	\$ 3,299,969
Changes for the year:			
Service cost	635,605	-	635,605
Interest on total pension liability	1,888,697	-	1,888,697
Effect of difference in expected and actual experience	(6,158)	-	(6,158)
Changes of assumptions	(2,821)	-	(2,821)
Employer contributions	-	282,671	(282,671)
Member contributions	-	558,073	(558,073)
Net investment income	-	3,846,678	(3,846,678)
Benefit payments, including refunds of employee contributions	(1,031,788)	(1,031,788)	-
Administrative expenses	-	(21,733)	21,733
Other	-	(653)	653
Balances as of December 31, 2019	<u>\$ 29,662,322</u>	<u>\$ 28,512,066</u>	<u>\$ 1,150,256</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

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

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	\$ 17,494,789	\$ 5,461,433	\$ (4,469,068)
KPUB's net pension liability (asset)	\$ 5,439,179	\$ 1,150,256	\$ (2,365,114)

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2020, the City and KPUB recognized pension expense of \$2,773,131 and \$519,777, respectively.

At September 30, 2020, the City and KPUB reported deferred outflows of resources related to pensions from the following sources:

	City		KPUB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 398,499	\$ 153,201	\$ -	\$ 145,951
Changes of assumptions	216,529	-	-	2,084
Differences between projected and actual investment earnings	-	2,505,850	1,513,469	2,382,070
Contributions subsequent to the measurement date through year-end	<u>1,413,028</u>	<u>-</u>	<u>412,543</u>	<u>-</u>
 Total	 <u>\$ 2,028,056</u>	 <u>\$ 2,659,051</u>	 <u>\$ 1,926,012</u>	 <u>\$ 2,530,105</u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,413,028 and \$412,543 made by the City and KPUB, respectively, will be recognized as a reduction of the net pension liability for the year ending September 30, 2020.

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

Year Ended September 30	City	KPUB
2021	\$ (522,272)	\$ (352,525)
2022	(639,970)	(298,040)
2023	360,074	67,399
2024	<u>(1,241,855)</u>	<u>(433,470)</u>
Total	<u>\$ (2,044,023)</u>	<u>\$ (1,016,636)</u>

Note 9: Other Postemployment Benefit Plan

Plan Description

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Benefits Provided

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

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

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

Contributions

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

Employees Covered by Benefit Terms

At the December 31, 2019, valuation and measurement date, the following employees were covered by the benefit terms:

	City	KPUB
Inactive employees or beneficiaries currently receiving benefits	199	37
Inactive employees entitled to but not yet receiving benefits	54	19
Active employees	<u>307</u>	<u>53</u>
 Total employees	 <u>560</u>	 <u>109</u>

Total OPEB Liability

The City's total OPEB liability and KPUB's total OPEB liability at September 30, 2020, were measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Actuarial Assumptions

	December 31, 2019
Actuarial Cost Method	Individual Entry-Age
Discount Rate	2.75% as of December 31, 2019 (3.71% as of December 31, 2018)
Inflation	2.50%
Overall Payroll Growth	3.50% to 11.50%, including inflation
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates – Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates – Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASBS No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate 2.75% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019. At transition, GASBS No. 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index.

Changes in the City's Total OPEB Liability

	Total OPEB Liability
Balance as of October 1, 2018	\$ 1,134,035
Changes for the year:	
Service cost	36,128
Interest on total OPEB liability	42,542
Effect of differences between expected and actual experience	(72,096)
Effect of assumption changes and inputs	215,336
Benefit payments	<u>(10,839)</u>
Balance as of September 30, 2019	<u><u>\$ 1,345,106</u></u>

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

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

Changes in the KPUB's Total OPEB Liability

	Total OPEB Liability
Balance as of December 31, 2018	\$ 234,590
Changes for the year:	
Service cost	6,057
Interest on total OPEB liability	8,786
Effect of differences between expected and actual experience	(1,294)
Effect of assumption changes and inputs	48,695
Benefit payments	<u>(1,615)</u>
Balance as of December 31, 2019	<u><u>\$ 295,219</u></u>

Sensitivity Analysis

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.75%, as well as what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate (1.75%)	Current Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's total OPEB liability	\$ 1,627,060	\$ 1,345,106	\$ 1,125,249
KPUB's total OPEB liability	\$ 357,078	\$ 295,219	\$ 246,851

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

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

For the year ended September 30, 2020, the City and KPUB recognized OPEB expense of \$110,318 and \$26,506, respectively.

At September 30, 2020, the City and KPUB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	City		KPUB	
	Deferred Outflows	Deferred Inflows of Resources	Deferred Outflows	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,357	\$ 58,770	\$ 67	\$ -
Changes of assumptions	215,370	49,910	34,420	-
Contributions subsequent to the measurement date through year-end	26,503	-	-	-
Total	<u>\$ 254,230</u>	<u>\$ 108,680</u>	<u>\$ 34,487</u>	<u>\$ -</u>

Contributions subsequent to the measurement date and before fiscal year-end will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2020.

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

Year Ended	City		KPUB	
2020	\$ 31,649	\$ 11,663		
2021	31,649	10,061		
2022	23,870	8,850		
2023	21,024	3,913		
2024	<u>10,855</u>	<u>-</u>		
Total	<u>\$ 119,047</u>	<u>\$ 34,487</u>		

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Note 10: Investment in Joint Venture

The City and Kerr County operate a municipal airport under a joint venture agreement. Participants provide financial support and are entitled to an undivided 50% interest in net position. The following is condensed financial information for the airport as of and for the year ended September 30, 2020:

Assets		Revenues	
Cash	\$ 809,395	Operating grants and contributions	\$ 99,954
Accounts receivable, net	9,466	Capital grants and contributions	123,034
Prepaid items	9,762	Charges for services	<u>469,921</u>
Nondepreciable property			
Land	2,872,627	Total Revenues	692,909
CIP	103,500		
Depreciable property, net			
Buildings	3,348,122	Expenses	
Improvements	9,966,987	Airport operations	<u>1,087,933</u>
Furniture and equipment	7,791		
Vehicle	<u>5,121</u>	Operating loss	(395,024)
Total assets	<u>17,132,771</u>		
		General Revenues	
		Extraordinary item, net	5,282
		Investment earnings	<u>317</u>
			5,599
Liabilities and Net Position		Change in Net Position	
			(389,425)
Liabilities		Net Position, Beginning of Year	
Accounts payable	\$ 13,889		<u>17,325,891</u>
Wages and salaries payable	8,175		
Unearned revenue	154,931	Net Position, End of Year	<u>\$ 16,936,466</u>
Other current liabilities	<u>19,310</u>		
Total liabilities	<u>196,305</u>		
Net Position			
Net investment in capital assets	16,304,148		
Restricted for capital projects	39,771		
Unrestricted	<u>592,547</u>		
Total net position	<u>\$ 16,936,466</u>		

Note 11: Disclosures About Fair Value of Assets

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

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

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. agency securities	\$ 4,768,682	\$ -	\$ 4,768,682	\$ -
Equity securities	901,573	901,573	-	-
Commercial paper	<u>13,475,480</u>	<u>-</u>	<u>13,475,480</u>	<u>-</u>
Total investments by fair value level	<u>19,145,735</u>	<u>\$ 901,573</u>	<u>\$ 18,244,162</u>	<u>\$ -</u>
Investments measured at net asset value				
LOGIC	\$ 7,359,632			
Texas CLASS	<u>6,487,708</u>			
	<u>13,847,340</u>			
Investments measured at amortized cost				
Texpool Prime	\$ 6,171,766			
Texpool Prime (EIC)	2,397,178			
Texpool Prime - Library	140,249			
Certificate of deposits	<u>1,480,000</u>			
	<u>10,189,193</u>			
Total investments	<u>\$ 43,182,268</u>			

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

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. As of September 30, 2020, no investments were classified within Level 3 of the fair value hierarchy.

City of Kerrville, Texas
Notes to Basic Financial Statements
September 30, 2020

Note 12: Subsequent Event

In October 2020, the City issued \$11,245,000 of General Obligation Refunding bonds, Series 2020. The debt was issued to refund remaining principal amounts due for the Certificates of Obligation, Series 2012 and Certificates of Obligation, Series 2013. The refunding resulted in a net present value savings of \$815,993.



Required Supplementary Information

City of Kerrville, Texas

Schedule of Changes in Net Pension Liability and Related Ratios – City Texas Municipal Retirement System

Exhibit B-1

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total Pension Liability:						
Service cost	\$ 1,951,508	\$ 2,199,722	\$ 2,302,945	\$ 2,369,887	\$ 2,516,755	\$ 2,639,179
Interest	4,299,140	4,537,125	4,749,013	5,033,587	5,299,675	5,537,157
Difference between expected and actual experience	224,385	833,034	752,018	413,315	(297,054)	324,153
Change of assumptions	-	1,401,697	-	-	-	287,290
Benefit payments, including refunds of employee contributions	(2,893,459)	(3,505,260)	(3,461,755)	(3,781,320)	(4,115,045)	(4,009,623)
Net Change in Total Pension Liability	3,581,574	5,466,318	4,342,221	4,035,469	3,404,331	4,778,156
Total Pension Liability – Beginning	61,887,263	65,468,837	70,935,155	75,277,376	79,312,845	82,717,176
Total Pension Liability – Ending (a)	65,468,837	70,935,155	75,277,376	79,312,845	82,717,176	87,495,332
Plan Fiduciary Net Position:						
Contributions – employer	1,285,810	1,333,494	1,326,321	1,572,311	1,713,463	1,815,452
Contributions – employee	1,033,371	1,087,221	1,103,361	1,141,721	1,206,664	1,264,794
Net investment income	3,552,041	95,956	4,323,251	9,313,809	(2,257,846)	11,108,975
Benefit payments, including refunds of employee contributions	(2,893,459)	(3,505,260)	(3,461,755)	(3,781,320)	(4,115,045)	(4,009,623)
Administrative expense	(37,086)	(58,447)	(48,835)	(48,283)	(43,661)	(62,825)
Other	(3,049)	(2,887)	(2,631)	(2,445)	(2,284)	(1,887)
Net Change in Plan Fiduciary Net Position	2,937,628	(1,049,923)	3,239,712	8,195,793	(3,498,709)	10,114,886
Plan Fiduciary Net Position – Beginning	62,094,512	65,032,140	63,982,217	67,221,929	75,417,722	71,919,013
Plan Fiduciary Net Position – Ending (b)	65,032,140	63,982,217	67,221,929	75,417,722	71,919,013	82,033,899
City's Net Pension Liability – Ending (a) - (b)	\$ 436,697	\$ 6,952,938	\$ 8,055,447	\$ 3,895,123	\$ 10,798,163	\$ 5,461,433
Plan fiduciary net position as a percentage of total pension liability	99.3%	90.2%	89.3%	95.1%	86.9%	93.8%
Covered payroll	\$ 14,762,442	\$ 15,523,799	\$ 15,752,020	\$ 16,310,305	\$ 17,238,051	\$ 18,064,196
City's net pension liability as a percentage of covered payroll	3.0%	44.8%	51.1%	23.9%	62.6%	30.2%

Other Information:

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

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

City of Kerrville, Texas
Schedule of Contributions – City
Texas Municipal Retirement System

