

# **CITY OF KERRVILLE, TEXAS**

## **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

### **FISCAL YEAR ENDED SEPTEMBER 30, 2022**



**MOVING  
FORWARD**







# **City of Kerrville, Texas**

## **Annual Comprehensive Financial Report**

**Year Ended September 30, 2022**

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

**Julie Behrens, Director of Finance**

**Trina Rodriguez, Assistant Director of Finance**



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**City of Kerrville, Texas**  
**Annual Comprehensive Financial Report**  
**Year Ended September 30, 2022**

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## **Introductory Section**



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## City of Kerrville

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### *Letter of Transmittal*

February 27, 2023

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

We are pleased to present The Annual Comprehensive Financial Report (ACFR) for the City of Kerrville, Texas (“City of Kerrville” or “City”) for the fiscal year ended September 30, 2022. This report was prepared through a cooperative effort of the City’s Finance Department and the City’s independent audit firm, FORVIS, LLP in accordance with Section 103.001 of the Texas Local Government Code and Article VIII, Section 8.08 of the City’s Charter. The purpose of the report is to provide the City Council, staff, citizens, bond holders and other interested parties detailed information reflecting the City’s financial condition. The full responsibility for the accuracy and reliability of the data, as well as completeness and fairness of this report, including all disclosures, rests with the City. We believe the data presented is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial affairs have been included. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

### *Internal Controls*

The City of Kerrville has established and maintains a system of internal accounting controls designed in part to provide reasonable assurance that assets are safeguarded against loss, theft, or unauthorized use and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles (GAAP) accepted in the United States. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed the benefits likely to be derived. As a recipient of federal and state financial assistance, in the form of grants or other funding, the City is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to such funding. In our opinion, the City utilizes a system of controls and procedures appropriate to ensure such compliance.

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

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions on the City's financial statements for the fiscal year ended September 30, 2022, and that the financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Also included in the report is Management's Discussion and Analysis (MD&A), which provides a narrative introduction and an overview and an analysis of the basic financial statements. The basic financial statements, including the accompanying notes, represent the core of the financial section. These financial statements present the financial condition of the City as a single entity, the individual funds that account for the City's various governmental and business-type activities, and all component unit funds of the City. This letter of transmittal compliments the MD&A and should be read in conjunction with it.

### ***Profile of the Government***

The City of Kerrville is the county seat and principal commercial center of Kerr County, Texas. It is located approximately 65 miles northwest of San Antonio on U.S. Interstate 10. Principal industries in the community include health care, retail, manufacturing, and tourism. The City continues to experience steady increases in population. The official census populations for 2000 and 2010 were 20,425 and 22,347 respectively. The official 2020 census documented a population of 24,278 representing a 19% increase over 2000 and a 9% increase over 2010.

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

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

The annual budget serves as the foundation for the City of Kerrville's financial planning and control. Per the City Charter, the City Manager provides to the City Council the proposed budget by July 31st each year. The budget is filed with the City Secretary and is open for public inspection. Upon receipt of the budget, the City Council sets a date for a public hearing at which time interested citizens may express their opinions regarding the proposed budget. The Charter requires the Council to adopt the budget by a favorable majority vote prior to the beginning of the next fiscal year.

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

This report includes all organizations and activities for which the City Council exercises financial control. The City is legally responsible for the Kerrville Economic Improvement Corporation (EIC), which is reported separately within the government-wide financial statements of the City along with the Kerrville Public Utility Board, for which the City appoints all board members. The City is a joint owner of the Kerrville-Kerr County Airport and reports its interest in the equity of this joint venture as well. Inclusion of these reports satisfies GASB standards. The nature and significance of the relationship between these entities and the City is such that exclusion would cause the City's financial statements to be incomplete or misleading. The City also reports financial information regarding the City's only Tax Increment Reinvestment Zone (TIRZ). The TIRZ fund was created as a mechanism to capture tax increment dollars to be dedicated to the economic development of the City's downtown corridor.

### ***Budget***

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

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

Creating and managing the budget is a year-round process consisting of an ongoing review of priorities outlined in the Kerrville 2050 Comprehensive Plan and prioritization by City Council. City staff continuously tracks overall asset and maintenance needs and maintains long-range plans to address these based on priority. The City's Finance Department prepares revenue estimates and budget instructions. Departments prepare expenditure estimates and requests including those that support the Kerrville 2050. Estimates and requests are reviewed, in detail, by the Finance department followed by the budget committee that includes the City Manager. The requests are evaluated within the total financial framework of the City.

The City Manager makes final decisions as to what budget recommendations are submitted to the City Council. The City Charter requires that a proposed budget be filed with the City Secretary no later than July 31<sup>st</sup> of each year. The proposed budget is reviewed by City Council and is available for review by the public. Required public hearings are held prior to budget adoption. The City Charter requires adoption of the City budget no later than September 30<sup>th</sup> of each year.

Budgetary reporting is provided at the department level within the individual fund. Transfers of budget appropriations within departments may occur with the approval of the City Manager provided there is no 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 in the required supplementary information section of this report.

### ***Local Economy***

Several manufacturing firms are located in the Kerrville area, as well as a variety of commercial establishments, restaurants, building supply stores, big box retailers, banks and supermarkets. Sales tax revenues have increased steadily since 2011 as Kerrville continues to expand its position as a regional retail hub for a large geographic area, primarily west of Kerrville. Sales tax revenues remained strong throughout FY2022 with trend lines continuing to be consistent across all categories. Increases in overall dollars are consistent with Kerrville's position as a regional retail hub, however inflation spikes throughout FY2022 certainly had an impact on sales tax as businesses passed on price increases on goods as well as labor cost to customers. At the beginning of FY2022, the U.S. Inflation Rate was 6.2 percent, up from 1.2 percent, one year earlier, in October 2021. Inflation spiked to 9.1 percent in June of 2022, the highest in four decades.

Kerr County's unemployment rate, which includes the City of Kerrville is 3.4% (as of November 2022). This number is significantly lower than the state rate. Kerrville employers have reported a workforce shortage (as have employers across the state) since the onset of the COVID-19 pandemic. This has been an area of focus for community leaders in FY2022 and will continue to be a focus in FY2023 with a goal of supporting the needs of local employers.

The Kerrville Economic Development Corporation lists ten employers with more than 300 employees. Three of the largest employers are dedicated to health care services and include Peterson Regional Medical Center with over 1,200 employees, Kerrville State Hospital with over 500 employees and Kerrville VA Hospital with more than 400 personnel. Other large employers are more diverse and include Kerrville Independent School District with 700 employees, James Avery Artisan Jewelry with 685 employees and HEB with more than 400 personnel.

Economic and recreational opportunities continue to expand in Kerrville. Kerrville's park system is made up of 27 individual parks. Kerrville-Schreiner Park (KSP), most of which is located on the banks of the Guadalupe River, hosts RV sites as well as cabin and tent site rentals. KSP draws tourists from across the nation to experience the beauty and serenity of the Guadalupe

River and Kerrville's charm. Visitors can enjoy the City's six mile long River Trail that runs along the banks of the river and curves through rustic areas of the parks. In FY2023, a new section will be added which will extend the trail through the downtown area and improve accessibility of the river from downtown and vice versa. The Cailloux Theatre, also located in Kerrville, is host to numerous art performances including popular artists, theatrical performances, and symphonies. Arcadia Live, a renovated historical theatre, also hosts musical performances and other events. The Kerrville Tennis Center, which boasts 14 lighted courts available and a pro shop, hosted several high school regional tournaments this past year as did the City's Municipal Golf Course. The Scott Schreiner Municipal Golf Course continues to make improvements and attracts tournament hosts and recreational players from across the nation. The Kerrville Sports Complex, a 104 acre multi-sport complex home to baseball, softball, and soccer fields, hosts multiple tournaments each year. Tournaments hosted by one of Kerrville's sports facilities supports the tourism industry and provides a boost to sales tax.

Representatives of the City along with other community leaders continue to encourage development of this area to attract light, clean industry as well as retail and hospitality. State and local leaders work together to recruit new companies and expand existing companies that will support Kerrville's growth and sustainability while retaining the small town feel enjoyed by residents and tourists. Killdeer Mountain Manufacturing (KMM) received support from the EIC and began production in a leased facility in 2021. KMM expects to complete construction of their new manufacturing plant in late 2023. KMM currently employs 65 people and expects to employ 400 in the new facility that will manufacture aerospace electronic components. In 2022, 5D steakhouse opened and a new Margarita City restaurant is under construction. Both of these larger restaurants will add an economic boost to the City of Kerrville.

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

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

The FY2022 budget was very conservative considering the unknown ongoing impacts of the COVID-19 pandemic on major revenue sources. During FY2021, the City cut expenses for these same reasons. Despite the unstable economy, FY2021 ended very strong, showing a surplus of \$2.4 million in the general fund and FY2022 revenues (particularly sales tax and service revenues) performed better than budget. This performance allowed the City Council to amend the FY2022 budget mid-year, increasing the revenue budget for sales tax. This increase covered the expense of a cost-of-living adjustment for all City employees when response to rising inflation as well as strategic market adjustments to salaries for positions below average compared to other cities. The mid-year budget amendment also included transfers from the General Fund to both the Asset Replacement Fund for the purpose of replacing aging assets, and to the Capital Projects Fund, to support future projects. An additional amendment was made to increase over-performing EMS revenues. These funds were used to offset personnel expenses, particularly overtime in the public safety sector, related to staff shortages. Fiscally responsible

budgeting combined with increases in the revenue streams helped pave the way for favorable financial results for the year.

The fiscal year 2022 unassigned ending fund balance of the City's General Fund is approximately \$11.7 million or 36.1% of General Fund operating expenditures as of September 30, 2022. This fund balance includes surplus funds of \$377K. In addition, the City uses a five year forecast in its budget process to guide decisions and assist in policy making. The long range view allows the City to plan appropriately for the future impact of current decisions. The City maintains a ten year Community Investment Plan (CIP), with all planned capital projects reviewed annually by the City staff and City Council. This annual review allows the City to change and adjust priorities by responding to changing growth patterns, economic conditions, or federal and state mandates.

With large variations in rainfall, from heavy rainfall to extreme drought, revenues and expenditures of the Water Fund can vary. The Water Fund ended FY2022 slightly better than budget with a surplus of \$522K, leaving an ending fund balance of 30.7%. However, a large expenditure of \$186K along with some smaller expenditures budgeted in FY2022 were not expended until early FY2023 due to supply chain issues. Those amounts will have to be reallocated with a budget amendment in FY2023, which will require approval by City Council.

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

The Kerrville Economic Improvement Corporation (EIC) receives a half cent sales tax allocation and uses funds to support economic growth within City with goals of increasing the number of primary jobs, improving affordable housing and adding quality of life aspects for citizens and guests. EIC is governed by its own board and proposes a separate budget, approved by City Council. Texas Local Government Code governs all 4B expenditures and outlines allowable projects. Such projects include economic support for businesses adding primary jobs, quality of life projects, and housing. Allowable expenses include public safety facilities, streets, roads, and drainage improvements, maintenance and operating costs associated with projects, water and sewer infrastructure, parks, tourism facilities, and more. Since inception, Kerrville's EIC has invested \$59 million into the City of Kerrville to support growth and quality of life. The EIC has funded the Kerrville River Trail, provided support for the Arcadia Theatre, and invested in multiple infrastructure projects including a portion necessary for the Killdeer Mountain Manufacturing facility, Lennar Housing sub-division, Peterson Regional Medical Center's expansion project, and more.

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

The City's financial management policy instructs the general fund to maintain an unassigned fund balance between 15% and 25% of annual operating expenditures, which exceeds the Government Finance Officers Association (GFOA) recommended best practice. The policy instructs the Water Fund to maintain a fund balance between 15% and 25% of cash and receivables. These policies allow the City to better weather economic downturns and strategically handle contingencies and unforeseen emergencies.

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

The Community Investment Plan (CIP) is used exclusively as a planning tool, and therefore does not commit the City to any specific project or project funding. The intent of the CIP is for the City staff to identify specific capital improvements needed and project affordability and to identify high priority projects identified by City Council. The CIP provides only recommended projects and the means of financing the improvements. Recommended improvements align with Kerrville 2050 and are approved by the City Council on a project by project basis. The CIP presented in the FY2022 budget identified prospective projects over the next ten years. This list focuses on water and sewer infrastructure improvements including an Advanced Metering Infrastructure (AMI) project, construction of a new water well to increase capacity for water production, and water tank improvements. Projects are included in the budget process and are presented for discussion by citizens and City Council.

This CIP was reviewed and updated in the FY2022 budget process to ensure consistency with current economic trends and City needs. General Fund projects include the construction of a citizen approved bond-funded Public Safety Facility to house the Kerrville Police Department, Kerrville Fire Administration, Municipal Court, and some functions of Information Technology. CIP also includes complete reconstruction of Westminster Street, which was identified as a high priority by City Council based on citizen feedback, completion of Lower Lois Street Drainage, and purchase of generators to help support infrastructure during extreme weather such as that experienced during Winter Storm Uri. The City anticipates funding these improvements with cash, debt, and grants. Debt obligations include both self-supporting debt (e.g., water and sewer improvements) and general obligation debt (e.g., streets and drainage).

Long-range master plans have been adopted by City Council. These plans are created through cooperative efforts of City staff, citizen groups and utilizing third-party design and engineering firms when applicable. The City currently has long-range master plans for water, wastewater, streets, and parks. These plans align with the Kerrville 2050 Key Priority Areas and support City Council goals.

A five-year forecast is maintained for both the General Fund and the Water Fund in order to apply current trends of revenues and expenses to future years. This process helps ensure the City maintains adequate fund balance to comply with policy and support growth in upcoming years. This forecast is modified at least annually to account for shifts in the economy.

### ***Debt Issuances***

The City uses available funds from excess revenues over expenditures to support capital projects and asset replacement, when possible. Current capital needs exceed the City's ability to generate internal funds in a quantity sufficient to cover the costs of necessary projects. Notes on Long-Term Obligations within the financial statements along with the Schedules of Outstanding Debt Issuances in the Supplemental Schedules, provides details related to outstanding debt issuances.

The MD&A also gives information regarding recent debt issuances including the 2022 issuance of voter-approved general obligation bonds for the construction of a new Public Safety Facility.

### *Awards and Acknowledgements*

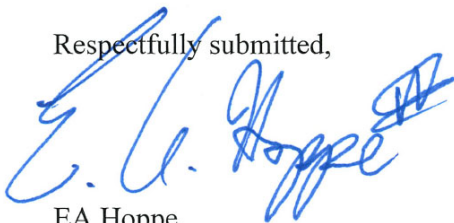
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2021. A reproduction of the certificate is included in this report. The City has received a Certificate of Achievement for thirty-seven consecutive fiscal years (FY1984 through FY2021).

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

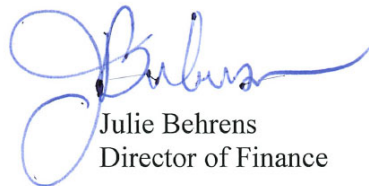
The preparation of this report could not be accomplished without the dedication of all Finance Department staff who work diligently to maintain transparency, strong internal controls, and accountability. Appreciation is expressed to the City employees throughout the organization who are responsible for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

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

Respectfully submitted,



EA Hoppe  
City Manager



Julie Behrens  
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Kerrville  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2021

*Christopher P. Morill*

Executive Director/CEO

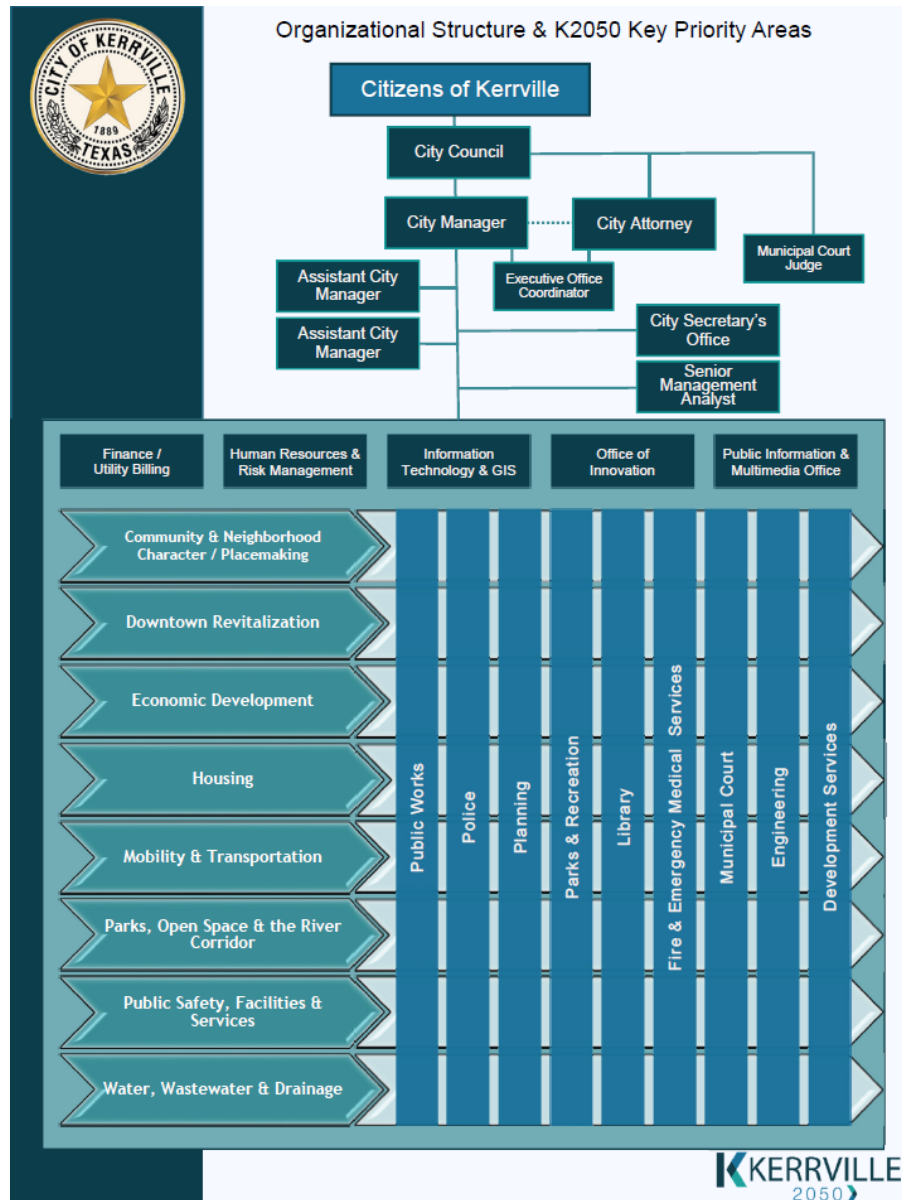


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# City of Kerrville, Texas

## Organization Chart

### Year Ended September 30, 2022



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



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**City of Kerrville, Texas**  
**List of Principal Officials**  
**Year Ended September 30, 2022**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Term Expiration</u></b>
<b><u>Elected Officials</u></b>		
Judy Eychner	Mayor	May 2024
Roman Garcia	Place 1	May 2023
Kim Clarkson	Place 2; Mayor Pro Tem	May 2023
Joe Herring	Place 3	May 2024
Brenda Hughes	Place 4	May 2024
<b><u>Appointed Officials</u></b>		
E.A. Hoppe	City Manager	
Mike Hayes	City Attorney	
<b><u>Senior Executive Team</u></b>		
Kim Meisner	Assistant City Manager	
Michael Hornes	Assistant City Manager	
Julie Behrens	Director of Finance	
Chris McCall	Chief of Police	
Eric Maloney	Fire Chief	
Stuart Barron	Executive Director of Public Works & Engineering	
Guillermo Garcia	Executive Director of Innovation	
Ashlea Boyle	Director of Parks & Recreation	
Drew Paxton	Planning Director	
Shelley McElhannon	City Secretary	
Stuart Cunyus	Public Information Officer	
Megan Folkerts	Senior Management Analyst	
Maya Johnson	Executive Office Coordinator	



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## **Financial Section**



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## Independent Auditor's Report

The Honorable Mayor and City Council  
City of Kerrville, Texas

### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kerrville, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our report and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Kerrville Public Utility Board (KPUB), a discretely presented component unit, which represents 93 percent, 91 percent, and 91 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for KPUB is based solely on the reports of the other auditors.

### ***Basis for Opinions***

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

### ***Emphasis of Matter***

#### ***Change in Accounting Principle***

As discussed in *Note 1* to the financial statements, in fiscal year 2022 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

### ***Supplementary Information***

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

### ***Other Information***

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

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

**FORVIS, LLP**

Dallas, Texas  
February 27, 2023



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# **City of Kerrville, Texas**

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

### **Year Ended September 30, 2022**

#### **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, 2022. 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 – 8 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 2022 fiscal year by \$156,660,457. Of this amount, \$29,610,932 (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 2022, the City's total net position increased by \$6,289,269 or 4.2 percent. The net position of business-type activities increased by \$2,472,714 or 4.6 percent. The net position of governmental activities increased by \$3,816,555 or 3.9 percent.
- Total expenses of all the City's programs were \$48,672,103 in 2022 as compared to \$47,308,976 in 2021.

##### Fund Statements

- As of September 30, 2022, the City's governmental funds reported combined ending fund balances of \$75,045,052. Of this total amount, \$11,663,668 or approximately 15.5 percent, 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 \$11,663,668 or 36.1 percent 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.

# **City of Kerrville, Texas**

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

### **Year Ended September 30, 2022**

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

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

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

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

#### **Fund Financial Statements**

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

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

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.

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2022**

The City maintains 12 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Governmental IP Fund, Grant Fund, and Debt Service Fund which are considered to be major funds. Data from the other 8 funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining statements section in the report.

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

*Proprietary Funds.* The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains 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 Fund. The Water Fund is considered to be a major fund of the City while the Golf 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 32 – 35 of this report.*

**Notes to the Financial Statements**

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

*The notes to the financial statements can be found on pages 38 – 75 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 \$156,660,457 at the close of the most recent fiscal year.

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2022**

By far, the largest portion of the City's net position (75.6 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, and system improvements), less any related debt used to acquire those assets that is outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay these liabilities.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current and other assets	\$ 92,402,821	\$ 49,946,972	\$ 13,497,439	\$ 14,590,986	\$ 105,900,260	\$ 64,537,958
Capital and lease assets	92,613,229	86,772,856	87,508,221	87,828,185	180,121,450	174,601,041
<b>Total assets</b>	<b>185,016,050</b>	<b>136,719,828</b>	<b>101,005,660</b>	<b>102,419,171</b>	<b>286,021,710</b>	<b>239,138,999</b>
Deferred outflows of resources	1,890,641	2,016,476	497,490	576,194	2,388,131	2,592,670
Long-term liabilities	73,917,738	33,949,977	43,716,814	47,360,803	117,634,552	81,310,780
Other liabilities	6,655,743	5,562,881	1,084,116	1,977,398	7,739,859	7,540,279
<b>Total liabilities</b>	<b>80,573,481</b>	<b>39,512,858</b>	<b>44,800,930</b>	<b>49,338,201</b>	<b>125,374,411</b>	<b>88,851,059</b>
Deferred inflows of resources	5,332,118	2,038,909	1,042,855	470,513	6,374,973	2,509,422
Net position						
Net investment in capital assets	68,392,325	66,024,851	49,413,126	49,035,048	117,805,451	115,059,899
Restricted	7,463,010	1,267,808	1,781,064	1,780,765	9,244,074	3,048,573
Unrestricted	25,145,757	29,891,878	4,465,175	2,370,838	29,610,932	32,262,716
<b>Total net position</b>	<b>\$ 101,001,092</b>	<b>\$ 97,184,537</b>	<b>\$ 55,659,365</b>	<b>\$ 53,186,651</b>	<b>\$ 156,660,457</b>	<b>\$ 150,371,188</b>

During FY2022, current and other assets and long-term liabilities for governmental activities increased primarily due to the issuance of over \$44 million in general obligation bonds which will be expended on the construction of a new public safety facility.

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.