Exhibit B-2

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Actuarially determined contribution Contribution in relation of the actuarially determined contribution	\$ 1,325,004	\$ 1,376,486	\$ 1,539,845	\$ 1,677,349	\$ 1,795,272	\$ 1,847,610
Contribution Deficiency (Excess)	<u>1,325,004</u>	<u>1,376,486</u>	<u>1,539,845</u>	<u>1,677,349</u>	<u>1,795,272</u>	<u>1,847,610</u>
Covered payroll	15,367,386	15,968,863	16,148,368	16,993,172	17,909,038	18,273,148
Contributions as a percentage of covered payroll	8.6%	8.6%	9.5%	9.9%	10.0%	10.1%

Notes to Schedule:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
	Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

City of Kerrville, Texas
Schedule of Changes in Total OPEB Liability and Related Ratios - City
Texas Municipal Retirement System

Exhibit B-3

Other Information:

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

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total OPEB Liability:			
Service cost	\$ 32,621	\$ 39,648	\$ 36,128
Interest	37,409	37,753	42,542
Difference between expected and actual experience	-	19,397	(72,096)
Change in assumptions	87,451	(78,350)	215,336
Benefit payments	<u>(9,786)</u>	<u>(10,343)</u>	<u>(10,839)</u>
Net Change in Total OPEB Liability	147,695	8,105	211,071
Total OPEB Liability – Beginning	978,235	1,125,930	1,134,035
Total OPEB Liability – Ending	<u>\$ 1,125,930</u>	<u>\$ 1,134,035</u>	<u>\$ 1,345,106</u>
Covered Payroll	16,310,305	17,238,051	18,064,196
Total OPEB Liability as a Percentage of Covered Payroll	6.90%	6.58%	7.45%

City of Kerrville, Texas
Schedule of Changes in Net Pension Liability and Related Ratios – KPUB
Last Five Fiscal Years

Exhibit B-4

Other Information:

The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods for which such information is available are presented.

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total Pension Liability:						
Service cost	\$ 553,679	\$ 673,011	\$ 647,310	\$ 638,277	\$ 615,347	\$ 635,605
Interest	1,474,035	1,588,966	1,643,216	1,711,786	1,805,527	1,888,697
Difference between expected and actual experience	190,503	119,729	(365,600)	(22,320)	(169,108)	(6,158)
Change of assumptions	-	139,038	-	-	-	(2,821)
Benefit payments, including refunds of employee contributions	(526,824)	(745,186)	(981,761)	(827,347)	(1,027,706)	(1,031,788)
Net Change in Total Pension Liability	1,691,393	1,775,558	943,165	1,500,396	1,224,060	1,483,535
Total Pension Liability – Beginning	21,044,215	22,735,608	24,511,166	25,454,331	26,954,727	28,178,787
Total Pension Liability – Ending (a)	22,735,608	24,511,166	25,454,331	26,954,727	28,178,787	29,662,322
Plan Fiduciary Net Position:						
Contributions – employer	437,344	513,580	473,838	512,666	542,527	558,073
Contributions – employee	270,204	304,924	281,090	279,946	272,968	282,671
Net investment income	1,153,226	31,695	1,457,035	3,157,178	(775,398)	3,846,678
Benefit payments, including refunds of employee contributions	(526,824)	(745,186)	(981,761)	(827,347)	(1,027,706)	(1,031,788)
Administrative expense	(12,040)	(19,305)	(16,459)	(16,360)	(14,984)	(21,733)
Other	(990)	(953)	(887)	(829)	(783)	(653)
Net Change in Plan Fiduciary Net Position	1,320,920	84,755	1,212,856	3,105,254	(1,003,376)	3,633,248
Plan Fiduciary Net Position – Beginning	20,158,409	21,479,329	21,564,084	22,776,940	25,882,194	24,878,818
Plan Fiduciary Net Position – Ending (b)	21,479,329	21,564,084	22,776,940	25,882,194	24,878,818	28,512,066
KPUB's Net Pension Liability – Ending (a) - (b)	\$ 1,256,279	\$ 2,947,082	\$ 2,677,391	\$ 1,072,533	\$ 3,299,969	\$ 1,150,256
Plan fiduciary net position as a percentage of total pension liability	94.5%	88.0%	89.5%	96.0%	88.3%	96.1%
Covered payroll	\$ 3,860,050	\$ 4,356,061	\$ 4,015,570	\$ 3,999,227	\$ 3,899,540	\$ 4,038,153
KPUB's net pension liability as a percentage of covered payroll	32.5%	67.7%	66.7%	26.8%	84.6%	28.5%

Other Information:

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

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



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

Exhibit B-5

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Actuarially determined contribution	\$ 486,427	\$ 478,030	\$ 496,124	\$ 537,357	\$ 558,424
Contribution in relation of the actuarially determined contribution	<u>486,427</u>	<u>478,030</u>	<u>496,124</u>	<u>537,357</u>	<u>558,424</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered payroll	4,165,019	4,052,120	4,020,268	3,919,181	4,012,557
Contributions as a percentage of covered payroll	11.7%	11.8%	12.3%	13.7%	13.9%

Notes to Schedule:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

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



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City of Kerrville, Texas
Schedule of Changes in Total OPEB Liability and Related Ratios – KPUB
Texas Municipal Retirement System

Exhibit B-6

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total OPEB Liability:			
Service cost	\$ 5,999	\$ 6,629	\$ 6,057
Interest	7,837	7,918	8,786
Difference between expected and actual experience	-	1,880	(1,294)
Change in assumptions	18,923	(17,158)	48,695
Benefit payments	<u>(1,200)</u>	<u>(1,170)</u>	<u>(1,615)</u>
Net Change in Total OPEB Liability	31,559	(1,901)	60,629
Total OPEB Liability – Beginning	204,932	236,491	234,590
Total OPEB Liability – Ending	\$ 236,491	\$ 234,590	\$ 295,219
Covered Payroll	3,999,227	3,899,540	4,038,153
Total OPEB Liability as a Percentage of Covered Payroll	5.91%	6.02%	7.31%

Other Information:

The information in this schedule has been determined as of KPUB's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods for which such information is available are presented.

City of Kerrville, Texas
Schedule of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual (General Fund)
Year Ended September 30, 2020

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes, penalties and interest	\$ 19,432,653	\$ 19,432,653	\$ 19,699,578	\$ 266,925
Intergovernmental	1,450,859	1,450,859	1,457,455	6,596
Licenses and permits	713,415	713,415	946,315	232,900
Charges for services	4,634,618	4,634,618	4,301,930	(332,688)
Fines and forfeitures	605,000	605,000	286,338	(318,662)
Grants	29,500	29,500	1,308,931	1,279,431
Investment income	267,200	267,200	280,286	13,086
Miscellaneous	354,727	419,092	375,514	(43,578)
Total revenues	<u>27,487,972</u>	<u>27,552,337</u>	<u>28,656,347</u>	<u>1,104,010</u>
Expenditures				
General government				
City council	12,789	11,367	8,088	3,279
City secretary	253,998	247,810	229,629	18,181
City attorney	291,830	278,386	278,084	302
Municipal court	446,032	426,695	399,434	27,261
City administration	760,995	741,104	740,156	948
Human resources	396,976	382,864	382,740	124
Finance	782,697	771,357	751,499	19,858
Information technology	1,320,847	1,252,907	1,231,681	21,226
General operations	<u>1,365,392</u>	<u>3,362,470</u>	<u>1,244,356</u>	<u>2,118,114</u>
Total general government	<u>5,631,556</u>	<u>7,474,960</u>	<u>5,265,667</u>	<u>2,209,293</u>
Public safety				
Police	6,294,078	5,979,671	4,468,094	1,511,577
Fire	5,147,189	5,257,985	5,257,547	438
Emergency management and training	223,056	167,508	164,498	3,010
Fire prevention	252,540	244,524	239,428	5,096
Emergency medical services	<u>2,778,714</u>	<u>2,641,713</u>	<u>2,474,511</u>	<u>167,202</u>
Total public safety	<u>14,695,577</u>	<u>14,291,401</u>	<u>12,604,078</u>	<u>1,687,323</u>
Public works				
Planning	279,646	229,382	228,752	630
Building services	437,664	445,668	445,269	399
Engineering	569,845	525,103	524,249	854
Streets	3,498,144	2,449,237	2,366,808	82,429
Solid waste	171,087	151,089	145,768	5,321
Code compliance	<u>177,444</u>	<u>163,043</u>	<u>162,767</u>	<u>276</u>
Total public works	<u>5,133,830</u>	<u>3,963,522</u>	<u>3,873,613</u>	<u>89,909</u>

Exhibit B-7

	Budgeted Amounts			Variance With Final Budget	
	Original	Final	Actual	Positive (Negative)	
Culture and recreation					
Kerrville-Schreiner Park	\$ 512,511	\$ 492,818	\$ 462,779	\$ 30,039	
Tennis center	27,294	39,590	28,713	10,877	
Aquatics	179,083	177,356	165,104	12,252	
Parks maintenance	1,460,319	1,338,547	1,239,374	99,173	
Sports Complex	609,983	573,257	525,188	48,069	
Recreation	209,203	162,816	142,298	20,518	
Community events	210,518	166,558	153,041	13,517	
Library	716,308	706,851	684,802	22,049	
Total culture and recreation	3,925,219	3,657,793	3,401,299	256,494	
Capital outlay	1,436,224	1,506,080	1,441,493	64,587	
Total expenditures	30,822,406	30,893,756	26,586,150	4,307,606	
Excess (deficiency) of revenues over expenditures	(3,334,434)	(3,341,419)	2,070,197	5,411,616	
Other Financing Sources (Uses)					
Transfers in	2,278,192	2,275,504	2,344,998	69,494	
Transfers out	(170,000)	(2,172,825)	(2,172,825)	-	
Total other financing sources	2,108,192	102,679	172,173	69,494	
Net Changes in Fund Balance	(1,226,242)	(3,238,740)	2,242,370	5,481,110	
Fund Balance, Beginning of Year	14,354,772	14,354,772	14,354,772	-	
Fund Balance, End of Year	\$ 13,128,530	\$ 11,116,032	\$ 16,597,142	\$ 5,481,110	

City of Kerrville, Texas
Notes to Required Supplementary Information
September 30, 2020

Budgetary Information

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

Prior to adoption of a formal budget, the City Manager must file by July 31 with the City Clerk a proposed operating budget for the year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted to obtain taxpayers' comments.

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

The City Manager is authorized to transfer budgeted amounts between accounts within a fund as long as the request results in a \$0 net impact to the fund. The City Council must authorize all changes to the budget that result in a change to the net position of a fund. Budgeted amounts in this report include transfers and revisions to the original appropriations ordinance; Most department budgets were modified during the year.

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

Budgets have been adopted for all City funds, including the Economic Improvement Corporation Component Unit fund.

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

Appropriations for annually budgeted funds lapse at year-end.

Excess of Expenditures Over Appropriations

For the fiscal year ended September 30, 2020, the General Fund had no expenditures in excess of appropriations of the final adopted budget to actual.



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

City of Kerrville, Texas
Combining Balance Sheet – Nonmajor Governmental Funds
September 30, 2020

	Special Revenue Funds				
	Library Memorial	Hotel/Motel Tax	Hotel Reserve Fund	History Center	Grant
Assets					
Cash and cash equivalents	\$ 2,771,390	\$ 711,510	\$ -	\$ 220,610	\$ -
Investments	-	635,536	-	-	-
Due from other governments	-	-	-	-	1,090,900
Taxes receivable	-	-	-	-	-
Total assets	\$ 2,771,390	\$ 1,347,046	\$ -	\$ 220,610	\$ 1,090,900
Liabilities					
Accounts payable and accrued expenses	31,081	\$ -	\$ -	705	25,000
Due to other funds	-	-	-	-	1,062,783
Total liabilities	31,081	-	-	705	1,087,783
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	-
Fund Balances					
Restricted	-	1,347,046	-	-	3,117
Committed	2,740,309	-	-	219,905	-
Total fund balances	2,740,309	1,347,046	-	219,905	3,117
Total liabilities, deferred inflows of resources and fund balances	\$ 2,771,390	\$ 1,347,046	\$ -	\$ 220,610	\$ 1,090,900

Exhibit C-1

Special Revenue Funds						Capital Projects Fund	Debt Service Fund	Total Nonmajor Funds
Police	PEG	Municipal Court	TIRZ			Parkland Dedication	Debt Service Fund	
\$ 64,992	\$ 27,163	\$ 56,834	\$ 22,915			\$ 68,253	\$ 619,404	\$ 4,563,071
58,053	24,263	50,766	-			60,965	553,266	1,382,849
-	-	-	-			-	599	1,091,499
-	15,000	-	-			-	54,490	69,490
<u>\$ 123,045</u>	<u>\$ 66,426</u>	<u>\$ 107,600</u>	<u>\$ 22,915</u>			<u>\$ 129,218</u>	<u>\$ 1,227,759</u>	<u>\$ 7,106,909</u>
\$ 10,903	\$ -	\$ 466	\$ -			\$ -	\$ -	\$ 68,155
-	-	-	-			-	-	1,062,783
<u>10,903</u>	<u>-</u>	<u>466</u>	<u>-</u>			<u>-</u>	<u>-</u>	<u>1,130,938</u>
-	-	-	-			-	51,724	51,724
112,142	66,426	107,134	22,914			-	1,176,035	2,834,814
-	-	-	-			129,218	-	3,089,432
<u>112,142</u>	<u>66,426</u>	<u>107,134</u>	<u>22,914</u>			<u>129,218</u>	<u>1,176,035</u>	<u>5,924,246</u>
<u>\$ 123,045</u>	<u>\$ 66,426</u>	<u>\$ 107,600</u>	<u>\$ 22,914</u>			<u>\$ 129,218</u>	<u>\$ 1,227,759</u>	<u>\$ 7,106,908</u>

City of Kerrville, Texas
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended September 30, 2020

Special Revenue Funds					
	Library Memorial	Hotel/Motel Tax	Hotel Reserve Fund	History Center	Grant
Revenues					
Taxes and penalties	\$ -	1,173,973	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-
Charges for services	-	-	-	7	-
Fines and forfeitures	-	-	-	-	-
Intergovernmental / grant	165,944	-	-	-	1,479,891
Investment income	34,821	17,808	1,878	2,970	-
Miscellaneous	621	-	-	14,000	-
Total revenues	201,386	1,191,781	1,878	16,977	1,479,891
Expenditures					
Current					
Culture and recreation	48,657	1,135,485	400,000	7,045	-
Public safety	-	-	-	-	1,338,561
Public works	-	-	-	-	25,000
General government	-	-	-	-	-
Capital outlay	121,855	-	-	-	49,525
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	170,512	1,135,485	400,000	7,045	1,413,086
Excess (deficiency) of revenues over expenditures	30,874	56,296	(398,122)	9,932	66,805
Other Financing Sources (Uses)					
Issuance of long-term debt	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-
Payment to the refunded bond escrow agent	-	-	-	-	-
Bond issuance cost	-	-	-	-	-
Transfers in	76,690	3,340	-	-	-
Transfers out	-	(40,000)	(3,340)	-	(66,805)
Total other financing sources (uses)	76,690	(36,660)	(3,340)	-	(66,805)
Net Change in Fund Balances	107,564	19,636	(401,462)	9,932	-
Fund Balances, Beginning of Year	2,632,745	1,327,410	401,462	209,973	3,117
Fund Balances, End of Year	\$ 2,740,309	\$ 1,347,046	\$ -	\$ 219,905	\$ 3,117

Exhibit C-2

Special Revenue Funds				Capital Projects Fund		Debt Service Fund		Total Nonmajor Funds
Police	PEG	Municipal Court	TIRZ	Parkland Dedication	Debt Service Fund			
\$ -	\$ 61,047	\$ -	\$ 22,899	\$ -	\$ 1,579,214		\$ 2,837,133	
-	-	-	-	15,126			15,126	
44,812	-	-	-	-			44,819	
-	-	20,309	-	-			20,309	
5,040	-	-	-	-		1,111,400	2,762,275	
1,516	516	1,400	15	1,696		23,924	86,544	
1,975	-	-	-	-		-	16,596	
53,343	61,563	21,709	22,914	16,822	2,714,538		5,782,802	
-	-	-	-	-			1,591,187	
21,042	-	14,151	-	-			1,373,754	
-	-	-	-	-			25,000	
-	46,378	-	-	-		1,000,000	1,046,378	
-	-	-	-	-		-	171,380	
-	-	-	-	-		1,915,000	1,915,000	
-	-	-	-	-		851,628	851,628	
21,042	46,378	14,151	-	-	3,766,628		6,974,327	
32,301	15,185	7,558	22,914	16,822	(1,052,090)		(1,191,525)	
-	-	-	-	-		3,285,000	3,285,000	
-	-	-	-	-		248,548	248,548	
-	-	-	-	-		(2,435,000)	(2,435,000)	
-	-	-	-	-		(69,233)	(69,233)	
-	-	-	-	-		-	80,030	
-	-	-	-	-		(44,233)	(154,378)	
-	-	-	-	-		985,082	954,967	
32,301	15,185	7,558	22,914	16,822	(67,008)		(236,558)	
79,841	51,241	99,576	-	112,396	1,243,043		6,160,804	
\$ 112,142	\$ 66,426	\$ 107,134	\$ 22,914	\$ 129,218	\$ 1,176,035		\$ 5,924,246	

City of Kerrville, Texas
Library Memorial
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2020

Exhibit C-3

	Budgeted Amounts			Variance With Final Budget Positive (Negative)	
	Original	Final	Actual		
Revenues					
Grants	61,000	61,000	\$ 165,944	\$ 104,944	
Investment income	9,400	9,400	34,821	25,421	
Miscellaneous	720	720	621	(99)	
Total revenues	71,120	71,120	201,386	130,266	
Expenditures					
Culture and recreation	16,895	59,895	48,657	11,238	
Capital outlay	415,674	372,674	121,855	250,819	
Total expenditures	432,569	432,569	170,512	262,057	
Other Financing Sources					
Transfer from other funds	-	-	76,690	76,690	
Total other financing sources	-	-	76,690	76,690	
Net Change in Fund Balance	(361,449)	(361,449)	107,564	469,013	
Fund Balance, Beginning of Year	2,632,745	2,632,745	2,632,745	-	
Fund Balance, End of Year	\$ 2,271,296	\$ 2,271,296	\$ 2,740,309	\$ 469,013	

City of Kerrville, Texas
Hotel/Motel Tax
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2020

Exhibit C-4

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes and penalties	\$ 1,438,500	\$ 1,438,500	\$ 1,173,973	\$ (264,527)
Investment income	20,000	20,000	17,808	(2,192)
 Total revenues	 1,458,500	 1,458,500	 1,191,781	 (266,719)
Expenditures				
Culture and recreation	1,418,500	1,418,500	1,135,485	283,015
 Total expenditures	 1,418,500	 1,418,500	 1,135,485	 283,015
Other Financing Uses				
Transfer to other funds	(40,000)	(40,000)	(40,000)	-
Transfer from other funds	-	3,340	3,340	-
 Net Change in Fund Balance	 -	 3,340	 19,636	 16,296
Fund Balance, Beginning of Year	1,327,410	1,327,410	1,327,410	-
Fund Balance, End of Year	<u>\$ 1,327,410</u>	<u>\$ 1,330,750</u>	<u>\$ 1,347,046</u>	<u>\$ 16,296</u>

City of Kerrville, Texas
Hotel Reserve Fund
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2020

Exhibit C-5

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Investment income	\$ 403	\$ 403	\$ 1,878	\$ 1,475
Total revenues	403	403	1,878	1,475
Expenditures				
Culture and recreation	400,000	400,000	400,000	-
Other Financing Uses				
Transfer to other funds	-	(3,340)	(3,340)	-
Net Change in Fund Balance	(399,597)	(402,937)	(401,462)	1,475
Fund Balance, Beginning of Year	401,462	401,462	401,462	-
Fund Balance, End of Year	\$ 1,865	\$ (1,475)	\$ -	\$ 1,475

City of Kerrville, Texas
History Center
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2020

Exhibit C-6

	Budgeted Amounts			Variance With Final Budget	
	Original	Final	Actual	Positive (Negative)	
Revenues					
Charges for services	\$ 75	\$ 75	\$ 7	\$ (68)	
Investment income	4,200	4,200	2,970	(1,230)	
Miscellaneous	<u>13,598</u>	<u>13,598</u>	<u>14,000</u>	<u>402</u>	
Total revenues	<u>17,873</u>	<u>17,873</u>	<u>16,977</u>	<u>(896)</u>	
Expenditures					
Cultural and recreation	<u>17,873</u>	<u>17,873</u>	<u>7,045</u>	<u>10,828</u>	
Total expenditures	<u>17,873</u>	<u>17,873</u>	<u>7,045</u>	<u>10,828</u>	
Net Change in Fund Balance	-	-	9,932	9,932	
Fund Balance, Beginning of Year	<u>209,973</u>	<u>209,973</u>	<u>209,973</u>	<u>-</u>	
Fund Balance, End of Year	<u>\$ 209,973</u>	<u>\$ 209,973</u>	<u>\$ 219,905</u>	<u>\$ 9,932</u>	

City of Kerrville, Texas
Grant Fund
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2020

Exhibit C-7

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ -	\$ 1,479,891	\$ 1,479,891	\$ -
Total revenues	-	1,479,891	1,479,891	-
Expenditures				
Public safety	-	1,338,561	1,338,561	-
Public works	-	25,000	25,000	-
Capital outlay	-	49,525	49,525	-
Total expenditures	-	1,413,086	1,413,086	-
Other Financing Uses				
Transfer out	-	(66,805)	(66,805)	-
Total expenditures	-	(66,805)	(66,805)	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	3,117	3,117	3,117	-
Fund Balance, End of Year	<u>\$ 3,117</u>	<u>\$ 3,117</u>	<u>\$ 3,117</u>	<u>\$ -</u>

City of Kerrville, Texas
Police Fund
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2020