# City of Kerrville, Texas

## Management's Discussion and Analysis (Unaudited)

### Year Ended September 30, 2022

The City's net position increased during the current fiscal year. The increase is attributed to funding received from the issuance of voter approved general obligation bonds (as discussed previously). These bond proceeds were received at the end FY2022. Since the project will not see substantial expenditures until FY2023, these revenues inflated the overall change in net position for FY2022. Additionally, funding was received from the American Rescue Plan Act and other grant funding.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenue</b>						
Program revenue						
Charges for services	\$ 6,783,206	\$ 5,713,114	\$ 15,203,636	\$ 14,339,767	\$ 21,986,842	\$ 20,052,881
Operating grants and contributions	3,241,611	4,087,711	-	-	3,241,611	4,087,711
Capital grants and contributions	-	1,407,215	812,862	-	812,862	1,407,215
General revenue						
Property tax	12,761,018	12,075,060	-	-	12,761,018	12,075,060
Sales tax	9,760,511	8,920,163	-	-	9,760,511	8,920,163
Hotel occupancy tax	1,760,465	1,598,504	-	-	1,760,465	1,598,504
Franchise tax	2,040,462	1,884,304	-	-	2,040,462	1,884,304
Grants and contributions not restricted to specific programs	1,755,837	-	-	-	1,755,837	-
Alcoholic beverage tax	113,550	103,891	-	-	113,550	103,891
Investment earnings (loss)	(352,159)	206,025	43,466	17,338	(308,693)	223,363
Miscellaneous revenue	931,810	420,164	105,097	19,736	1,036,907	439,900
<b>Total revenue</b>	<b>38,796,311</b>	<b>36,416,151</b>	<b>16,165,061</b>	<b>14,376,841</b>	<b>54,961,372</b>	<b>50,792,992</b>
<b>Expenses</b>						
General government	5,324,092	6,138,575	-	-	5,324,092	6,138,575
Public safety	17,317,939	15,873,740	-	-	17,317,939	15,873,740
Cultural and recreation	8,893,253	5,735,032	-	-	8,893,253	5,735,032
Public works	4,600,678	8,380,412	-	-	4,600,678	8,380,412
Interest on long-term debt	1,067,805	542,627	-	-	1,067,805	542,627
Water and sewer operations	-	-	10,377,791	9,679,313	10,377,791	9,679,313
Golf course	-	-	1,090,545	959,277	1,090,545	959,277
<b>Total expenses</b>	<b>37,203,767</b>	<b>36,670,386</b>	<b>11,468,336</b>	<b>10,638,590</b>	<b>48,672,103</b>	<b>47,308,976</b>
Excess (deficiencies) before transfers	1,592,544	(254,235)	4,696,725	3,738,251	6,289,269	3,484,016
Transfers	2,224,011	1,934,625	(2,224,011)	(1,934,625)	-	-
<b>Changes in Net Position</b>	<b>3,816,555</b>	<b>1,680,390</b>	<b>2,472,714</b>	<b>1,803,626</b>	<b>6,289,269</b>	<b>3,484,016</b>
<b>Net Position, Beginning of Year</b>	<b>97,184,537</b>	<b>95,504,147</b>	<b>53,186,651</b>	<b>51,383,025</b>	<b>150,371,188</b>	<b>146,887,172</b>
<b>Net Position, End of Year</b>	<b>\$ 101,001,092</b>	<b>\$ 97,184,537</b>	<b>\$ 55,659,365</b>	<b>\$ 53,186,651</b>	<b>\$ 156,660,457</b>	<b>\$ 150,371,188</b>

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

#### **Governmental Activities**

The City's net position from governmental activities increased by \$3,816,555. In fiscal year 2022, there were increases in sales tax and hotel occupancy tax due to continued economic growth within the City. Property tax revenue also increased in 2022 due to an overall growth in valuations. Expenses in total increased from prior year primarily due to the impact of rising inflation and salary increases related to cost of living and market adjustments.

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2022**

Business-type Activities

The City's net position from business-type activities increased by \$2,472,714 due to increased revenues from services in both the Water Fund and the Golf Fund and an \$812,862 capital grant received for water system infrastructure. More information will be given in the "Proprietary Funds" section.

***Individual Financial Analysis of the City's Funds***

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$75,045,052, an increase of \$39,869,359 in comparison with the prior year. Approximately 15.5 percent of total fund balance or \$11,663,668 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has been committed for restricted purposes (debt service, capital projects, etc.).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,663,668. 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 36.1 percent or over four months of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$516,869 during the current fiscal year. This increase was driven by increases in the City's largest revenue sources, property tax and sales tax due to a 7 percent increase in estimated taxable value and continued recovery from the pandemic.

The Governmental IP Fund's fund balance increased by \$39,760,170 in fiscal year 2022 primarily due to proceeds from the issuance of over \$44 million debt, which will be expended in future years, primarily on a new public safety facility.

The Grant Fund's fund balance increased by \$465 in fiscal year 2022.

The Debt Service Fund's fund balance increased by \$50,614 in fiscal year 2022, due to an increase in tax revenues.

Proprietary Funds

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

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2022**

Unrestricted net position of the proprietary funds at the end of the year amounted to \$4,465,175 with unrestricted net position of the Water Fund reported at \$4,792,768.

Overall, the Water Fund's net position increased by \$2,374,853 compared to \$1,574,763 in the prior year. The increase is due primarily to grant funding. The Texas Water Development Board provided \$812,862 to pay for a portion of the upgrades to the reuse water lines under the Loop 534 bridge that were damaged in the flood in 2020. Expenses were better than budget primarily due to continued supply chain shortages.

***General Fund Budgetary Analysis***

In fiscal year 2022, the fund balance increased by \$516,869, which is \$2,072,830 better than the amended budget. This is due to higher than anticipated revenues combined with lower than anticipated expenditures.

Actual revenues exceeded budget by \$644,905, primarily due to favorable performance on property and sales tax, as well as an increase to certain charges for service, offset by an investment loss due to volatility in interest rates. Accounting standards require most investments to be recorded at fair value. The City purchases investments and holds them to maturity with limited exceptions. Therefore, the investment losses recorded in current year will be recovered as investments mature.

Actual expenditures were \$1,544,920 more than the fiscal year 2022 original budget due to a mid-year budget amendment approved by City Council. This amendment approved transfers out to both CIP and Asset Replacement Funds as well as both a Cost of Living Adjustment for all employees and a strategic market adjustment for certain positions based on a formal compensation study completed by a third party in December of 2021. Expenses were less than the amended budget primarily due to the timing of paving projects and supply chain issues.

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

**Major Capital Additions**

In 2022, construction in progress increased due to ongoing projects such as Lower Lois Street Drainage, Public Safety Communication System, Library Ramp to Tranquility Island, and overall street reconstruction and maintenance.

**Capital and Lease Assets**

As of September 30, 2022, total capital and lease assets of the City's governmental and business-type amount to \$179,023,287 (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.

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2022**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Land	\$ 8,245,705	\$ 7,535,757	\$ 488,831	\$ 488,831	\$ 8,734,536	\$ 8,024,588
Construction	7,105,663	3,999,193	6,983,907	5,830,602	14,089,570	9,829,795
Streets	26,496,279	25,090,118	-	-	26,496,279	25,090,118
Buildings	11,231,856	11,776,249	2,474,826	2,600,056	13,706,682	14,376,305
Improvements other than buildings	34,540,722	33,390,782	75,865,961	77,491,335	110,406,683	110,882,117
Vehicles	2,757,916	3,182,166	306,642	532,556	3,064,558	3,714,722
Machinery and equipment	1,120,861	1,271,064	835,299	843,513	1,956,160	2,114,577
Office equipment	544,765	527,527	41,292	41,292	586,057	568,819
Right-to-use leased equipment	363,762	175,570	441,761	195,708	805,523	371,278
Right-to-use leased vehicles	205,700	105,707	69,702	69,702	275,402	175,409
Total	\$ 92,613,229	\$ 87,054,133	\$ 87,508,221	\$ 88,093,595	\$ 180,121,450	\$ 175,147,728

*Additional information on the City's capital assets can be found in Note 4 on pages 52-54 of this report, including information about the new accounting standard (GASB 87).*

#### Long-term Debt

At the end of the current fiscal year, the City has total governmental activity net bonded debt outstanding of \$68,340,058, which the City expects to retire through the Debt Service Fund. The City also has business activity net bonded debt outstanding of \$35,168,275 at September 30, 2022. The City's net bonded debt increased approximately \$44,000,000. The increase was due to issued bonds in fiscal year 2022.

The City's financial policies limits the General Fund debt service to no more than 25 percent of the total tax rate and Water Fund debt service to no more than 35 percent of total water and sewer fund revenues. The City's debt service remained below that level in fiscal year 2022 and the City intends to comply with that policy with any future debt issuances.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>General Bonded Debt</b>						
General obligation	\$ 50,825,000	\$ 7,565,000	\$ 13,590,000	\$ 15,575,000	\$ 64,415,000	\$ 23,140,000
Certificates of obligation	15,175,000	15,915,000	19,525,000	20,530,000	34,700,000	36,445,000
Total bonded debt	66,000,000	23,480,000	33,115,000	36,105,000	99,115,000	59,585,000
Bond premium discount	2,340,058	1,497,200	2,053,275	2,419,794	4,393,333	3,916,994
Net bonded debt	68,340,058	24,977,200	35,168,275	38,524,794	103,508,333	63,501,994
<b>Other Long-term Debt</b>						
Cailloux Foundation promissory note	-	-	-	-	-	-
Kerrville Public Utility Board note	-	-	7,500,000	7,500,000	7,500,000	7,500,000
Loan	675,000	865,000	-	-	675,000	865,000
Compensated absences	1,383,264	1,154,041	259,940	217,618	1,643,204	1,371,659
Net pension liability	-	4,124,376	-	844,759	-	4,969,135
Total OPEB liability	1,400,135	1,335,962	286,776	273,632	1,686,911	1,609,594
Lease liability	533,756	-	501,824	-	1,035,580	-
Landfill closure and post-closure costs	1,585,525	1,493,398	-	-	1,585,525	1,493,398
Total	\$ 73,917,738	\$ 33,949,977	\$ 43,716,815	\$ 47,360,803	\$ 117,634,553	\$ 81,310,780

# **City of Kerrville, Texas**

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

### **Year Ended September 30, 2022**

*Additional information on the City's long-term debt can be found in Note 6 on pages 56– 60 of this report.*

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

#### ***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 \$0.5752 per \$100 of assessed value for fiscal year 2023, which is an increase compared to \$0.5093 in fiscal year 2022. While the overall property tax rate increased due to the change in the Interest & Sinking (I&S) or Debt portion of the rate driven by voter approved issuance of general obligation bonds to be used to construct and outfit a new public safety facility, the Maintenance & Operations (M&O) portion of the rate decreased.

The I&S portion increased from \$0.0735 to \$0.1411 and the M&O portion decreased from \$0.4358 to \$0.4341. Property Taxes are expected to increase in FY2023 in the amount of \$2,394,803, outlined as followed:

- Voter Approval Debt: \$1,728,343
- Existing Properties: \$467,339
- New Properties: \$199,121

Sales tax revenue in fiscal year 2022 was 9.4 percent higher due to continued recovery from the pandemic and strong economic growth in Kerrville. Sales tax revenues, fiscal year 2023 to-date, continue to exceed fiscal year 2022. Sales Tax revenue increases are led by strong regional retail, food service, manufacturing, and construction industries.

Modest increases were made to water and sewer rates in fiscal year 2022. Fiscal year 2023 will also see increases to rates in order to support the overall operations of the water and wastewater systems of the City. Inflationary factors played a role in these increases as well as the overall cost of maintaining the City's unique water sources and infrastructure. Extreme drought in fiscal year 2022 continues into fiscal year 2023. Even with the drought conditions, citizens have self-restricted water use and water consumption, especially irrigation, decreased compared to fiscal year 2021. The City's Reuse Water System was instrumental in the reduction of irrigation water to local golf courses, the Kerrville Sports Complex and Tennis Center, Schreiner University and Kerrville ISD sports fields. The City sold over 250 million gallons of reuse water in fiscal year 2022, which greatly reduced the demand on potable water system.

**City of Kerrville, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2022**

Hotel occupancy tax (HOT) revenue saw a 10 percent (\$161,961) increase in fiscal year 2022 compared to fiscal year 2021. This is lower than the 36 percent increase seen in fiscal year 2021 compared to 2020; however, Kerrville offers a variety of outdoor activities that were extremely attractive during the COVID-19 pandemic restrictions. Fiscal year 2023 to-date is seeing slowing in HOT revenues due to inflationary impacts on expendable income. Kerrville has increased the number of free community events offered that attract tourists with the hope of regaining momentum in HOT.

In February 2022, City Council approved a fiscal year 2022 budget amendment in response to a modified forecast of sales tax revenue, a compensation study completed in 2021, and inflationary issues. The budget amendment increased the sales tax revenue budget by \$725,000. The amendment also authorized a 5 percent cost of living adjustment to all employees as well as market adjustments for the positions recommended by the compensation study. This amendment had a budgetary impact on overall personnel costs in fiscal year 2023. Additionally, employee group health insurance increased 5 percent in fiscal year 2023 compared to fiscal year 2022. Liability insurance expense also increased. These factors, combined with ongoing inflation, created an overall budget increase when comparing fiscal year 2023 to fiscal year 2022. Increases in revenues are expected to be sufficient to cover additional expenses. The City received revenues from State and Local Fiscal Recovery Funds as part of the *American Rescue Plan Act* (ARPA) in the amount of \$5.9 million over the past two fiscal years. Council approved a portion of these funds to be used for a citywide Public Safety Radio Communication project that will upgrade infrastructure and replace aging radios to improve communications for the City's Public Safety divisions and another portion to be combined with a Department of Justice grant to purchase new in-car and body-worn camera systems for the Kerrville Police Department. Remaining funds will be expended as approved by Council in accordance with the U.S. Treasury Department's Final Rule.

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



## **Basic Financial Statements**



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**City of Kerrville, Texas**  
**Statement of Net Position**  
**September 30, 2022**

**Exhibit A-1**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 39,806,690	\$ 2,307,543	\$ 42,114,232	\$ 26,154,802
Investments	9,557,523	1,268,732	10,826,255	7,983,769
Receivables (net of allowances for uncollectibles)				
Taxes	414,922	-	414,922	-
Accounts	674,813	1,606,860	2,281,673	4,065,540
Other	373,377	-	373,377	-
Leases	396,417	-	396,417	-
Due from other governments	1,752,738	-	1,752,738	846,256
Internal balances	75,251	(75,251)	-	-
Inventories	28,480	597,926	626,406	1,135,750
Prepaid expenses	14,858	-	14,858	-
Other assets	-	-	-	33,331
Restricted assets				
Cash and cash equivalents	20,790,619	4,677,447	25,468,066	3,304,538
Investments	9,147,038	2,975,939	12,122,977	1,178,504
Equity in joint venture	8,695,111	-	8,695,111	-
Advance to the City of Kerrville	-	-	-	7,500,000
Net pension asset	674,985	138,243	813,228	677,020
Capital and lease assets (net of accumulated depreciation and amortization, where applicable)				
Depreciable	77,261,861	80,035,483	157,297,344	46,901,892
Non-depreciable	15,351,368	7,472,738	22,824,106	3,226,083
Total assets	<u>185,016,050</u>	<u>101,005,660</u>	<u>286,021,710</u>	<u>103,007,485</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows – pensions	1,546,066	331,629	1,877,695	845,964
Deferred outflows – OPEB	261,494	58,677	320,171	55,807
Deferred outflows – loss on refunding	83,081	107,184	190,265	-
Total deferred outflows of resources	<u>1,890,641</u>	<u>497,490</u>	<u>2,388,131</u>	<u>901,771</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	2,365,508	522,243	2,887,751	16,081,413
Customer deposits	33,225	146,232	179,457	465,586
Unearned revenue	4,257,010	415,641	4,672,651	-
Noncurrent liabilities				
Due within one year				
Bonds payable	1,693,708	2,032,210	3,725,918	422,000
Loan from direct borrowing	675,000	-	675,000	-
KPUB note	-	1,071,429	1,071,429	-
Compensated absences	760,618	118,143	878,761	-
Leases	163,663	124,658	288,321	15,108
Due in more than one year				
Bonds payable	66,646,350	33,136,065	99,782,415	2,847,000
KPUB note	-	6,428,571	6,428,571	-
Total OPEB liability	1,400,135	286,776	1,686,911	382,619
Compensated absences	622,646	141,797	764,443	-
Landfill closure and post-closure costs	1,585,525	-	1,585,525	-
Leases	370,093	377,165	747,258	108,000
Total liabilities	<u>80,573,481</u>	<u>44,800,930</u>	<u>125,374,411</u>	<u>20,321,726</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows – pensions	4,905,829	1,019,524	5,925,353	2,039,965
Deferred inflows – OPEB	90,799	23,331	114,130	4,179
Deferred inflows – leases	335,490	-	335,490	-
Total deferred inflows of resources	<u>5,332,118</u>	<u>1,042,855</u>	<u>6,374,973</u>	<u>2,044,144</u>
<b>Net Position</b>				
Net investment in capital assets	68,392,325	49,413,126	117,805,451	46,735,867
Restricted for				
Donor				
Expendable	680,903	-	680,903	-
Nonexpendable	628,965	-	628,965	-
Debt service	1,318,422	1,642,821	2,961,243	386,756
Pension asset	674,985	138,243	813,228	677,020
Other purposes	4,159,735	-	4,159,735	6,431,247
Unrestricted	25,145,757	4,465,175	29,610,932	27,312,496
Total net position	<u>\$ 101,001,092</u>	<u>\$ 55,659,365</u>	<u>\$ 156,660,457</u>	<u>\$ 81,543,386</u>

**City of Kerrville, Texas**  
**Statement of Activities**  
**Year Ended September 30, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 5,324,092	\$ 295,287	\$ 1,109,869	\$ -
Public safety	17,317,939	3,624,497	1,644,854	-
Culture and recreation	8,893,253	2,044,308	486,888	-
Public works	4,600,678	819,114	-	-
Interest on long-term debt	1,067,805	-	-	-
Total expenses	37,203,767	6,783,206	3,241,611	-
Business-type Activities				
Water	10,377,791	14,130,750	-	812,862
Golf course	1,090,545	1,072,886	-	-
Total business-type activities	11,468,336	15,203,636	-	812,862
Total primary government	\$ 48,672,103	\$ 21,986,842	\$ 3,241,611	\$ 812,862
Component Units				
Economic Improvement Corporation	\$ 1,997,798	\$ -	\$ -	\$ -
Kerrville Public Utility Board	45,152,081	45,505,227	-	1,103,077
Total component units	\$ 47,149,879	\$ 45,505,227	\$ -	\$ 1,103,077
General Revenues				
Property taxes				
Sales and use taxes				
Hotel occupancy taxes				
Franchise taxes				
Alcoholic beverage taxes				
Grants and contributions not restricted to specific programs				
Investment earnings (loss)				
Miscellaneous income				
Transfers				
Total general revenues and transfers				
Change in net position				
Net Position, Beginning of Year				
Net Position, End of Year				

Exhibit A-2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (3,918,936)	\$ -	\$ (3,918,936)	
(12,048,588)	-	(12,048,588)	
(6,362,057)	-	(6,362,057)	
(3,781,564)	-	(3,781,564)	
(1,067,805)	-	(1,067,805)	
(27,178,950)	-	(27,178,950)	
-	4,565,821	4,565,821	
-	(17,659)	(17,659)	
-	4,548,162	4,548,162	
(27,178,950)	4,548,162	(22,630,788)	
			\$ (1,997,798)
			1,456,223
			(541,575)
12,761,018	-	12,761,018	-
9,760,511	-	9,760,511	4,864,636
1,760,465	-	1,760,465	-
2,040,462	-	2,040,462	-
113,550	-	113,550	-
1,755,837	-	1,755,837	-
(352,159)	43,466	(308,693)	401,692
931,810	105,097	1,036,907	31,471
2,224,011	(2,224,011)	-	
30,995,505	(2,075,448)	28,920,057	5,297,799
3,816,555	2,472,714	6,289,269	4,756,224
97,184,537	53,186,651	150,371,188	76,787,162
\$ 101,001,092	\$ 55,659,365	\$ 156,660,457	\$ 81,543,386

**City of Kerrville, Texas**  
**Balance Sheet – Governmental Funds**  
**September 30, 2022**

**Exhibit A-3**

	General Fund	Governmental IP Fund	Grant Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 13,337,036	\$ 37,412,618	\$ 4,148,504	\$ 987,148	\$ 4,391,199	\$ 60,276,505
Investments	4,445,679	12,470,873	-	329,050	1,352,024	18,597,626
Receivables, net						
Taxes	339,090	-	-	57,941	17,891	414,922
Accounts	669,728	-	-	-	-	669,728
Interest receivable	969	2,862	-	78	-	3,909
Leases	396,417	-	-	-	-	396,417
Other	369,468	-	-	-	-	369,468
Due from other funds	81,607	-	-	-	-	81,607
Due from other governments	1,741,746	-	-	1,328	9,664	1,752,738
Inventories	11,268	-	-	-	-	11,268
Prepays	14,858	-	-	-	-	14,858
Total assets	<u>\$ 21,407,866</u>	<u>\$ 49,886,352</u>	<u>\$ 4,148,504</u>	<u>\$ 1,375,545</u>	<u>\$ 5,770,778</u>	<u>\$ 82,589,045</u>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	1,674,005	\$ 494,779	\$ -	\$ -	\$ 102,121	\$ 2,270,905
Unearned revenue	115,307	-	4,141,703	-	-	4,257,010
Customer deposits	33,225	-	-	-	-	33,225
Total liabilities	<u>1,822,537</u>	<u>494,779</u>	<u>4,141,703</u>	<u>-</u>	<u>102,121</u>	<u>6,561,140</u>
<b>Deferred Inflows of Resources</b>						
Deferred inflows of resources - leases	335,490	-	-	-	-	335,490
Unavailable revenue	590,240	-	-	57,123	-	647,363
Total deferred inflows	<u>925,730</u>	<u>-</u>	<u>-</u>	<u>57,123</u>	<u>-</u>	<u>982,853</u>
<b>Fund Balances</b>						
Nonspendable						
Endowment	628,965	-	-	-	-	628,965
Inventories	11,268	-	-	-	-	11,268
Prepaid items	14,858	-	-	-	-	14,858
Restricted						
Landfill	3,268,569	-	-	-	-	3,268,569
Debt service	-	-	-	1,318,422	-	1,318,422
Tourism	-	-	-	-	2,052,639	2,052,639
Grants	-	-	6,801	-	-	6,801
Library	627,438	-	-	-	2,881,991	3,509,429
Cailloux Theater	575,500	-	-	-	-	575,500
Police	-	-	-	-	139,109	139,109
PEG	-	-	-	-	79,379	79,379
Municipal court	-	-	-	-	95,308	95,308
TIRZ	-	-	-	-	110,256	110,256
Capital improvements	-	44,221,765	-	-	-	44,221,765
Committed						
Park improvements	-	-	-	-	85,420	85,420
History center	-	-	-	-	224,555	224,555
Library memorial	-	-	-	-	-	-
Insurance reserve	226,512	-	-	-	-	226,512
Capital improvements	1,642,821	5,169,808	-	-	-	6,812,629
Unassigned	11,663,668	-	-	-	-	11,663,668
Total fund balances	<u>18,659,599</u>	<u>49,391,573</u>	<u>6,801</u>	<u>1,318,422</u>	<u>5,668,657</u>	<u>75,045,052</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,407,866</u>	<u>\$ 49,886,352</u>	<u>\$ 4,148,504</u>	<u>\$ 1,375,545</u>	<u>\$ 5,770,778</u>	<u>\$ 82,589,045</u>

**City of Kerrville, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2022**

**Exhibit A-4**

Total fund balances – governmental funds balance sheet		\$ 75,045,052
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	391,029	
Ambulance fees	254,437	
Court fines	<u>1,897</u>	647,363
Capital assets used in governmental activities, excluding the internal service funds, are not reported in the funds.		92,601,565
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		381,564
The equity in a joint venture is not reported in the funds.		8,695,111
Net pension asset is not a current financial resource (excludes internal service balance)		666,849
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	1,526,562	
Deferred outflows – OPEB	258,045	
Deferred outflows – loss on refunding	83,081	
Deferred inflows – pensions	(4,845,858)	
Deferred inflows – OPEB	<u>(89,427)</u>	(3,067,597)
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	(66,000,000)	
Loan from direct financing	(675,000)	
Bond premiums	(2,340,058)	
Land closure/post-closure costs	(1,585,525)	
Lease liability	(533,756)	
Total OPEB liability	(1,383,267)	
Compensated absences	<u>(1,373,099)</u>	(73,890,705)
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>(78,110)</u>
Net position of governmental activities		<u><u>\$ 101,001,092</u></u>

**City of Kerrville, Texas**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Governmental Funds**  
**Year Ended September 30, 2022**