Exhibit C-8

	Budgeted Amounts			Variance With Final Budget Positive (Negative)	
	Original	Final	Actual		
				Positive	(Negative)
Revenues					
Charges for services	\$ 18,500	\$ 18,500	\$ 44,812	\$ 26,312	
Intergovernmental	4,700	4,700	5,040	340	
Investment income	1,800	1,800	1,516	(284)	
Miscellaneous	1,450	1,450	1,975	525	
Total revenues	<u>26,450</u>	<u>26,450</u>	<u>53,343</u>	<u>26,893</u>	
Expenditures					
Public safety	<u>60,042</u>	<u>60,042</u>	<u>21,042</u>	<u>39,000</u>	
Total expenditures	<u>60,042</u>	<u>60,042</u>	<u>21,042</u>	<u>39,000</u>	
Net Change in Fund Balance	(33,592)	(33,592)	32,301	65,893	
Fund Balance, Beginning of Year	79,841	79,841	79,841	-	
Fund Balance, End of Year	\$ 46,249	\$ 46,249	\$ 112,142	\$ 65,893	

City of Kerrville, Texas
PEG Fund
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2020

Exhibit C-9

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 56,000	\$ 56,000	\$ 61,047	\$ 5,047
Investment income	600	600	516	(84)
Total revenues	<u>56,600</u>	<u>56,600</u>	<u>61,563</u>	<u>4,963</u>
Expenditures				
General government	56,600	56,600	46,378	10,222
Total expenditures	<u>56,600</u>	<u>56,600</u>	<u>46,378</u>	<u>10,222</u>
Net Change in Fund Balance	-	-	15,185	15,185
Fund Balance, Beginning of Year	<u>51,241</u>	<u>51,241</u>	<u>51,241</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 51,241</u>	<u>\$ 51,241</u>	<u>\$ 66,426</u>	<u>\$ 15,185</u>

City of Kerrville, Texas
Municipal Court
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2020

Exhibit C-10

	Budgeted Amounts			Variance With Final Budget Positive (Negative)	
	Original	Final	Actual		
				Positive (Negative)	
Revenues					
Fines and forfeitures	\$ 34,900	\$ 34,900	\$ 20,309	\$ (14,591)	
Investment income	1,600	1,600	1,400	(200)	
Total revenues	36,500	36,500	21,709	(14,791)	
Expenditures					
General government	36,500	36,500	14,151	22,349	
Total expenditures	36,500	36,500	14,151	22,349	
Net Change in Fund Balance	-	-	7,558	7,558	
Fund Balance, Beginning of Year	99,576	99,576	99,576	-	
Fund Balance, End of Year	\$ 99,576	\$ 99,576	\$ 107,134	\$ 7,558	

City of Kerrville, Texas
TIRZ Fund
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2020

Exhibit C-11

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes and penalties	\$ 30,051	\$ 30,051	\$ 22,899	\$ (7,152)
Investment income	-	-	15	15
Total revenues	30,051	30,051	22,914	(7,137)
Expenditures				
General government	-	-	-	-
Total expenditures	-	-	-	-
Net Change in Fund Balance	30,051	30,051	22,914	(7,137)
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ 30,051	\$ 30,051	\$ 22,914	\$ (7,137)

City of Kerrville, Texas
Parkland Dedication
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended September 30, 2020

Exhibit C-12

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
License and permits	\$ 24,000	\$ 24,000	\$ 15,126	\$ (8,874)
Investment income	400	400	1,696	1,296
Total revenues	24,400	24,400	16,822	(7,578)
Expenditures				
Capital outlay	54,400	54,400	-	54,400
Total expenditures	54,400	54,400	-	54,400
Net Change in Fund Balance	(30,000)	(30,000)	16,822	46,822
Fund Balance, Beginning of Year	112,396	112,396	112,396	-
Fund Balance, End of Year	\$ 82,396	\$ 82,396	\$ 129,218	\$ 46,822

City of Kerrville, Texas
Debt Service
Budgetary Comparison Schedule
Year Ended September 30, 2020

Exhibit C-13

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
	 	 	 	
Revenues				
Taxes and penalties	\$ 1,563,025	\$ 1,563,025	\$ 1,579,214	\$ 16,189
Intergovernmental	1,117,236	1,117,236	1,111,400	(5,836)
Investment income	23,600	23,600	23,924	324
Miscellaneous	-	-	-	-
Total revenues	2,703,861	2,703,861	2,714,538	10,677
Expenditures				
General government	-	-	1,000,000	(1,000,000)
Debt Service				
Principal	1,875,000	1,875,000	1,915,000	(40,000)
Interest	871,855	871,855	851,628	20,227
Total expenditures	2,746,855	2,746,855	3,766,628	(1,019,773)
Other Financing Uses				
Issuance of long-term debt	-	-	3,285,000	3,285,000
Premium on issuance of debt	-	-	248,548	248,548
Payment to the refunded bond escrow agent	-	-	(2,435,000)	(2,435,000)
Bond issuance cost	-	-	(69,233)	(69,233)
Transfers to other funds	(44,233)	(44,233)	(44,233)	-
Net Change in Fund Balance	(87,227)	(87,227)	(67,008)	20,219
Fund Balance, Beginning of Year	1,243,043	1,243,043	1,243,043	-
Fund Balance, End of Year	\$ 1,155,816	\$ 1,155,816	\$ 1,176,035	\$ 20,219

City of Kerrville, Texas
Combining Statement of Net Position
Internal Service Funds
September 30, 2020

Exhibit C-14

	Garage	Employee Benefit Trust	Total Internal Service Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 38,389	\$ 170,609	\$ 208,998
Investments	34,290	152,392	186,682
Inventories	<u>21,539</u>	-	<u>21,539</u>
Total current assets	<u>94,218</u>	<u>323,001</u>	<u>417,219</u>
Capital Assets			
Buildings	159,000	-	159,000
Vehicles	18,056	-	18,056
Machinery and equipment	56,664	-	56,664
Accumulated depreciation	<u>(216,152)</u>	-	<u>(216,152)</u>
Net capital assets	<u>17,568</u>	-	<u>17,568</u>
Total assets	<u>111,786</u>	<u>323,001</u>	<u>434,787</u>
Deferred Outflows of Resources			
Deferred outflows - pension	20,278	-	20,278
Deferred outflows - OPEB	<u>2,541</u>	-	<u>2,541</u>
Total deferred outflows of resources	<u>22,819</u>	-	<u>22,819</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	9,939	2,681	12,620
Due to other funds	<u>4,758</u>	-	<u>4,758</u>
Total current liabilities	<u>14,697</u>	<u>2,681</u>	<u>17,378</u>
Noncurrent Liabilities			
Compensated absences	15,071	-	15,071
Net pension liability	54,612	-	54,612
Total OPEB liability	<u>13,450</u>	-	<u>13,450</u>
Total noncurrent liabilities	<u>83,133</u>	-	<u>83,133</u>
Total liabilities	<u>97,830</u>	<u>2,681</u>	<u>100,511</u>
Deferred Inflows of Resources			
Deferred inflows - pensions	26,590	-	26,590
Deferred inflows - OPEB	<u>1,087</u>	-	<u>1,087</u>
Total deferred outflows of resources	<u>27,677</u>	-	<u>27,677</u>
Net Position			
Net investment in capital assets	17,568	-	17,568
Unrestricted (deficit)	<u>(8,470)</u>	<u>320,320</u>	<u>311,850</u>
Total net position	<u>\$ 9,098</u>	<u>\$ 320,320</u>	<u>\$ 329,418</u>

City of Kerrville, Texas
Combining Statement of Revenues, Expenses and
Changes in Net Position
Internal Service Funds
Year Ended September 30, 2020

Exhibit C-15

	Garage	Employee Benefit Trust	Total Internal Service Funds
Revenues			
Charges for services	\$ 361,340	\$ 3,196,252	\$ 3,557,592
Total revenues	<u>361,340</u>	<u>3,196,252</u>	<u>3,557,592</u>
Operating Expenses			
Personnel services	329,276	-	329,276
Repairs and maintenance	3,880	-	3,880
Supplies and materials	20,724	-	20,724
Utilities	4,587	-	4,587
Depreciation	3,343	-	3,343
Services	7,570	-	7,570
Premiums and other charges	-	<u>3,131,751</u>	<u>3,131,751</u>
Total operating expenses	<u>369,380</u>	<u>3,131,751</u>	<u>3,501,131</u>
Change in Net Position	(8,040)	64,501	56,461
Net Position, Beginning of Year	<u>17,138</u>	<u>255,819</u>	<u>272,957</u>
Net Position, End of Year	<u>\$ 9,098</u>	<u>\$ 320,320</u>	<u>\$ 329,418</u>

City of Kerrville, Texas
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2020

Exhibit C-16

	Garage	Employee Benefit Trust	Total Internal Service Funds
Operating Activities			
Cash received from customers	\$ 361,340	\$ 3,196,252	\$ 3,557,592
Cash payments to employees	(315,037)	-	(315,037)
Cash payments to suppliers for goods and services	<u>(33,667)</u>	<u>(3,129,283)</u>	<u>(3,162,950)</u>
Net cash provided by operating activities	<u>12,636</u>	<u>66,969</u>	<u>79,605</u>
Investing Activities			
Sales of investments	-	(62,781)	(62,781)
Investment income	<u>(7,578)</u>	<u>-</u>	<u>(7,578)</u>
Net cash provided by investing activities	<u>(7,578)</u>	<u>(62,781)</u>	<u>(70,359)</u>
Net Increase in Cash and Cash Equivalents			
	<u>(11,218)</u>	<u>4,188</u>	<u>(7,030)</u>
Cash and Cash Equivalents, Beginning of Year	<u>49,607</u>	<u>166,421</u>	<u>216,028</u>
Cash and Cash Equivalents, End of Year	<u>\$ 38,389</u>	<u>\$ 170,609</u>	<u>\$ 208,998</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ (8,040)	\$ 64,501	\$ 56,461
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	3,343	-	3,343
Changes in assets and deferred outflows			
(Increase) decrease in inventories	3,187	-	3,187
(Increase) decrease in deferred pension outflows	38,284	-	38,284
(Increase) decrease in deferred OPEB outflows	(1,481)	-	(1,481)
Changes in liabilities and deferred inflows			
Increase (decrease) in accounts payable	(1,155)	2,468	1,313
Increase (decrease) in compensated absences	3,993	-	3,993
Increase (decrease) in net pension liability	(53,368)	-	(53,368)
Increase (decrease) in total OPEB liability	2,111	-	2,111
Increase (decrease) in deferred pension inflows	24,700	-	24,700
Increase (decrease) in due to other funds	<u>1,062</u>	<u>-</u>	<u>1,062</u>
Total adjustments	<u>20,676</u>	<u>2,468</u>	<u>23,144</u>
Net cash provided by (used in) operating activities	<u>\$ 12,636</u>	<u>\$ 66,969</u>	<u>\$ 79,605</u>

City of Kerrville, Texas
Balance Sheet
Economic Improvement Corporation
September 30, 2020

Exhibit C-17

Assets

Cash and cash equivalents	\$ 2,397,178
Other receivable	1,949
Due from other governments	<u>687,746</u>
Land	-
 Total assets	 <u>\$ 3,086,873</u>

Liabilities

Accounts payable and accrued liabilities	\$ 1,234
 Total liabilities	 <u>\$ 1,234</u>

Fund Balances

Unassigned	\$ 3,085,639
 Total fund balance	 <u>3,085,639</u>
 Total liabilities and fund balance	 <u>\$ 3,086,873</u>