Exhibit A-5

	General Fund	Governmental IP Fund	Grant Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes and penalties	\$ 22,745,093	\$ -	\$ -	\$ 1,822,758	\$ 1,872,145	\$ 26,439,996
Licenses and permits	906,548	-	-	-	33,475	940,023
Intergovernmental	1,475,812	10,000	1,870,829	1,089,369	499,463	4,945,473
Charges for services	5,306,774	-	-	-	17	5,306,791
Grants	51,975	-	-	-	-	51,975
Fines and forfeitures	398,163	-	-	-	85,656	483,819
Investment income (loss)	(98,615)	(308,057)	-	12,791	41,722	(352,159)
Lease interest revenue	5,142	-	-	-	-	5,142
Miscellaneous	461,742	-	-	-	25,729	487,471
Total revenues	31,252,634	(298,057)	1,870,829	2,924,918	2,558,207	38,308,531
<b>Expenditures</b>						
Current						
General government	5,787,632	152,206	-	-	55,385	5,995,223
Public safety	16,473,167	-	30,563	-	104,769	16,608,499
Culture and recreation	3,708,182	-	-	-	1,472,027	5,180,209
Public works	3,746,925	12,136	-	-	-	3,759,061
Capital outlay	2,031,043	5,888,553	1,839,801	-	1,324,785	11,084,182
Leases	407,073	-	-	-	-	407,073
Debt service						
Principal	162,638	-	-	2,069,796	-	2,232,434
Bond issuance costs	-	445,633	-	-	-	445,633
Interest	-	-	-	804,508	-	804,508
Total expenditures	32,316,660	6,498,528	1,870,364	2,874,304	2,956,966	46,516,822
Excess (deficiency) of revenues over (under) expenditures	(1,064,026)	(6,796,585)	465	50,614	(398,759)	(8,208,291)
<b>Other Financing Sources (Uses)</b>						
Refunding bonds issued	-	44,400,000	-	-	-	44,400,000
Issuance of leases	407,073	-	-	-	-	407,073
Premium on refunding bonds issued	-	1,046,566	-	-	-	1,046,566
Transfers in	2,284,011	1,110,189	-	-	-	3,394,200
Transfers out	(1,110,189)	-	-	-	(60,000)	(1,170,189)
Net other financing sources (uses)	1,580,895	46,556,755	-	-	(60,000)	48,077,650
<b>Net Change in Fund Balances</b>	516,869	39,760,170	465	50,614	(458,759)	39,869,359
<b>Fund Balances, Beginning of Year</b>	18,142,730	9,631,403	6,336	1,267,808	6,127,416	35,175,693
<b>Fund Balances, End of Year</b>	\$ 18,659,599	\$ 49,391,573	\$ 6,801	\$ 1,318,422	\$ 5,668,657	\$ 75,045,052

# 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, 2022

Exhibit A-6

Net change in fund balances – total governmental funds	\$ 39,869,359
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.	11,084,182
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. This amount excludes \$2,290 of depreciation expense in the internal service funds	(5,929,869)
The issuance of long-term debt (bonds and related premium) provides current financial resources to governmental funds, but has no effect on net position.	(45,446,566)
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.	2,232,434
Current year changes in joint venture equity are not reported in the governmental fund statements.	439,197
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.	203,708
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.	(235,908)
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.	20,166
Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance, and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.	1,623,396
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.	(92,127)
Internal service funds are used by management to share the costs of certain activities including employee insurance and fleet maintenance to individual funds. This is a net gain for the year.	21,629
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.	26,954
Change in net position of governmental activities	\$ 3,816,555

**City of Kerrville, Texas**  
**Statement of Net Position – Proprietary Funds**  
**September 30, 2022**

	<b>Business-type Activities – Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Water Fund</b>	<b>Nonmajor Golf Course Fund</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,994,137	\$ 313,406	\$ 2,307,543	\$ 320,804
Investments	1,268,732	-	1,268,732	106,935
Receivables (net of allowances for uncollectibles)	1,606,860	-	1,606,860	5,085
Inventories	516,532	81,394	597,926	17,212
Total current assets	5,386,261	394,800	5,781,061	450,036
<b>Noncurrent Assets</b>				
Restricted assets				
Cash and cash equivalents	4,677,447	-	4,677,447	-
Investments	2,975,939	-	2,975,939	-
Net pension asset	113,848	24,395	138,243	8,136
Total restricted assets	7,767,234	24,395	7,791,629	8,136
<b>Capital Assets</b>				
Land	488,831	-	488,831	-
Buildings	3,803,928	374,668	4,178,596	159,000
Improvements other than buildings	120,156,302	2,542,155	122,698,457	-
Vehicles	1,798,007	15,120	1,813,127	18,056
Machinery and equipment	3,565,318	235,523	3,800,841	56,664
Office equipment	173,109	-	173,109	-
Lease assets	69,702	516,930	586,632	-
Construction in progress	6,983,907	-	6,983,907	-
Accumulated depreciation and amortization	(50,937,464)	(2,277,815)	(53,215,279)	(222,056)
Net capital assets	86,101,640	1,406,581	87,508,221	11,664
Total noncurrent assets	93,868,874	1,430,976	95,299,850	19,800
Total assets	99,255,135	1,825,776	101,080,911	469,836
<b>Deferred Outflows of Resources</b>				
Deferred outflows – pension	273,107	58,522	331,629	19,504
Deferred outflows – OPEB	48,322	10,355	58,677	3,449
Deferred charges for refunding	107,184	-	107,184	-
Total deferred outflows of resources	\$ 428,613	\$ 68,877	\$ 497,490	\$ 22,953

Exhibit A-7

	<b>Business-type Activities – Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Water Fund</b>	<b>Nonmajor Golf Course Fund</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 483,545	38,698	\$ 522,243	\$ 16,493
Unearned revenue	379,472	36,169	415,641	-
Compensated absences – current	92,368	25,775	118,143	-
Due to other funds	64,976	10,275	75,251	6,356
Customer deposits	146,232	-	146,232	-
Bonds and notes – current	3,103,639	-	3,103,639	-
Total current liabilities	4,270,232	110,917	4,381,149	22,849
<b>Noncurrent Liabilities</b>				
Total OPEB liability	236,167	50,609	286,776	16,868
Bonds and notes – noncurrent	39,564,636	-	39,564,636	-
Leases payable	56,110	445,713	501,823	-
Compensated absences – noncurrent	141,797	-	141,797	10,165
Total noncurrent liabilities	39,998,710	496,322	40,495,032	27,033
Total liabilities	44,268,942	607,239	44,876,181	49,882
<b>Deferred Inflows of Resources</b>				
Deferred inflows – pension	839,609	179,915	1,019,524	59,971
Deferred inflows – OPEB	19,215	4,116	23,331	1,372
Total deferred inflows of resources	858,824	184,031	1,042,855	61,343
<b>Net Position</b>				
Net investment in capital assets	48,006,545	1,406,581	49,413,126	11,664
Restricted				-
Debt service	1,642,821	-	1,642,821	-
Pension asset	113,848	24,395	138,243	8,136
Unrestricted (deficit)	4,792,768	(327,593)	4,465,175	361,764
Total net position	\$ 54,555,982	\$ 1,103,383	\$ 55,659,365	\$ 381,564

**City of Kerrville, Texas**  
**Statement of Revenues, Expenses, and Changes**  
**in Net Position – Proprietary Funds**  
**Year Ended September 30, 2022**

Exhibit A-8

	<b>Business-type Activities – Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Water Fund</b>	<b>Nonmajor Golf Course Fund</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>				
Charges for services	\$ 13,837,855	\$ 1,072,886	\$ 14,910,741	\$ 4,135,490
Other charges	292,895	-	292,895	-
<b>Total operating revenues</b>	<b>14,130,750</b>	<b>1,072,886</b>	<b>15,203,636</b>	<b>4,135,490</b>
<b>Operating Expenses</b>				
Personnel services	3,389,905	385,106	3,775,011	334,421
Repairs and maintenance	540,783	138,699	679,482	12,177
Supplies and materials	830,209	217,343	1,047,552	15,368
Utilities	749,070	71,173	820,243	6,107
Depreciation and amortization	3,160,690	144,714	3,305,404	2,290
General administration	728,422	119,933	848,355	9,944
Premiums and other charges	-	-	-	3,733,554
<b>Total operating expenses</b>	<b>9,399,079</b>	<b>1,076,968</b>	<b>10,476,047</b>	<b>4,113,861</b>
<b>Operating income</b>	<b>4,731,671</b>	<b>(4,082)</b>	<b>4,727,589</b>	<b>21,629</b>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	41,080	2,386	43,466	-
Loss on disposal of assets	-	15,166	15,166	-
Miscellaneous revenue	-	63	63	-
Bond issuance cost	6,963	-	6,963	-
Lease revenue	-	82,905	82,905	-
Interest expense	(978,712)	(13,577)	(992,289)	-
Capital grant	812,862	-	812,862	-
<b>Net nonoperating revenues (expenses)</b>	<b>(117,807)</b>	<b>86,943</b>	<b>(30,864)</b>	<b>-</b>
<b>Net income before transfers</b>	<b>4,613,864</b>	<b>82,861</b>	<b>4,696,725</b>	<b>21,629</b>
<b>Transfers</b>				
Transfers in	-	15,000	15,000	-
Transfers out	(2,239,011)	-	(2,239,011)	-
<b>Net transfers</b>	<b>(2,239,011)</b>	<b>15,000</b>	<b>(2,224,011)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>2,374,853</b>	<b>97,861</b>	<b>2,472,714</b>	<b>21,629</b>
<b>Net Position, Beginning of Year</b>	<b>52,181,129</b>	<b>1,005,522</b>	<b>53,186,651</b>	<b>359,935</b>
<b>Net Position, End of Year</b>	<b>\$ 54,555,982</b>	<b>\$ 1,103,383</b>	<b>\$ 55,659,365</b>	<b>\$ 381,564</b>

**City of Kerrville, Texas**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended September 30, 2022**

**Exhibit A-9**

	<b>Business-Type Activities – Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Water Fund</b>	<b>Nonmajor Golf Course Fund</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Operating Activities</b>				
Cash received from customers	\$ 13,842,878	\$ 1,075,127	\$ 14,918,005	\$ 4,134,676
Cash payments to employees	(3,638,578)	(440,902)	(4,079,480)	(361,504)
Cash payments to other suppliers for goods and services	(3,011,457)	(558,058)	(3,569,515)	(3,766,689)
Other operating activities	374,253	10,338	384,591	-
Net cash provided by (used in) operating activities	7,567,096	86,505	7,653,601	6,483
<b>Noncapital Financing Activities</b>				
Transfers from other funds	-	15,000	15,000	-
Transfers to other funds	(2,239,011)	-	(2,239,011)	-
Net cash provided by (used in) noncapital financing activities	(2,239,011)	15,000	(2,224,011)	-
<b>Capital and Related Financing Activities</b>				
Capital contributions	6,963	-	6,963	-
Principal and interest paid	(4,307,252)	(13,577)	(4,320,829)	-
Proceeds from sale of capital assets	-	15,166	15,166	-
Leases	56,110	11,688	67,798	-
Acquisition or construction of capital assets	(2,458,865)	(9,645)	(2,468,510)	-
Net cash provided by (used in) capital and related financing activities	(6,703,044)	3,632	(6,699,412)	-
<b>Investing Activities</b>				
Investment income	41,080	2,386	43,466	1,643
Sale of investments	-	-	-	37,387
Net cash provided by investing activities	41,080	2,386	43,466	39,030
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,333,879)	107,523	(1,226,356)	45,513
<b>Cash and Cash Equivalents, Beginning of Year</b>	8,005,463	205,883	8,211,346	275,291
<b>Cash and Cash Equivalents, End of Year</b>	\$ 6,671,584	\$ 313,406	\$ 6,984,990	\$ 320,804
<b>Reconciliation to the Statement of Net Position</b>				
Cash and cash equivalents	\$ 1,994,137	\$ 313,406	\$ 2,307,543	\$ 320,804
Restricted cash and cash equivalents	4,677,447	-	4,677,447	-
	\$ 6,671,584	\$ 313,406	\$ 6,984,990	\$ 320,804
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating income (loss)	\$ 4,731,671	\$ (4,082)	\$ 4,727,589	\$ 21,629
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	3,160,690	144,714	3,305,404	2,290
Other	-	63	63	-
Change in assets and deferred outflows				
(Increase) decrease in receivables	5,023	-	5,023	-
(Increase) decrease in inventories	(45,704)	(29,136)	(74,840)	190
(Increase) decrease in deferred receivables	-	-	-	(814)
(Increase) decrease in deferred pension outflows	37,833	8,108	45,941	2,704
(Increase) decrease in deferred OPEB outflows	3,939	845	4,784	282
Change in liabilities and deferred inflows				
Increase (decrease) in accounts payable	(129,660)	18,226	(111,434)	3,915
Increase (decrease) in other liabilities	65,693	7,643	73,336	(6,685)
Increase (decrease) in due to other funds	64,976	10,275	75,251	6,356
Increase (decrease) in net pension liability	(809,531)	(173,471)	(983,002)	(57,823)
Increase (decrease) in total OPEB liability	10,824	2,320	13,144	773
Increase (decrease) in deferred pension inflows	467,342	100,144	567,486	33,381
Increase (decrease) in deferred OPEB inflows	4,000	856	4,856	285
Total adjustments	2,835,425	90,587	2,926,012	(15,146)
Net cash provided by (used in) operating activities	\$ 7,567,096	\$ 86,505	\$ 7,653,601	\$ 6,483