Reconciliation of EIC Fund Balance Sheet to Discretely Presented

Component Unit Statement of Net Position

Total fund balances – EIC balance sheet	\$ 3,085,639
---	--------------

Amounts Reported for Governmental Activities in the Discretely Presented

Component Unit Statement of Net Position are Different Because

Capital assets used in governmental activities are not reported in the funds	1,138,436
 EIC net position	 <u>\$ 4,224,075</u>

City of Kerrville, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balance
Economic Improvement Corporation
Year Ended September 30, 2020

Exhibit C-18

Revenues	
Sales and other taxes	\$ 3,912,347
Contributions	1,000,000
Investment income	<u>33,402</u>
Total revenues	<u>4,945,749</u>
Expenditures	
General government	<u>6,376,165</u>
Total expenditures	<u>6,376,165</u>
Deficiency of revenues over expenditures	<u>(1,430,416)</u>
Net Change in Fund Balance	(1,430,416)
Fund Balance, Beginning of Year	<u>4,516,055</u>
Fund Balance, End of Year	<u>\$ 3,085,639</u>

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

Unit Statement of Activities

EIC change in fund balance	\$ <u>(1,430,416)</u>
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Amounts Reported for Governmental Activities in the Discretely Presented

EIC change in net position	\$ <u>(1,430,416)</u>
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Statistical Section



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Statistical Section

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

Table of Contents

	<u>Page</u>
Financial Trends.....	97
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	105
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	112
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	117
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.....	121
The schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

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



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

Table D-1

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net investment in capital assets	\$ 49,627	\$ 57,920	\$ 61,342	\$ 60,765	\$ 61,339	\$ 64,579	\$ 69,695	\$ 71,382	\$ 67,741	\$ 67,070
Restricted	6,251	1,509	1,434	1,386	1,324	1,165	1,139	1,144	1,243	1,176
Unrestricted	10,097	15,355	15,684	18,595	22,953	25,343	27,133	24,490	23,353	27,258
Total governmental activities net position	<u>\$ 65,975</u>	<u>\$ 74,784</u>	<u>\$ 78,460</u>	<u>\$ 80,746</u>	<u>\$ 85,616</u>	<u>\$ 91,087</u>	<u>\$ 97,967</u>	<u>\$ 97,016</u>	<u>\$ 92,337</u>	<u>\$ 95,504</u>
Business-type Activities										
Net investment in capital assets	\$ 38,078	\$ 38,404	\$ 38,699	\$ 37,157	\$ 39,106	\$ 41,630	\$ 37,218	\$ 45,057	\$ 45,521	\$ 46,866
Restricted	-	2,898	4,105	3,789	3,451	1,675	1,805	1,805	1,744	1,781
Unrestricted	8,641	4,739	5,064	8,143	7,773	6,619	11,349	5,550	2,718	2,736
Total business-type activities net position	<u>\$ 46,719</u>	<u>\$ 46,041</u>	<u>\$ 47,868</u>	<u>\$ 49,089</u>	<u>\$ 50,330</u>	<u>\$ 49,924</u>	<u>\$ 50,372</u>	<u>\$ 52,412</u>	<u>\$ 49,983</u>	<u>\$ 51,383</u>
Primary Government										
Net investment in capital assets	\$ 87,705	\$ 96,324	\$ 100,041	\$ 97,922	\$ 100,445	\$ 106,209	\$ 106,913	\$ 116,439	\$ 113,262	\$ 113,936
Restricted	6,251	4,407	5,539	5,175	4,775	2,840	2,944	2,949	2,987	2,957
Unrestricted	18,738	20,094	20,748	26,738	30,726	31,962	38,482	30,040	26,071	29,994
Total primary government net position	<u>\$ 112,694</u>	<u>\$ 120,825</u>	<u>\$ 126,328</u>	<u>\$ 129,835</u>	<u>\$ 135,946</u>	<u>\$ 141,011</u>	<u>\$ 148,339</u>	<u>\$ 149,428</u>	<u>\$ 142,320</u>	<u>\$ 146,887</u>

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

2015 net position has been adjusted due to implementation of GASB Statements 68.

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

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

	Fiscal Year			
	2011	2012	2013	2014
Expenses				
Governmental Activities				
General government	\$ 4,022	\$ 4,077	\$ 4,667	\$ 5,159
Public safety	12,632	11,312	11,631	12,365
Culture and recreation	3,461	3,082	3,371	3,066
Public works	3,104	3,004	3,327	3,159
Business programs	177	167	-	-
Interest on long-term debt	717	645	566	564
Total governmental activities expenses	<u>24,113</u>	<u>22,287</u>	<u>23,562</u>	<u>24,313</u>
Business-type Activities				
Water and sewer services	8,198	8,737	8,442	8,984
Kerrville-Schreiner Park	1	-	-	-
Golf course	952	1,041	934	908
Total business-type activities expenses	<u>9,151</u>	<u>9,778</u>	<u>9,376</u>	<u>9,892</u>
Total primary government expenses	<u>\$ 33,264</u>	<u>\$ 32,065</u>	<u>\$ 32,938</u>	<u>\$ 34,205</u>
Program Revenues				
Governmental Activities				
Charges for services				
General government	\$ 2,638	\$ 2,126	\$ 1,054	\$ 100
Public safety	2,225	1,327	2,442	3,391
Cultural and recreation	75	583	410	425
Public works	435	470	359	519
Operating grants and contributions	1,461	303	719	72
Capital grants and contributions	2,959	5,553	2,000	971
Total governmental activities program revenues	<u>9,793</u>	<u>10,362</u>	<u>6,984</u>	<u>5,478</u>
Business-type Activities				
Charges for services				
Water and sewer services	10,536	10,009	11,072	11,080
Kerrville-Schreiner Park	-	-	-	-
Golf course	903	1,031	877	884
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	508	10
Total business-type activities program revenues	<u>11,439</u>	<u>11,040</u>	<u>12,457</u>	<u>11,974</u>
Total primary government program revenues	<u>\$ 21,232</u>	<u>\$ 21,402</u>	<u>\$ 19,441</u>	<u>\$ 17,452</u>
Net (Expense)/Revenue				
Governmental activities	\$ (14,320)	\$ (11,925)	\$ (16,578)	\$ (18,835)
Business-type activities	2,288	1,262	3,081	2,082
Total primary government net expense	<u>\$ (12,032)</u>	<u>\$ (10,663)</u>	<u>\$ (13,497)</u>	<u>\$ (16,753)</u>

Table D-2

Fiscal Year											
	2015		2016		2017		2018		2019		2020
\$	6,272	\$	6,107	\$	5,805	\$	6,988	\$	7,901	\$	7,855
13,169			12,933		14,240		14,243		14,984		14,996
3,405			3,701		4,543		5,112		5,242		5,743
3,490			3,404		4,002		5,617		11,661		7,120
-			-		-		-		-		-
<u>519</u>	<u>818</u>		<u>722</u>		<u>606</u>		<u>633</u>		<u>738</u>		
	<u>26,855</u>		<u>26,963</u>		<u>29,312</u>		<u>32,566</u>		<u>40,421</u>		<u>36,452</u>
	8,241		9,753		8,997		9,579		13,402		10,514
-			-		-		-		-		-
<u>863</u>	<u>926</u>		<u>1,090</u>		<u>1,046</u>		<u>1,108</u>		<u>1,045</u>		
	9,104		10,679		10,087		10,625		14,510		11,559
<u>\$ 35,959</u>	<u>\$ 37,642</u>		<u>\$ 39,399</u>		<u>\$ 43,191</u>		<u>\$ 54,931</u>		<u>\$ 48,011</u>		
\$	24	\$	1	\$	1	\$	1	\$	1	\$	207
4,340			3,672		4,353		4,233		4,214		4,125
465			520		599		613		650		678
1,169			1,241		1,537		1,528		1,818		2,002
141			759		348		273		863		2,627
<u>772</u>	<u>2,626</u>		<u>2,595</u>		<u>1,314</u>		<u>3,463</u>		<u>4,527</u>		
	<u>6,911</u>		<u>8,819</u>		<u>9,433</u>		<u>7,962</u>		<u>11,009</u>		<u>14,166</u>
11,118			11,329		11,885		11,885		11,798		12,997
-			-		-		-		-		-
<u>784</u>	<u>743</u>		<u>864</u>		<u>855</u>		<u>838</u>		<u>862</u>		
-			-		-		-		-		-
<u>-</u>	<u>19</u>		<u>1,500</u>		<u>1,500</u>		<u>1,000</u>		<u>1,000</u>		
11,902			12,091		14,249		14,240		13,636		14,859
<u>\$ 18,813</u>	<u>\$ 20,910</u>		<u>\$ 23,682</u>		<u>\$ 22,202</u>		<u>\$ 24,645</u>		<u>\$ 29,025</u>		
\$	(19,944)	\$	(18,144)	\$	(19,879)	\$	(24,604)	\$	(29,412)	\$	(22,286)
<u>2,798</u>	<u>1,412</u>		<u>4,162</u>		<u>3,615</u>		<u>(874)</u>		<u>(3,300)</u>		
<u>\$ (17,146)</u>	<u>\$ (16,732)</u>		<u>\$ (15,717)</u>		<u>\$ (20,989)</u>		<u>\$ (30,286)</u>		<u>\$ (18,986)</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			
	2011	2012	2013	2014
Net (Expense)/Revenue				
Governmental activities	\$ (14,320)	\$ (11,925)	\$ (16,578)	\$ (18,835)
Business-type activities	2,288	1,262	3,081	2,082
Total primary government net expense	<u>(12,032)</u>	<u>(10,663)</u>	<u>(13,497)</u>	<u>(16,753)</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes levied for general purposes	8,255	8,314	8,439	8,427
Property taxes levied for debt service	1,301	1,242	1,216	1,262
Sales and use taxes	4,537	4,773	5,120	5,554
Hotel occupancy taxes	873	846	854	958
Franchise taxes	1,764	1,836	1,826	1,716
Alcoholic beverage taxes	60	58	53	55
Investment earnings	78	52	56	44
Miscellaneous income	229	1,427	1,257	1,322
Gain/(loss) on sale of assets	(19)	-	(235)	-
Transfers	447	4,259	2,149	1,250
Total governmental activities	<u>17,525</u>	<u>22,807</u>	<u>20,735</u>	<u>20,588</u>
Business-type Activities				
Unrestricted investment earnings	72	9	23	50
Miscellaneous income	226	69	186	333
Transfers	(447)	(4,259)	(2,149)	(1,250)
Total business-type activities	<u>(149)</u>	<u>(4,181)</u>	<u>(1,940)</u>	<u>(867)</u>
Total primary government	<u>\$ 17,376</u>	<u>\$ 18,626</u>	<u>\$ 18,795</u>	<u>\$ 19,721</u>
Change in Net Position				
Governmental activities	\$ 3,205	\$ 10,882	\$ 4,157	\$ 1,753
Business-type activities	2,139	(2,919)	1,141	1,215
Total primary government	<u>\$ 5,344</u>	<u>\$ 7,963</u>	<u>\$ 5,298</u>	<u>\$ 2,968</u>

Table D-3

Fiscal Year						
2015	2016	2017	2018	2019	2020	
\$ (19,944)	\$ (18,144)	\$ (19,879)	\$ (24,604)	\$ (29,412)	\$ (22,286)	
2,798	1,412	4,162	3,615	(874)	3,300	
<u>(17,146)</u>	<u>(16,732)</u>	<u>(15,717)</u>	<u>(20,989)</u>	<u>(30,286)</u>	<u>(18,986)</u>	
8,459	8,765	8,963	9,321	9,531	10,008	
1,293	1,343	1,390	1,448	1,459	1,579	
5,787	6,201	6,427	6,722	6,900	7,826	
1,046	1,081	1,107	1,219	1,334	1,174	
1,776	1,742	1,580	1,734	1,950	1,852	
68	74	74	72	87	100	
58	57	130	244	391	567	
1,509	2,789	2,033	2,064	1,153	264	
-	-	-	-	-	-	
<u>1,125</u>	<u>1,802</u>	<u>1,910</u>	<u>3,934</u>	<u>1,641</u>	<u>2,084</u>	
<u>21,121</u>	<u>23,854</u>	<u>23,614</u>	<u>26,758</u>	<u>24,446</u>	<u>25,454</u>	
66	49	92	222	229	177	
197	-	-	-	-	7	
<u>(1,125)</u>	<u>(1,802)</u>	<u>(1,910)</u>	<u>(3,934)</u>	<u>(1,641)</u>	<u>(2,084)</u>	
<u>(862)</u>	<u>(1,753)</u>	<u>(1,818)</u>	<u>(3,712)</u>	<u>(1,412)</u>	<u>(1,900)</u>	
<u>\$ 20,259</u>	<u>\$ 22,101</u>	<u>\$ 21,796</u>	<u>\$ 23,046</u>	<u>\$ 23,034</u>	<u>\$ 23,554</u>	
\$ 1,177	\$ 5,710	\$ 3,735	\$ 2,154	\$ (4,966)	\$ 3,168	
1,936	(341)	2,344	(97)	(2,286)	1,400	
<u>\$ 3,113</u>	<u>\$ 5,369</u>	<u>\$ 6,079</u>	<u>\$ 2,057</u>	<u>\$ (7,252)</u>	<u>\$ 4,568</u>	



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

Table D-4

	Fiscal Year				
	2011	2012	2013	2014	2015
General fund					
Reserved					
Unreserved					
<i>Post—GASB 54</i>					
Nonspendable	\$ 35	\$ 33	\$ 35	\$ 17	\$ 22
Restricted	1,667	2,340	2,657	2,476	3,079
Committed	715	666	580	633	311
Unassigned	<u>3,719</u>	<u>5,701</u>	<u>6,294</u>	<u>5,969</u>	<u>6,786</u>
Total general fund	<u><u>\$ 6,136</u></u>	<u><u>\$ 8,740</u></u>	<u><u>\$ 9,566</u></u>	<u><u>\$ 9,095</u></u>	<u><u>\$ 10,239</u></u>
All other governmental funds					
Reserved					
Unreserved, reported in					
Special revenue funds					
Capital projects funds					
<i>Post—GASB 54</i>					
Restricted	\$ 1,901	\$ 9,266	\$ 8,923	\$ 5,946	\$ 11,593
Committed	5,093	762	1,638	3,289	4,040
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3)</u>
Total all other governmental funds	<u><u>\$ 6,994</u></u>	<u><u>\$ 10,028</u></u>	<u><u>\$ 10,561</u></u>	<u><u>\$ 9,235</u></u>	<u><u>\$ 15,630</u></u>
Fiscal Year					
	2016	2017	2018	2019	2020
General fund					
Nonspendable	\$ 18	\$ 19	\$ 12	\$ 14	\$ 12
Restricted	3,912	3,361	3,501	3,682	5,088
Committed	428	1,633	3,117	2,082	2,216
Assigned	42	10	—	—	—
Unassigned	<u>7,880</u>	<u>8,417</u>	<u>8,419</u>	<u>8,577</u>	<u>9,281</u>
Total general fund	<u><u>\$ 12,280</u></u>	<u><u>\$ 13,440</u></u>	<u><u>\$ 15,049</u></u>	<u><u>\$ 14,355</u></u>	<u><u>\$ 16,597</u></u>
All other governmental funds					
Restricted	\$ 9,835	\$ 2,640	\$ 2,901	\$ 3,206	\$ 2,835
Committed	4,450	7,232	4,986	17,120	16,289
Unassigned	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total all other governmental funds	<u><u>\$ 14,285</u></u>	<u><u>\$ 9,872</u></u>	<u><u>\$ 7,887</u></u>	<u><u>\$ 20,326</u></u>	<u><u>\$ 19,124</u></u>

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

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
Taxes and penalties	\$ 17,026	\$ 17,558	\$ 17,981	\$ 18,526
Licenses and permits	366	328	359	519
Intergovernmental	2,364	1,535	1,120	1,004
Charges for services	2,629	2,549	2,564	2,261
Grants	484	786	719	1,005
Fines and forfeitures	656	467	433	355
Investment income	52	56	44	58
Miscellaneous	1,270	1,211	1,405	1,479
 Total revenues	 24,847	 24,490	 24,625	 25,207
Expenditures				
General government	3,704	3,716	4,360	4,534
Public safety	11,591	10,666	11,138	12,001
Culture and recreation	3,071	2,815	3,163	3,155
Public works	2,724	2,806	2,992	3,007
Business programs	177	167	-	-
Capital outlay	841	6,536	1,519	4,497
Debt service				
Principal	582	725	754	779
Interest	719	619	590	565
Other charges	-	155	-	-
 Total expenditures	 23,409	 28,205	 24,516	 28,538
 Excess (deficiencies) of revenues over expenditures	 1,438	 (3,715)	 109	 (3,331)
Other Financing Sources (Uses)				
Proceeds from debt issuance	1,983	6,965	-	284
Bond premium	151	138	-	-
Payment to refunded bond				
escrow agent	(2,090)	-	-	-
Transfers in	2,070	2,856	2,523	3,582
Transfers out	(1,164)	(606)	(1,273)	(2,332)
Total other financing sources (uses)	950	9,353	1,250	1,534
 Net change in fund balances	 \$ 2,388	 \$ 5,638	 \$ 1,359	 \$ (1,797)
 Debt Service as a Percentage of Noncapital Expenditures	 5.9%	 7.4%	 5.9%	 5.7%

Table D-5

Fiscal Year											
	2015		2016		2017		2018		2019		2020
\$	19,113	\$	19,500	\$	20,430	\$	21,152	\$	21,831	\$	22,537
	551		480		549		627		694		961
	1,523		1,348		3,827		2,651		2,220		7,277
	3,488		3,425		4,044		4,214		4,276		4,347
	552		781		321		259		3,466		1,309
	351		549		631		612		518		307
	57		130		243		391		619		567
	1,838		1,923		2,338		1,453		497		459
	27,473		28,136		32,383		31,359		34,121		37,764
	5,656		4,367		5,186		5,985		6,179		6,542
	12,678		12,303		12,651		13,124		13,762		14,004
	3,383		3,476		3,837		4,545		4,676		4,993
	3,162		3,017		3,373		5,206		4,992		3,997
	-		-		-		-		-		-
	4,939		3,645		11,969		1,955		2,817		7,534
	1,393		1,736		1,833		2,018		1,907		1,915
	520		818		722		618		703		851
	-		-		-		-		-		-
	31,731		29,362		39,571		33,451		35,036		39,836
	(4,258)		(1,226)		(7,188)		(2,092)		(915)		(2,072)
	9,746		-		-		6,750		9,895		3,285
	249		-		-		458		759		179
	-		-		-		(7,133)		-		(2,435)
	2,897		3,349		7,170		3,444		3,531		4,527
	(1,094)		(1,428)		(3,236)		(1,803)		(1,525)		(2,444)
	11,798		1,921		3,934		1,716		12,660		3,112
\$	7,540	\$	695	\$	(3,254)	\$	(376)	\$	11,745	\$	1,040
	7.3%		9.9%		9.9%		8.4%		8.8%		8.8%

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
2011	9,512	4,772	854	1,829	58	17,025
2012	9,703	5,120	854	1,829	53	17,559
2013	9,699	5,554	958	1,716	55	17,981
2014	9,849	5,855	1,046	1,776	69	18,594
2015	10,015	6,230	1,081	1,793	74	19,193
2016	10,303	6,427	1,107	1,632	74	19,542
2017	10,736	6,722	1,219	1,734	72	20,482
2018	10,882	6,899	1,334	1,951	87	21,152
2019	11,062	7,297	1,416	1,943	113	21,831
2020	11,587	7,826	1,174	1,852	100	22,539

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 or Actual Value
2011	1,882,517	622,484	1,260,033	0.5625	1,260,033	100%
2012	1,883,208	613,787	1,269,421	0.5625	1,269,421	100%
2013	1,898,458	618,795	1,279,663	0.5625	1,279,663	100%
2014	1,896,723	621,753	1,274,970	0.5625	1,274,970	100%
2015	2,024,552	661,361	1,363,191	0.5625	1,363,191	100%
2016	2,019,808	664,840	1,354,968	0.5625	1,354,968	100%
2017	2,079,313	673,968	1,405,346	0.5625	1,405,346	100%
2018	2,202,697	716,902	1,485,795	0.5514	1,485,795	100%
2019	2,249,471	751,499	1,497,972	0.5514	1,497,972	100%
2020	2,426,500	832,974	1,593,526	0.5400	1,593,526	100%

Source: Kerr Central Appraisal District

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

Table D-8

Fiscal Years	City of Kerrville Direct Tax Rate			Overlapping Tax Rates			Total Direct & Overlapping Rates
	General Government	Debt Service	Total	School District	Kerr County	Guadalupe River Authority	
2011	0.4890	0.0735	0.5625	1.1800	0.4443	0.0324	2.2192
2012	0.4890	0.0735	0.5625	1.1800	0.4443	0.0324	2.2192
2013	0.4890	0.0735	0.5625	1.1800	0.4443	0.0324	2.2192
2014	0.4890	0.0735	0.5625	1.1800	0.4443	0.0318	2.2186
2015	0.4890	0.0735	0.5625	1.1800	0.4850	0.0318	2.2593
2016	0.4890	0.0735	0.5625	1.1800	0.4850	0.0318	2.2593
2017	0.4890	0.0735	0.5625	1.1800	0.5000	0.0318	2.2743
2018	0.4779	0.0735	0.5514	1.1800	0.5000	0.0309	2.2623
2019	0.4779	0.0735	0.5514	1.1800	0.5150	0.0302	2.2766
2020	0.4665	0.0735	0.5400	1.1700	0.5150	0.0288	2.2538