**City of Kerrville, Texas**  
**Statements of Net Position – Component Units**  
**September 30, 2022**

Exhibit A-10

	Kerrville Economic Improvement Corporation (EIC)	Kerrville Public Utility Board (KPUB)	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,575,083	\$ 20,579,719	\$ 26,154,802
Investments	-	7,983,769	7,983,769
Receivables (net of allowances for uncollectible)	9,908	1,911,733	1,921,641
Unbilled revenues	-	2,143,899	2,143,899
Due from other governments	846,256	-	846,256
Inventories	-	1,135,750	1,135,750
Other assets	-	33,331	33,331
Restricted assets			
Investments	-	1,178,504	1,178,504
Cash and Cash Equivalents	-	3,304,538	3,304,538
Advance to City of Kerrville	-	7,500,000	7,500,000
Capital assets nondepreciable			
Land	1,138,436	252,885	1,391,321
Construction in progress	-	1,834,762	1,834,762
Depreciable (net of accumulated depreciation)			
Buildings	-	2,578,348	2,578,348
Improvements other than buildings	-	40,005,530	40,005,530
Vehicles	-	2,245,161	2,245,161
Right to use equipment	-	135,359	135,359
Machinery and equipment	-	1,937,494	1,937,494
Net pension asset	-	677,020	677,020
<b>Total assets</b>	<b>7,569,683</b>	<b>95,437,802</b>	<b>103,007,485</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows – pensions	-	845,964	845,964
Deferred outflows – OPEB	-	55,807	55,807
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>901,771</b>	<b>901,771</b>
<b>Liabilities</b>			
Current Liabilities			
Accounts payable and accrued liabilities	-	16,081,413	16,081,413
Bonds payable, current	-	437,108	437,108
<b>Total current liabilities</b>	<b>-</b>	<b>16,518,521</b>	<b>16,518,521</b>
Noncurrent Liabilities			
Total OPEB liability	-	382,619	382,619
Customer deposits	-	465,586	465,586
Bonds payable, net of current portion	-	2,847,000	2,847,000
Leases payable	-	108,000	108,000
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>3,803,205</b>	<b>3,803,205</b>
<b>Total liabilities</b>	<b>-</b>	<b>20,321,726</b>	<b>20,321,726</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows – pensions	-	2,039,965	2,039,965
Deferred inflows – OPEB	-	4,179	4,179
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>2,044,144</b>	<b>2,044,144</b>
<b>Net Position</b>			
Net investment in capital assets	1,138,436	45,597,431	46,735,867
Restricted for			
Debt service	-	386,756	386,756
Economic development	6,431,247	-	6,431,247
Pension asset	-	677,020	677,020
Unrestricted	-	27,312,496	27,312,496
<b>Total net position</b>	<b>7,569,683</b>	<b>73,973,703</b>	<b>81,543,386</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 7,569,683</b>	<b>\$ 96,339,573</b>	<b>\$ 101,865,112</b>

**City of Kerrville, Texas**  
**Statements of Activities – Component Units**  
**Year Ended September 30, 2022**

**Exhibit A-11**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	EIC	KPUB	Total
<b>Kerrville Economic Improvement Corporation (EIC)</b>						
General government	\$ 1,997,798	\$ -	\$ -	\$ (1,997,798)	\$ -	\$ (1,997,798)
Total Kerrville EIC	1,997,798	-	-	(1,997,798)	-	(1,997,798)
<b>Kerrville Public Utility Board (KPUB)</b>						
Purchased power	31,668,574	45,505,227	1,103,077	-	14,939,730	14,939,730
Distribution	3,684,455	-	-	-	(3,684,455)	(3,684,455)
Payments in lieu of taxes	1,428,744	-	-	-	(1,428,744)	(1,428,744)
Administration and other	4,615,974	-	-	-	(4,615,974)	(4,615,974)
Depreciation and amortization	3,754,334	-	-	-	(3,754,334)	(3,754,334)
Total KPUB	45,152,081	45,505,227	1,103,077	-	1,456,223	1,456,223
Total Component Units	\$ 47,149,879	\$ 45,505,227	\$ 1,103,077	(1,997,798)	1,456,223	(541,575)
<b>General Revenues</b>						
Sales taxes				4,864,636	-	4,864,636
Investment earnings				39,761	361,931	401,692
Miscellaneous income				-	31,471	31,471
Total general revenues				4,904,397	393,402	5,297,799
<b>Change in Net Position</b>				2,906,599	1,849,625	4,756,224
<b>Net Position, Beginning of Year</b>				4,663,084	72,124,078	76,787,162
<b>Net Position, End of Year</b>				\$ 7,569,683	\$ 73,973,703	\$ 81,543,386



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## **Notes to Basic Financial Statements**



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**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

**Note 1: Summary of Significant Accounting Policies**

***General Statement***

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

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

***Financial Reporting Entity***

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

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

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

*Kerrville-Kerr County Airport.* The City and Kerr County operate a municipal airport under a joint venture agreement. Participants provide financial support and are entitled to an undivided 50 percent 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, 2022**

Financial statements may be obtained from the Kerrville-Kerr County Airport, 1877 Airport Loop, Kerrville, TX 780258.

#### ***Government-wide and Fund Financial Statements***

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

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

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

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

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

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

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

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

The City reports the following major governmental funds:

- **Debt Service Fund** – accounts for the accumulation and use of property and sales tax revenue to meet the debt service requirements of the City’s general and revenue bonded debt. This fund is designated as major by the City.
- **General Fund** – is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Governmental IP Fund** – is a capital project fund that accounts for major capital improvement projects.
- **Grant Fund** – used to account for all grant revenues and expenditures

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

- **Special Revenue Funds** – accounts for the collection and disbursement of earmarked monies.
- **Capital Projects Fund** – accounts for the acquisition or construction of governmental capital assets not recorded in the Government IP Fund.
- **Nonmajor Golf Course Fund** – accounts for all activities of the City’s municipal golf course.
- **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.

# **City of Kerrville, Texas**

## **Notes to Basic Financial Statements**

### **September 30, 2022**

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.

#### ***Deposits and Investments***

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

State law and the City's investment policy restrict both time and demand deposits to those depositories doing business in the State of Texas and further require full insurance and/or pledging of collateral. CDs are limited to a stated maturity not exceeding 18 months. Pledged collateral, equal to 188 percent of the covered account balance is required for all deposits and is limited to obligations of the U.S. government or U.S. state, its agencies or instrumentalities and municipal obligations rated A or better by two nationally recognized rating agencies. Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are monitored and priced at market on a daily basis as a contractual responsibility of the depository.

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

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

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

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

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

***Receivables and Payables***

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

***Property Tax Calendar***

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

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

***Inventories and Prepaid Expenses***

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

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

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

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

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

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

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

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

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

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.

***Lease Receivable***

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

# **City of Kerrville, Texas**

## **Notes to Basic Financial Statements**

### **September 30, 2022**

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

#### ***Lease Liability***

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

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

#### ***Deferred Outflows of Resources***

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

#### ***Compensated Absences***

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

#### ***Unearned Revenue***

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

#### ***Long-term Obligations***

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

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/(asset), 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, 2022**

***Deferred Inflows of Resources***

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

***Classification of Fund Equity***

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

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

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

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

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

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

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

***Excess of Expenditures over Appropriations***

For the year ended September 30, 2022 the City had the following excess expenditures over appropriations.

- The Grant Fund expenditures exceeded appropriations by \$1,870,364, mainly due to unbudgeted expenditures in capital expenditures, particularly the Public Safety Communication System Project paid for with ARPA funds.
- The Library Memorial Fund exceeded appropriations by \$690,461 mainly due to unbudgeted capital related projects, including replacement of the HVAC system, lighting upgrades, and a bookmobile.
- The History Center Fund exceeded appropriations by \$947, mainly due to a slight increase in cost for the purchase of a microfilm scanner.
- The Police Fund exceed appropriations by \$14,950 mainly due to the capital expenditures related to the addition of a K9 Unit to include a Chevy Tahoe. Donated funds were received for this project in both fiscal years 2021 and 2022 but were expended in fiscal year 2022.
- The Municipal Court Fund exceeded appropriations by \$16,133 mainly due to a planned spend down of fund balance for traffic control devices related to school safety.

***Adoption of GASB Statement No. 87, Leases (GASB 87)***

In 2022, the City adopted GASB 87. The Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. The adoption of GASB 87 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

***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, 2022. The City will evaluate the potential impact of the future accounting principles on the City's net position.

<u>Statement No.</u>	<u>Title</u>	<u>Adoption Required</u>
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	September 30, 2023
96	Subscription-Based Information Technology Arrangements	September 30, 2023
101	Compensated Absences	September 30, 2025

**Note 2: Deposits and Investments**

At year-end, the carrying amount of the City and EIC's cash on hand and deposits with financial institutions was \$2,778,353 (excluding certificates of deposits of \$1,230,000.) At September 30, 2022, 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 percent of market value of those securities over the total amount of time and demand deposits daily. The 2 percent 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**  
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Investments as of September 30, 2022, are as follows:

<b>Investment Type</b>	<b>Carrying Amount</b>	<b>Days to Maturity</b>	<b>Rating as of Year-End</b>
U.S. agency securities	\$ 8,535,447	857	AA+
Money market investments	5,870,993		
Municipal bonds	473,393	52	
Commercial paper	11,878,797	244	A-1
Equity securities	879,123	N/A	N/A
TexPool Prime local government pool	10,967,659	25	AAAm
Texas CLASS local government pool	49,594,918	31	AAAm
LOGIC local government pool	3,897,930	14	AAA
Certificates of deposit	<u>1,230,000</u>	88	N/A
Total fair value – primary government and EIC	<u><u>\$ 93,328,260</u></u>		

Deposits and investments as of September 30, 2022, are classified in the accompanying financial statements as follows:

**Statement of Net Position**

Cash and cash equivalents – primary government	\$ 42,114,232
Restricted cash and cash equivalents – primary government	25,468,066
Investments – primary government	10,826,255
Restricted investments – primary government	12,122,977
Cash and cash equivalents – EIC	<u>5,575,083</u>
Total cash, cash equivalents, and investments	<u><u>\$ 96,106,613</u></u>

Deposits and investments as of September 30, 2022, consist of the following:

Deposits (excluding certificates of deposits)	\$ 2,778,353
Investments	<u>93,328,260</u>
Total deposits and investments	<u><u>\$ 96,106,613</u></u>

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

# City of Kerrville, Texas

## Notes to Basic Financial Statements

### September 30, 2022

The City is invested in Texas Cooperative Liquid Assets Securities System (Texas CLASS) Trust. Texas CLASS was created as an investment pool for its participants pursuant to Section 2256.016 of the *Public Funds Investment Act*, Texas Government Code, or other laws of the State of Texas governing the investment of funds of a participant or funds under its control. Texas CLASS is administered by Public Trust Advisors, LLC with Wells Fargo Bank Texas, NA as the Custodian and is supervised by a Board of Trustees who are elected by the participants. Texas CLASS is rated AAAM and seeks to maintain a constant net asset value of \$1.00. Investments in the pools are considered to be cash equivalents when preparing these financial statements.

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

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

*Concentration of Credit Risk.* The City's investment policy recognizes that over-concentration of assets by market sector or maturity as a risk to the portfolio. Diversification is a major objective of the investment program. The City uses guidelines for concentration by market sector as shown below:

Obligations of the U.S. government	90%
Obligations of U.S. agencies/instrumentalities	90%
Certificates of deposit	90%
Limitation by banking institution	15%
Commercial paper	30%
Limitation by issuer	10%
Money market mutual funds	70%
Limitation by ownership in fund	5%
Constant dollar Texas investment pools	90%
Limitation by ownership in fund	5%
State and municipal obligations	25%

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

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
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*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 requires that all securities purchased be delivered delivery versus payment to the custodian. Investments are then held in the City’s name. Failure of the custodian would not affect ownership or access to the investments. These guarantees and requirements prevent any custodial credit risk for the City.