Source: Kerr Central Appraisal District

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

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

Table D-9

Taxpayer	2020			2011		
	Assessed Value	Rank	Percentage of Total City Assessed Value	Assessed Value	Rank	Percentage of Total City Assessed Value
James Avery Craftsman	52,105,709	1	2.15%			
Mooney International Corporation	14,502,403	2	0.60%			
Atmos Energy/Mid-Tex Distribution	11,768,721	3	0.49%	4,647,132	9	0.25%
Wal-Mart Stores Inc.	8,561,493	4	0.35%	7,784,640	4	0.41%
S-H Forty-Nine Properties LLC	8,202,220	5	0.34%			
CC Butt Grocery Company	8,116,950	6	0.33%			
Wal-Mart Stores Inc # 508	7,458,190	7	0.31%	6,841,869	5	0.36%
Emerald Cottages of Kerrville, LLC	6,734,106	8	0.28%			
Home Depot, USA Inc.	6,322,572	9	0.26%	6,694,883	6	0.36%
Comanche Trace Ranch & Golf	6,290,218	10	0.26%	8,182,769	3	0.43%
Windstream			24,521,054	1		1.30%
Sunwest Management Inc.			9,115,001	2		0.48%
Lowe's Home Centers, Inc.			6,270,099	7		0.33%
Kerrville Rio Verde, LTD			4,917,452	8		0.26%
Atek Plastics			4,496,647	10		0.24%
Total Top 10	130,062,582		5.36%	83,471,546		4.43%
All Other	2,296,437,649		94.64%	1,799,045,948		95.57%
Total	2,426,500,231		100.00%	1,882,517,494		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	Collected Within Year of the Levy			Total Collections to Date		
	Taxes Levied for the Fiscal Year	Current Year Amount	Percentage of Levy	Delinquent Collections in Subsequent Years	Combined Amount	Percentage of Levy
2011	9,439	9,298	98.51%	124	9,422	99.82%
2012	9,537	9,412	98.69%	101	9,513	99.75%
2013	9,679	9,443	97.56%	209	9,652	99.71%
2014	9,688	9,545	98.53%	109	9,655	99.66%
2015	10,024	9,840	98.16%	149	9,988	99.65%
2016	10,320	10,132	98.18%	142	10,274	99.55%
2017	10,653	10,491	98.48%	102	10,593	99.44%
2018	10,951	10,774	98.38%	110	10,884	99.39%
2019	11,108	10,939	98.48%	84	11,023	99.23%
2020	11,648	11,455	98.34%	32	11,487	98.62%

Source: Kerr Central Appraisal District

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

Type	Fiscal Year			
	2011	2012	2013	2014
Accomodation/Food Services	\$ 75,367,568	\$ 77,902,407	\$ 80,993,418	\$ 86,829,574
Admin/Support/Waste Mgmt/Remediation Svcs	20,060,075	18,874,150	21,314,998	22,289,923
Agriculture/Forestry/Fishing/Hunting	33,643	352,751	714,641	563,751
Arts/Entertainment/Recreation	10,203,919	5,331,787	4,692,190	4,631,153
Construction	78,350,310	72,304,961	92,022,514	98,816,059
Educational Services	27,269,909	31,052,368	30,859,006	32,115,711
Finance/Insurance	6,275	12,973	58,606	89,760
Health Care/Social Assistance	3,614,412	3,540,104	13,049,140	4,821,994
Information	23,979,339	23,287,473	23,351,651	25,079,857
Manufacturing	39,636,780	45,929,975	45,808,283	52,060,982
Mining/Quarrying/Oil and Gas Extraction	-	-	-	-
Other Services (Except Public Administration)	44,651,159	45,168,666	44,899,714	51,180,278
Professional/Scientific/Technical Services	17,100,198	17,224,688	17,807,087	18,519,033
Public Administration	38,957,201	44,214,112	41,666,600	42,307,481
Real Estate/Rental/Leasing	2,848,689	8,313,596	4,201,799	12,231,231
Retail Trade	672,668,692	680,086,182	730,374,049	838,913,172
Transportation/Warehousing	2,877,438	3,122,381	3,269,255	3,835,865
Wholesale Trade	48,756,748	52,800,978	50,622,313	46,402,764
Total	<u>\$ 1,106,382,355</u>	<u>\$ 1,129,519,552</u>	<u>\$ 1,205,705,264</u>	<u>\$ 1,340,688,588</u>
Direct sales tax rate	1.50%	1.50%	1.50%	1.50%

Source: Texas Comptroller of Public Accounts

*** Fourth quarter not available

Table D-11

Fiscal Year								
2015		2016		2017		2018	2019	***2020
\$ 90,808,253	\$ 99,768,744	\$ 103,430,428	\$ 105,539,617	\$ 111,974,706	\$ 83,775,039			
20,465,440	20,904,166	21,426,494	14,572,883	11,782,070	9,727,481			
899,054	843,386	1,026,297	845,740	690,136	774,696			
5,151,160	4,867,665	5,007,627	4,810,259	5,012,938	3,524,878			
101,873,825	156,396,169	133,145,615	103,404,904	101,183,251	55,985,404			
33,054,086	35,228,505	36,301,968	38,184,943	35,547,507	20,411,123			
83,638	97,335	217,055	388,912	385,181	389,538			
4,313,333	4,022,867	3,713,659	4,195,709	5,608,243	4,883,686			
26,097,466	25,910,010	24,105,256	23,277,197	23,729,450	17,617,016			
61,045,814	62,392,882	58,198,653	72,164,556	65,854,610	43,847,978			
-	-							
53,106,519	46,838,152	40,228,943	39,856,344	40,062,823	28,178,790			
20,179,472	18,449,324	20,889,638	17,584,712	19,546,971	17,164,732			
43,510,601	38,010,491	38,842,343	43,789,470	41,260,070	30,308,447			
7,666,292	3,873,704	11,637,480	12,379,884	21,292,018	10,636,162			
799,284,207	867,204,733	836,748,834	849,115,911	877,742,974	676,951,475			
2,386,422	2,346,229	1,717,323	1,723,837	12,530,821	6,552,016			
47,227,827	44,107,128	44,770,943	49,878,321	41,585,378	34,325,921			
\$ 1,317,153,409	\$ 1,431,261,490	\$ 1,381,408,556	\$ 1,381,713,199	\$ 1,415,789,147	\$ 1,045,054,382			
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%			

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

Table D-12

Fiscal Years	Governmental Activities			
	General Obligation Bonds	Certificates of Obligation	Bank Loans & Promissory Note	Capital Leases
	2011	4,566	6,878	716
2012	4,539	13,230	631	-
2013	4,163	12,940	542	-
2014	3,933	12,757	735	-
2015	3,519	21,260	1,384	-
2016	3,092	20,271	1,034	-
2017	2,557	19,189	680	-
2018	6,443	13,702	322	-
2019	5,527	23,581	-	-
2020	7,189	19,897	1,000	-

Fiscal Years	Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Bank Loans and Notes				
2011	\$ 5,694	\$ 17,022	\$ 585	\$ 35,461	7.22%	\$ 1,587	
2012	5,661	22,195	516	46,772	8.70%	2,086	
2013	5,192	31,060	444	54,341	9.40%	2,364	
2014	4,911	29,933	368	52,637	8.88%	2,234	
2015	4,390	28,287	290	59,130	9.82%	2,484	
2016	3,853	36,119	7,708	72,077	11.96%	2,989	
2017	3,295	33,976	7,623	67,321	11.64%	2,771	
2018	11,239	23,290	7,535	62,530	9.96%	2,522	
2019	10,460	34,271	7,500	81,338	11.87%	3,263	
2020	8,795	32,843	7,500	77,224	10.79%	3,069	

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

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

Table D-13

Fiscal Years	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Available In Debt Service Fund	Total		
2011	10,260	2,632	7,628	0.61%	341
2012	10,200	4,144	6,056	0.48%	270
2013	9,355	5,443	3,912	0.31%	170
2014	8,844	5,162	3,682	0.29%	156
2015	7,909	4,770	3,140	0.23%	132
2016	6,945	2,513	4,432	0.33%	184
2017	5,852	2,536	3,317	0.24%	137
2018	17,682	2,074	15,607	1.05%	629
2019	15,987	2,580	13,406	0.89%	538
2020	15,984	2,543	13,441	0.84%	534

Source: GO bonds total from table D-12

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	\$ 90,575,411	66.56%	\$ 60,286,994
Kerr County	29,885,000	42.84%	<u>12,802,734</u>
Subtotal, Overlapping Debt			
			73,089,728
City of Kerrville Direct Debt	28,086,250	100%	<u>28,086,250</u>
Total Direct and Overlapping Debt			
			<u><u>\$ 101,175,978</u></u>
Average Debt Per Capita			\$ 4,058

Sources: Municipal Advisory Council of Texas

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

Table D-15

	Fiscal Year				
	2011	2012	2013	2014	2015
Total Taxable Assessed Value	\$ 1,260,033	\$ 1,269,421	\$ 1,279,663	\$ 1,274,970	\$ 1,363,191
Annual payment	8,400	8,463	8,531	8,500	9,088
Debt limit	126,003	126,942	127,966	127,497	136,319
Total net debt applicable to limit	4,566	4,539	2,826	2,826	2,826
Legal debt margin	121,437	122,403	125,140	124,671	133,493

	Fiscal Year				
	2016	2017	2018	2019	2020
Total taxable assessed value	\$ 1,354,968	\$ 1,405,346	\$ 1,485,795	\$ 1,497,972	\$ 1,593,526
Annual payment	9,033	9,369	9,905	9,986	10,624
Debt limit	135,497	140,535	148,580	149,797	159,353
Total net debt applicable to limit	5,783	7,470	16,538	14,744	14,744
Legal debt margin	129,714	133,065	132,042	135,053	144,608

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed value	\$ 2,426,500
Exempt real property	<u>(832,974)</u>
	<u>1,593,526</u>
Debt limit (10% of assessed value)	<u>159,353</u>
Debt applicable to limit	
General obligation bonds	15,984
Less: Amount set aside for repayment of general obligation debt	<u>1,240</u>
Total net debt applicable to limit	<u>14,744</u>
Legal debt margin	<u>\$ 144,608</u>

Note:

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

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

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

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

Table D-16

Fiscal Years	Water and Sewer Revenue Bonds							Coverage	
	Utility Service Charges		Less	Operating Expenses*	Net Available Revenue	Debt Service			
	Charges	Operating Expenses*	Revenue	Principal	Interest				
2011	\$ 10,536	\$ 6,459	\$ 4,077	\$ -	\$ -			N/A	
2012	10,009	5,843	4,166	-	-			N/A	
2013	11,072	5,311	5,761	-	-			N/A	
2014	11,080	5,512	5,568	-	-			N/A	
2015	10,904	5,204	5,700	-	-			N/A	
2016	11,157	6,277	4,880	-	-			N/A	
2017	11,656	5,753	5,903	-	-			N/A	
2018	11,743	5,987	5,756	-	-			N/A	
2019	11,290	8,112	3,178	-	-			N/A	
2020	12,651	9,345	3,306	-	-			N/A	

* Total operating expense excluding depreciation

Note: Refer to Table D-12 for total business-type debt

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

Table D-17

	Fiscal Year				
	2011	2012	2013	2014	2015
Population	22,347	22,347	22,983	23,558	23,808
Personal income (000s)	\$ 490,848	\$ 492,940	\$ 578,275	\$ 592,968	\$ 602,414
Per capita personal income	\$ 24,871	\$ 23,965	\$ 25,161	\$ 25,171	\$ 25,303
Median age	44.5	46.0	45.7	45.7	46.5
Education level in years of schooling					
Percentage with high school diploma or greater	85.1%	85.6%	87.5%	85.1%	85.4%
School enrollment	5,200	4,923	5,031	5,038	5,029
Unemployment rate	6.3%	6.9%	5.6%	4.8%	3.8%
	Fiscal Year				
	2016	2017	2018	2019	2020
Population	24,111	24,292	24,796	24,931	25,162
Personal income (000s)	\$ 602,699	\$ 578,394	\$ 627,501	\$ 685,029	\$ 715,392
Per capita personal income	\$ 24,997	\$ 23,810	\$ 25,307	\$ 27,477	\$ 28,432
Median age	46.0	46.5	47.3	46.7	46.2
Education level in years of schooling					
Percentage with high school diploma or greater	88.6%	85.7%	86.1%	88.5%	88.4%
School enrollment	5,018	5,004	4,951	4,828	4,800
Unemployment rate	3.9%	3.2%	3.3%	2.9%	5.6%

Sources: US Census, Texas Workforce Commission, Kerrville Independent School District, Kerr Economic Development Corporation and City of Kerrville staff estimates based on growth in residential water accounts since the 2010 census. The 2020 population estimate may be revised pending 2020 census results.