**Note 3: Receivables**

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

	Governmental				Business-type Activities	Component Units		
	General	Governmental IP Fund	Debt Service Fund	Other Governmental Funds	Total Governmental	Water	KPUB	EIC
Taxes receivable	\$ 512,588	\$ -	\$ 79,946	\$ 17,891	\$ 610,425	\$ -	\$ -	\$ -
Allowance for uncollectible taxes	(173,498)	-	(22,005)	-	(195,503)	-	-	-
	339,090	-	57,941	17,891	414,922	-	-	-
Accounts receivable	2,138,650	-	-	-	2,138,650	1,924,607	1,961,484	-
Allowance for uncollectible accounts	(1,468,922)	-	-	-	(1,468,922)	(317,747)	(49,751)	-
	669,728	-	-	-	669,728	1,606,860	1,911,733	-
Other receivables	766,854	2,862	78	-	769,794	-	-	9,908
Allowance for uncollectible accounts	-	-	-	-	-	-	-	-
	766,854	2,862	78	-	769,794	-	-	9,908
Due from other governments	1,741,746	-	1,328	9,664	1,752,738	-	-	846,256
Total	<u>\$ 3,517,418</u>	<u>\$ 2,862</u>	<u>\$ 59,347</u>	<u>\$ 27,555</u>	<u>\$ 3,607,182</u>	<u>\$ 1,606,860</u>	<u>\$ 1,911,733</u>	<u>\$ 856,164</u>

**Leases Receivable**

The City leases ground space to various third parties, the terms which expire in various years through 2041. The City recognized approximately \$88,000 in lease revenue and \$5,100 in interest revenue during the current fiscal year related to the lease. As of September 30, 2022, the City’s receivable for lease payments was \$396,417. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of September 30, 2022, the balance of the deferred inflow of resources was \$335,490.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

	Restated Balance October 1, 2021*	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2022
<b>Business-type Activities</b>					
Capital assets not being depreciated					
Land	\$ 488,831	\$ -	\$ -	\$ -	\$ 488,831
Construction in progress	5,830,602	2,248,930	-	(1,095,625)	6,983,907
Total capital assets not being depreciated	6,319,433	2,248,930	-	(1,095,625)	7,472,738
Capital and lease assets being depreciated or amortized					
Building	4,178,596	-	-	-	4,178,596
Improvements other than buildings	121,466,339	136,493	-	1,095,625	122,698,457
Vehicles	1,865,522	-	(52,395)	-	1,813,127
Machinery and equipment	3,819,485	33,159	(51,803)	-	3,800,841
Office equipment	173,109	-	-	-	173,109
Right-to-use leased equipment*	195,708	321,222	-	-	516,930
Right-to-use lease vehicles*	69,702	-	-	-	69,702
Total capital and lease assets being depreciated or amortized	131,768,461	490,874	(104,198)	1,095,625	133,250,762
Less: accumulated depreciation or amortization for					
Building	(1,578,540)	(125,230)	-	-	(1,703,770)
Improvements other than buildings	(43,975,004)	(2,857,492)	-	-	(46,832,496)
Vehicles	(1,332,966)	(225,914)	52,395	-	(1,506,485)
Machinery and equipment	(2,975,972)	(21,599)	32,029	-	(2,965,542)
Office equipment	(131,817)	-	-	-	(131,817)
Lease assets*	-	(75,169)	-	-	(75,169)
Total accumulated depreciation and amortization	(49,994,299)	(3,305,404)	84,424	-	(53,215,279)
Capital and lease assets being depreciated and amortized, net	81,774,162	(2,814,530)	(19,774)	1,095,625	80,035,483
Business-type activities capital and lease assets, net	\$ 88,093,595	\$ (565,600)	\$ (19,774)	\$ -	\$ 87,508,221

\*Amounts have been restated for GASB 87 implementation.

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

General government	\$ 757,895
Public safety	709,440
Public works	3,715,334
Culture and recreation	749,490
Total depreciation and amortization expense – governmental activities	<u>\$ 5,932,159</u>
<b>Business-type Activities</b>	
Water Fund	\$ 3,160,690
Golf course	144,714
Total depreciation and amortization expense – business-type activities	<u>\$ 3,305,404</u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

	Restated Balance October 1, 2021*	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2022
<b>Business-type Activities</b>					
Capital assets not being depreciated					
Land	\$ 488,831	\$ -	\$ -	\$ -	\$ 488,831
Construction in progress	5,830,602	2,248,930	-	(1,095,625)	6,983,907
Total capital assets not being depreciated	6,319,433	2,248,930	-	(1,095,625)	7,472,738
Capital and lease assets being depreciated or amortized					
Building	4,178,596	-	-	-	4,178,596
Improvements other than buildings	121,466,339	136,493	-	1,095,625	122,698,457
Streets	-	-	-	-	-
Vehicles	1,865,522	-	(52,395)	-	1,813,127
Machinery and equipment	3,819,485	33,159	(51,803)	-	3,800,841
Office equipment	173,109	-	-	-	173,109
Right-to-use leased equipment*	195,708	321,222	-	-	516,930
Right-to-use lease vehicles*	69,702	-	-	-	69,702
Total capital and lease assets being depreciated or amortized	131,768,461	490,874	(104,198)	1,095,625	133,250,762
Less: accumulated depreciation or amortization for					
Building	(1,578,540)	(125,230)	-	-	(1,703,770)
Improvements other than buildings	(43,975,004)	(2,852,237)	-	-	(46,827,241)
Streets	-	(5,255)	-	-	(5,255)
Vehicles	(1,332,966)	(225,914)	52,395	-	(1,506,485)
Machinery and equipment	(2,975,972)	(21,599)	32,029	-	(2,965,542)
Office equipment	(131,817)	-	-	-	(131,817)
Lease assets*	-	(75,169)	-	-	(75,169)
Total accumulated depreciation and amortization	(49,994,299)	(3,305,404)	84,424	-	(53,215,279)
Capital and lease assets being depreciated and amortized, net	81,774,162	(2,814,530)	(19,774)	1,095,625	80,035,483
Business-type activities capital and lease assets, net	<u>\$ 88,093,595</u>	<u>\$ (565,600)</u>	<u>\$ (19,774)</u>	<u>\$ -</u>	<u>\$ 87,508,221</u>

\*Amounts have been restated for GASB 87 implementation.

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

General government	\$ 757,895
Public safety	709,440
Public works	3,715,334
Culture and recreation	749,490
Total depreciation and amortization expense – governmental activities	<u>\$ 5,932,159</u>
<b>Business-type Activities</b>	
Water Fund	\$ 3,160,690
Golf course	144,714
Total depreciation and amortization expense – business-type activities	<u>\$ 3,305,404</u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

	Restated Balance October 1, 2021	Additions	Transfers	Retirements	Balance September 30, 2022
<b>EIC</b>					
Land	\$ 1,138,436	\$ -	\$ -	\$ -	\$ 1,138,436
Total capital assets	<u>\$ 1,138,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,138,436</u>
<b>KPUB</b>					
Capital assets, not being depreciated					
Land	\$ 252,885	\$ -	\$ -	\$ -	\$ 252,885
Construction in progress	1,943,177	4,911,127	(5,019,542)	-	1,834,762
Total capital assets not being depreciated	<u>2,196,062</u>	<u>4,911,127</u>	<u>(5,019,542)</u>	<u>-</u>	<u>2,087,647</u>
Capital and lease assets being depreciated or amortized					
Buildings	8,005,745	-	258,696	(227,535)	8,036,906
Distribution system	76,191,102	-	3,458,402	(560,198)	79,089,306
Right to use-equipment	161,380	-	-	-	161,380
Vehicles	3,302,221	-	535,719	(72,495)	3,765,445
Machinery and equipment	2,366,744	-	313,281	(3,260)	2,676,765
Total capital and lease assets being depreciated or amortized	<u>90,027,192</u>	<u>-</u>	<u>4,566,098</u>	<u>(863,488)</u>	<u>93,729,802</u>
Less: accumulated depreciation or amortization for					
Buildings	(5,256,442)	(429,651)	-	227,535	(5,458,558)
Distribution system	(36,887,089)	(3,210,071)	453,444	559,940	(39,083,776)
Right to use - equipment	(9,806)	(16,215)	-	-	(26,021)
Vehicles	(1,297,396)	(272,584)	-	49,696	(1,520,284)
Machinery and equipment	(644,135)	(98,396)	-	3,260	(739,271)
Total accumulated depreciation and amortization	<u>(44,094,868)</u>	<u>(4,026,917)</u>	<u>453,444</u>	<u>840,431</u>	<u>(46,827,910)</u>
Total capital and lease assets being depreciated or amortized, net	<u>45,932,324</u>	<u>(4,026,917)</u>	<u>5,019,542</u>	<u>(23,057)</u>	<u>46,901,892</u>
KPUB capital assets, net	<u>\$ 48,128,386</u>	<u>\$ 884,210</u>	<u>\$ -</u>	<u>\$ (23,057)</u>	<u>\$ 48,989,539</u>

**Construction Commitments**

The City has numerous active construction projects as of September 30, 2022. The projects include street reconstruction and Kerrville sports complex improvements. These improvements are being paid with bond proceeds, Texas Water Development Board grants, and internally generated sources.

	Spent to Date	Remaining Commitments	Total Commitments
<b>Governmental IP Fund</b>			
Lower Lois Street Drainage	\$ 1,679,444	\$ 893,312	\$ 2,572,756
<b>Water Fund</b>			
Guadalupe River Utility Crossing	\$ 848,319	\$ 185,136	\$ 1,033,455

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

**Note 5: Interfund Payables and Transfers**

The composition of interfund balances as of September 30, 2022, is as follows:

<b>Interfund Payable</b>	<b>Interfund Receivable General Fund</b>
Water Fund	\$ 64,976
Nonmajor Enterprise Funds	10,275
Internal Service Funds	<u>6,356</u>
	<u><u>\$ 81,607</u></u>

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

<b>Transfer Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Purpose of Transfer</b>
General	\$ 2,284,011	\$ 1,110,189	Budgetary
Governmental IP	1,110,189	-	Capital Projects
Hotel/Motel	-	60,000	Budgetary
Golf Course	15,000	-	Budgetary
Water	<u>-</u>	<u>2,239,011</u>	Budgetary
	<u><u>\$ 3,409,200</u></u>	<u><u>\$ 3,409,200</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 and the Governmental IP Fund relate to the funding of capital projects. The Water Fund provides transfers to the General Fund for budgeted allocation amounts. The Hotel/Motel Fund transfer relates to funding for tourism events in other funds. The Golf Course Fund receives funding transfers for operational expenses.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

**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.

Late in fiscal year 2022, the City issued \$44,400,000 of the City of Kerrville, Texas (Kerr County, Texas), General Obligation Bonds, Series 2022, for the purpose of designing, acquiring, constructing, purchasing, renovating, improving, upgrading, updating, and equipping a Public Safety Facility, including police, fire, emergency operations, municipal court, and related administrative and information technology services, and the purchase of land, easements, rights-of-way, and other real property. The bond matures over a 30-year period and have interest rates ranging from 4% to 5%.

Debt currently outstanding for the year ended September 30, 2022, was as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
<b>Certificates of Obligations</b>			
Combination Tax and Revenue Certificates of Obligation, Series 2008, 3.33%, maturing in annual installments of \$185,000 to \$225,000 through 2023	\$ -	\$ 225,000	\$ -
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	6,325,000	-	-
Combination Tax and Revenue Certificates of Obligation, Series 2016, 2% to 3.625%, maturing in annual installments of \$370,000 to \$610,000 through 2035	-	6,795,000	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018A, 0.93% to 2.38%, maturing in installments of \$5,000 to \$365,000 through 2050.	-	7,780,000	-
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.	-	4,725,000	-
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	8,850,000	-	-
	<u>\$ 15,175,000</u>	<u>\$ 19,525,000</u>	<u>\$ -</u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
<b>General Obligations</b>			
General Obligation Refunding Bonds, Series 2017, 2.00% to 5.00%, maturing in annual installments of \$190,000 to \$1,755,000 through 2030	\$ 2,845,000	\$ 5,615,000	\$ -
General Obligation Refunding Bonds, Series 2019, 2.00% to 5.00%, maturing in annual installments of \$175,000 to \$245,000 through 2031	1,920,000	-	-
General Obligation Refunding Bonds Series 2020; interest rate of 1.35% to 1.47% maturing in installments of \$655,000 to \$1,155,000 through 2033	1,660,000	7,975,000	-
General Obligation Refunding Bonds Series 2022; interest rate of 4% to 4.31% maturing in installments of \$605,000 to \$1,770,000 through 2052	44,400,000	-	-
	<u>\$ 50,825,000</u>	<u>\$ 13,590,000</u>	<u>\$ -</u>
<b>Revenue Bonds</b>			
City of Kerrville, Texas Electric System Revenue Refunding Bonds, Series 2013, 1.01% to 4.13%; maturing in annual installments of \$375,000 to \$520,000 through 2029	\$ -	\$ -	\$ 3,269,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,269,000</u>
<b>Loan From Direct Borrowing</b>			
City of Kerrville, Texas Tax note Series 2021, 1.3%, Maturing in annual installments of \$190,000 to \$675,000 Maturing 2023	675,000	-	-
	<u>\$ 675,000</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Kerrville Public Utility Board Loan</b>			
Kerrville Public Utility Board Loan, 2.4%, maturing in annual installments of \$1,071,429 beginning 2023 through 2029	\$ -	\$ 7,500,000	\$ -
	<u>\$ -</u>	<u>\$ 7,500,000</u>	<u>\$ -</u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