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

Table D-18

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Peterson Health	1,200	1	5.77%	976	1	4.41%
Kerrville ISD	700	2	3.36%	725	2	3.27%
HEB Grocery & Foundation	630	3	3.03%	350	8	1.58%
Kerrville State Hospital	600	4	2.88%	534	3	2.41%
James Avery Craftsman	600	5	2.88%	345	6	1.56%
Kerrville VA Hospital	400	6	1.92%	425	4	1.92%
City of Kerrville	300	7	1.44%	306	7	1.38%
Kerr County	300	8	1.44%	290	9	1.31%
Wal-Mart	290	9	1.39%	375	5	1.69%
Brookdale Senior Services	150	10	0.72%			
Sava Senior Center				278	10	1.25%
	5,170		24.85%	4,604		20.78%
All others	15,634		75.15%	17,549		79.22%
Total employed	20,804		100.00%	22,153		100.00%

Source: Kerr Economic Development Corporation

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

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
City secretary	2	2	2	2
City attorney	2	2	2	2
City administration	4	4	4	5
Human resources	4	4	4	4
Finance	6	5	5	5
Information technology	4	5	5	5
Purchasing	-	-	-	-
Municipal court	4	5	5	5
Kerrville-Schreiner Park	6	6	6	6
Police	71	71	71	68
Fire	49	49	49	49
Emergency management and training	-	-	-	-
Fire prevention	1	2	2	2
Emergency Medical Services	27	27	27	27
Solid waste	5	5	5	5
Planning	3	2	2	2
Building services	5	5	5	4
Code compliance	3	2	2	2
Environment health	-	-	-	-
Business programs	2	2	2	-
Parks and recreation	-	-	-	-
Aquatics	1	-	-	-
Parks maintenance	14	12	12	13
Recreation	2	1	1	2
Community events	-	-	-	-
Sports Complex	-	-	-	-
Engineering	21	21	21	3
Streets	-	-	-	16
Library	10	10	10	11
General operations	<hr/>	<hr/>	<hr/>	<hr/>
Total general fund	246	242	242	238
Water and Sewer Fund				
Utility billing	8	8	8	9
Utility administration	4	4	4	5
Water production	11	11	11	11
Water distribution	9	9	9	9
Water reclamation	14	14	17	14
Utility information system	-	-	-	-
Utility laboratory	<hr/>	<hr/>	<hr/>	<hr/>
Total water fund	50	50	53	52
Golf Course Fund				
Golf course maintenance	8	8	8	8
Pro shop	<hr/>	<hr/>	<hr/>	<hr/>
Total golf course fund	14	11	11	11
Garage	<hr/>	<hr/>	<hr/>	<hr/>
Grand total	<hr/>	<hr/>	<hr/>	<hr/>
	314	307	310	305

Source: City Budget Book

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

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

Table D-19

Fiscal Year					
2015	2016	2017	2018	2019	2020
2	2	2	2	2	3
1	2	1	1	1	1
6	6	6	6	5	5
4	4	4	4	4	4
5	5	5	5	5	5
5	5	5	6	6	7
-	-	-	-	-	-
5	5	6	6	6	6
6	6	7	7	8	8
70	71	71	72	72	72
48	49	49	49	48	48
-	-	-	-	1	1
2	2	2	2	2	2
28	27	27	26	26	26
5	1	1	1	1	1
2	2	3	2	2	2
4	5	5	5	6	6
2	1	2	2	2	2
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18	19	19	20	20	21
1	2	2	2	2	2
-	-	-	-	1	1
-	-	2	4	6	6
4	4	4	5	5	6
18	18	18	18	19	18
9	9	9	9	9	9
-	-	-	-	1	1
245	245	250	254	260	263
8	8	8	7	7	8
3	3	-	-	-	-
11	11	12	13	13	13
9	9	9	9	10	10
14	14	15	15	15	15
-	-	-	-	-	-
4	4	4	4	4	4
49	49	48	48	49	50
7	7	7	7	7	5
3	3	3	3	3	2
10	10	10	10	10	7
4	4	4	5	5	5
308	308	312	317	324	325

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

Table D-20

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Calls for service	15,308	15,937	16,126	14,820	16,220	17,040	17,164	14,534	14,247	13,404
Avg. response time per call (minutes)	8.0	8.0	9.0	6.2	8.3	7.4	6.2	6.5	6.4	5.2
Clearance rate	67%	62%	54%	55%	54%	58%	52%	58%	70%	73%
Fire										
Fire response time (minutes)	4.0	4.4	N/A	4.2	4.3	4.6	4.7	5.0	4.8	4.9
First responder response time (min)	8.0	7.9	N/A	8.9	8.1	6.2	8.7	4.0	4.3	4.0
EMS response time - City (minutes)	5.0	5.1	N/A	5.3	5.0	4.9	5.2	5.4	5.1	5.0
Inspections	471	568	458	393	429	491	593	802	647	680
Highway and Streets										
Street maintenance – man hours	1,391	2,000	1,749	6,224	4,161	4,128	4,789	6,785	4,912	5,940
Pothole repairs	1,459	1,800	1,323	2,109	2,273	2,250	2,208	1,234	1,553	915
Traffic control (signs) – man hours	1,625	1,722	1,804	1,722	1,777	2,185	2,110	2,111	2,114	2,156
Solid Waste										
Annual tonnages at landfill	7,939	8,000	7,500	8,279	8,242	9,259	8,932	9,839	8,591	9,908
Annual tonnages at transfer station*	46,086	46,767	48,402	50,175	55,528	66,162	72,773	68,460	72,510	81,694
Annual tonnages - recycling program*	1,908	1,700	1,200	1,383	669	1,508	1,595	1,643	1,561	1,172
Culture and Recreation										
Park maintenance – man hours	19,148	20,785	17,675	25,033	27,622	29,450	29,198	33,781	34,291	30,703
Golf course – rounds of golf played	33,270	36,262	32,509	29,489	27,111	26,252	25,979	23,468	21,744	24,111
Swimming pool attendance	9,071	7,613	9,719	15,290	17,118	10,158	13,024	13,867	14,178	8,461
Kerrville-Schreiner Park										
Reservations processed	4,183	5,407	7,263	12,507	13,369	14,333	15,749	16,783	15,291	14,574
Water										
Water meters read	115,295	115,777	116,563	117,459	119,126	120,053	120,836	121,081	120,998	122,160
Work orders processed	10,281	10,221	10,672	10,737	10,748	11,191	12,013	11,256	9,574	11,114
Water main breaks	71	53	42	21	28	19	-	-	-	-
Water main break calls**	-	-	-	-	-	-	100	62	107	84
Total water consumption (thousands of gallons)	1,368,522	1,289,982	1,302,333	1,243,039	1,072,229	1,206,145	1,347,170	1,281,620	1,128,810	1,365,368
Cost per thousand gallons	\$ 1.03	\$ 1.10	\$ 1.07	\$ 1.22	\$ 1.55	\$ 1.30	\$ 1.24	\$ 1.53	\$ 1.69	\$ 1.46
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,016	2,148	2,199	2,132	2,044	2,484	2,054	2,010	2,165	2,033

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

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

City of Kerrville, Texas
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Table D-21

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	4	4	4	4	4	4	4	4	4	4
Highway and Streets										
Streets (lane miles)	282	282	282	282	282	282	282	282	282	285
Area in square miles	21.1	21.1	21.1	21.27	21.8	22.2	22.2	22.4	22.4	22.4
Culture and Recreation										
Parks acreage	937	937	937	937	937	937	1,041	1,041	1,046	1,048
Swimming pools	1	1	1	1	1	1	1	1	1	1
Picnic areas and playgrounds	22	23	23	23	23	23	23	23	23	23
Municipal auditoriums	1	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	1	1
Tennis center	1	1	1	1	1	1	1	1	1	1
Water										
Water main (miles)	238	241	246	249	253	253	255	257	258	262
Average daily consumption (millions of gallons)	3.24	3.82	3.88	3.166	3.67	2.85	3.01	3.86	3.33	3.27
Sewer										
Sanitary sewers (miles)	202	194	214	209	227	227	227	227	227	227
Storm sewers (miles)	7	7	7	7	7	7	7	8	8	8
Maximum treatment capacity (millions of gallons)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5

Sources: Various city departments



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Single Audit Section



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**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditor's Report

The Honorable Mayor and City Council
City of Kerrville, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Kerrville, Texas (City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 23, 2021. Our report also includes a reference to other auditors who audited the financial statements of the Kerrville Public Utility Board (KPUB) and Kerrville-Kerr County Airport Board (Airport), a joint venture between the City and Kerr County, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of KPUB, a component unit included in the financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with KPUB.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Mayor and City Council
City of Kerrville, Texas
Page 124

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
February 23, 2021

**Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance; and Report on
Schedules of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

The Honorable Mayor and City Council
City of Kerrville, Texas

Report on Compliance for the Major Federal Program

We have audited the City of Kerrville, Texas (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards, the Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The Honorable Mayor and City Council
City of Kerrville, Texas
Page 127

***Report on Schedules of Expenditures of Federal Awards Required by the Uniform
Guidance***

We have audited the financial statements of the government-wide activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 23, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of expenditures of federal awards are presented for purposes of additional analysis as required by the Uniform Guidance 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 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 schedules of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Dallas, Texas
February 23, 2021

City of Kerrville, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of the Treasury/Texas Department of Emergency Management (TDEM)/2020 Coronavirus Relief Fund	21.019	265390400	\$ -	\$ 1,332,275
U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance/Patrick Leahy Bulletproof Vest Partnership Program (BVP)	16.607		-	6,187
U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance/ Texas Office of the Governor/ DJ-Edward Byme Memorial Justice Assitance Grant Program	16.738		-	49,525
			<hr style="border: 0.5px solid black;"/>	<hr style="border: 0.5px solid black;"/>
			\$ -	\$ 1,387,987

City of Kerrville, Texas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Kerrville under programs of the federal government for the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Kerrville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Kerrville.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and other regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City of Kerrville has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The City of Kerrville did not have any federal loan programs during the year ended September 30, 2020.

City of Kerrville, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards program disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal and state awards was:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

City of Kerrville
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2020

7 The City's major federal program was:

Cluster/Program	CFDA Number
COVID-19 – Coronavirus Relief Fund	21.019

8 The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

9. City of Kerrville qualified as a low-risk auditee for federal purposes? Yes No

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
	No matters are reportable.

City of Kerrville
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2020

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

City of Kerrville
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2020

Reference Number	Summary of Finding	Status
	No matters are reportable.	



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