During the year ended September 30, 2022, the following changes occurred in business-type, governmental activities, and discretely presented component units long-term debt:

	<b>Restated Beginning of Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>End of Year</b>	<b>Within One Year</b>
<b>Governmental Activities</b>					
General obligation bonds	\$ 7,565,000	\$ 44,400,000	\$ 1,140,000	\$ 50,825,000	\$ 730,000
Certificates of obligation	15,915,000	-	740,000	15,175,000	760,000
Loan from Direct Borrowing	865,000	-	190,000	675,000	675,000
Unamortized bond premium	1,497,200	1,046,566	203,708	2,340,058	203,708
Net bonds and notes payable	25,842,200	45,446,566	2,273,708	69,015,058	2,368,708
Compensated absences	1,154,041	760,618	531,395	1,383,264	760,618
Leases	281,276	407,074	154,594	533,756	163,663
Landfill closure and post-closure costs	1,493,398	92,127	-	1,585,525	-
Governmental activity long-term liabilities	<u>\$ 28,770,915</u>	<u>\$ 46,706,385</u>	<u>\$ 2,959,697</u>	<u>\$ 72,517,603</u>	<u>\$ 3,292,989</u>
<b>Business-type Activities</b>					
General obligation bonds	\$ 15,575,000	\$ -	\$ 1,985,000	\$ 13,590,000	\$ 845,000
Certificates of obligation	20,530,000	-	1,005,000	19,525,000	1,025,000
KPUB note	7,500,000	-	-	7,500,000	1,071,429
Unamortized bond premium	2,419,794	-	366,519	2,053,275	162,210
Net bonds and notes payable	46,024,794	-	3,356,519	42,668,275	3,103,639
Compensated absences	217,618	126,578	84,256	259,940	118,143
Leases	265,410	321,222	84,808	501,824	124,658
Business-type activity long-term liabilities	<u>\$ 46,507,822</u>	<u>\$ 447,800</u>	<u>\$ 3,525,583</u>	<u>\$ 43,430,039</u>	<u>\$ 3,346,440</u>
Discrete Component Unit – KPUB					
Revenue refunding bonds	<u>\$ 3,680,000</u>	<u>\$ -</u>	<u>\$ 411,000</u>	<u>\$ 3,269,000</u>	<u>\$ 422,000</u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

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

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

Fiscal Years Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 2,165,000	\$ 2,517,541	\$ 4,682,541
2024	2,180,000	2,607,450	4,787,450
2025	2,265,000	2,521,944	4,786,944
2026	2,355,000	2,428,844	4,783,844
2027	2,335,000	2,328,881	4,663,881
2028-2032	12,070,000	10,078,369	22,148,369
2033-2037	11,005,000	7,569,213	18,574,213
2038-2042	10,040,000	5,443,531	15,483,531
2043-2047	10,005,000	3,560,094	13,565,094
2048-2052	12,255,000	1,305,047	13,560,047
Total	\$ 66,675,000	\$ 40,360,914	\$ 107,035,914

Fiscal Years Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2023	\$ 2,941,429	\$ 1,232,552	\$ 4,173,981
2024	3,116,429	1,144,950	4,261,379
2025	3,191,429	1,050,775	4,242,204
2026	3,266,429	946,290	4,212,719
2027	3,491,429	838,294	4,329,723
2028-2032	13,492,855	2,542,524	16,035,379
2033-2037	4,530,000	1,028,930	5,558,930
2038-2042	2,390,000	656,693	3,046,693
2043-2047	2,675,000	370,169	3,045,169
2048-2050	1,520,000	67,138	1,587,138
Total	\$ 40,615,000	\$ 9,878,315	\$ 50,493,315

Fiscal Years Ending September 30,	KPUB		
	Principal	Interest	Total
2023	\$ 422,000	\$ 109,197	\$ 531,197
2024	434,000	96,584	530,584
2025	448,000	82,531	530,531
2026	464,000	67,041	531,041
2027	481,000	50,000	531,000
2028-2031	1,020,000	42,014	1,062,014
Total	\$ 3,269,000	\$ 447,367	\$ 3,716,367

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

***Loan from Direct Borrowing***

The City has a Series 2021 Tax note with TIB national association for \$865,000. The loan is due in two annual installments of \$190,000 and \$675,000 in 2022 and 2023 respectively, plus interest of 1.3 percent.

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

The City has a promissory note with KPUB for \$7,500,000. The loan matures in 2031 and has an interest rate of 2.4 percent.

***Lease Liability***

The City has agreements as lessee for vehicles and equipment, the terms which expire in various years through 2027.

The following is a schedule by year of payments under the leases as of September 30, 2022:

Year Ending September 30	Primary Government					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 163,663	\$ 25,076	\$ 188,739	\$ 124,658	\$ 25,257	\$ 149,915
2024	156,724	16,738	173,462	131,987	17,927	149,914
2025	176,671	7,755	184,426	119,664	10,235	129,899
2026	26,518	1,403	27,921	75,790	4,659	80,449
2027	10,180	238	10,418	49,725	989	50,714
	<u>\$ 533,756</u>	<u>\$ 51,210</u>	<u>\$ 584,966</u>	<u>\$ 501,824</u>	<u>\$ 59,067</u>	<u>\$ 560,891</u>

**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 percent of the premium for employee coverage and approximately 60 percent 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.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

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 \$1,585,525 as of September 30, 2022, is based on 12.01 percent usage (filled) of the landfill. It is estimated that an additional \$11,122,504 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 \$12,708,029 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, 2022. 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).

***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.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

**Note 8: Employee Retirement Systems and Pension Plans**

***Plan Description***

The City and KPUB, one of its discretely presented component units, participate as two of over 900 plans in the nontraditional, joint contributory, hybrid agent multiple-employer defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title 8, Texas Government Code (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. The plan provisions as adopted by the City and KPUB are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available 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](http://www.TMRS.com).

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

For the year ended September 30, 2022, the City and KPUB reported the following:

	<b>City</b>	<b>KPUB</b>	<b>Entity</b>
Pension asset (liability)	\$ 813,228	\$ 677,020	\$ 1,490,248
Deferred outflows of resources	1,877,695	845,964	2,723,659
Deferred inflows of resources	5,925,353	2,039,965	7,965,318
Pension expense reduction	(24,878)	(117,419)	(142,297)

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

**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.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
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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 percent 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 percent
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, 2021, valuation and measurement date, the following employees were covered by the benefit terms:

	<u><b>City</b></u>	<u><b>KPUB</b></u>
Retirees or beneficiaries currently receiving benefits	268	48
Inactive employees entitled to but not yet receiving benefits	226	32
Active employees	<u>317</u>	<u>53</u>
	<u>811</u>	<u>133</u>

**Contributions**

Employees for the City and KPUB were required to contribute 7 percent of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined. For the fiscal year ended September 30, 2022, contributions of \$2,148,645 and \$559,832, were made by the City and KPUB, respectively, and were equal to the required contributions.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

***Net Pension Liability/(Asset)***

The City's net pension liability/(asset) and KPUB's net pension liability/(asset) at September 30, 2022, were measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date.

***Actuarial Assumptions***

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases 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, 2021, 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, 2022**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return (Arithmetic)</b>
Global equity	35.0%	7.55%
Core fixed income	6.0%	2.00%
Non-core fixed income	20.0%	5.68%
Other public and private markets	12.0%	7.22%
Real estate	12.0%	6.85%
Hedge funds	5.0%	5.35%
Private equity	10.0%	10.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7.00 percent 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, 2022**

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

	Increase (Decrease)		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
<b>Balances as of December 31, 2020</b>	\$ 92,631,429	\$ 87,662,295	\$ 4,969,134
Changes for the year:			
Service cost	2,795,824	-	2,795,824
Interest on total pension liability	6,208,670	-	6,208,670
Effect of difference in expected and actual experience	(97,708)	-	(97,708)
Effect of assumptions changes or inputs	-	-	-
Employer contributions	-	1,991,292	(1,991,292)
Member contributions	-	1,331,345	(1,331,345)
Benefit payments, including refunds of employee contributions	(4,098,101)	(4,098,101)	-
Net investment income	-	11,419,026	(11,419,026)
Administrative expenses	-	(52,877)	52,877
Other	-	362	(362)
<b>Balances as of December 31, 2021</b>	<u>\$ 97,440,114</u>	<u>\$ 98,253,342</u>	<u>\$ (813,228)</u>

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

	Increase (Decrease)		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
<b>Balances as of December 31, 2020</b>	\$ 31,196,894	\$ 30,417,359	\$ 779,535
Changes for the year:			
Service cost	688,378	-	688,378
Interest on total pension liability	2,088,014	-	2,088,014
Effect of difference in expected and actual experience	624,065	-	624,065
Changes of assumptions	-	-	-
Employer contributions	-	602,987	(602,987)
Member contributions	-	306,530	(306,530)
Net investment income	-	3,965,717	(3,965,717)
Benefit payments, including refunds of employee contributions	(1,215,094)	(1,215,094)	-
Administrative expenses	-	(18,347)	18,347
Other	-	125	(125)
<b>Balances as of December 31, 2021</b>	<u>\$ 33,382,257</u>	<u>\$ 34,059,277</u>	<u>\$ (677,020)</u>

# City of Kerrville, Texas

## Notes to Basic Financial Statements

### September 30, 2022

#### 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 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) 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)	\$ 12,612,481	\$ (813,228)	\$ (11,895,912)
KPUB's net pension liability (asset)	\$ 4,019,369	\$ (677,020)	\$ (4,537,415)

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TMRS financial report. That report may be obtained on the internet at [www.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2022, the City and KPUB recognized pension expense reduction of \$24,878 and \$117,419, respectively.

At September 30, 2022, the City and KPUB reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>City</b>		<b>KPUB</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 211,887	\$ 81,345	\$ 451,435	\$ 3,010
Changes of assumptions	75,007	-	-	610
Differences between projected and actual investment earnings	-	5,844,008	-	2,036,345
Contributions subsequent to the measurement date through year-end	1,590,801	-	394,529	-
 Total	 <u>\$ 1,877,695</u>	 <u>\$ 5,925,353</u>	 <u>\$ 845,964</u>	 <u>\$ 2,039,965</u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,590,801 and \$394,529 made by the City and KPUB, respectively, will be recognized as an increase of the net pension asset for the year ending September 30, 2023.

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
2023	\$ (833,293)	\$ (186,891)
2024	(2,447,043)	(688,307)
2025	(1,257,761)	(330,824)
2026	(1,100,362)	(382,508)
Total	<u>\$ (5,638,459)</u>	<u>\$ (1,588,530)</u>

**Note 9: Other Postemployment Benefit Plan**

***Plan Description***

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

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

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

The plan provides a \$7,500 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 GASB No. 75, as the assets of the SDBF can be used to pay active SDBF benefits which are not part of the OPEB plan. The contributions for retiree SDBF coverage are assigned to the OPEB plan under GASB No. 75 and are used to determine the benefit payments shown in the changes in the total OPEB liability.

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

**Contributions**

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

**Employees Covered by Benefit Terms**

At the December 31, 2021, valuation and measurement date, the following employees were covered by the benefit terms:

	<b>City</b>	<b>KPUB</b>
Inactive employees or beneficiaries currently receiving benefits	208	43
Inactive employees entitled to but not yet receiving benefits	60	20
Active employees	<u>317</u>	<u>53</u>
Total employees	<u><u>585</u></u>	<u><u>116</u></u>

**Total OPEB Liability**

The City's total OPEB liability and KPUB's total OPEB liability at September 30, 2022, were measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

**Actuarial Assumptions**

	<b>December 31, 2021</b>
Actuarial Cost Method	Entry-age normal
Discount Rate	1.84% as of December 31, 2021 (2.00% as of December 31, 2020)
Inflation	2.50%
Overall Payroll Growth	3.50% to 11.50%, including inflation
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality Rates – Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates – Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward 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 GASB No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 1.84 percent based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2021. At transition, GASB No. 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index.

**Changes in the City's Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance as of December 31, 2020</b>	\$ 1,609,594
Changes for the year:	
Service cost	72,273
Interest on total OPEB liability	32,591
Effect of differences between expected and actual experience	(45,514)
Effect of assumption changes and inputs	50,300
Benefit payments	(32,333)
<b>Balance as of December 31, 2021</b>	<b>\$ 1,686,911</b>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

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

***Changes in the KPUB's Total OPEB Liability***

	<b>Total OPEB Liability</b>
<b>Balance as of December 31, 2020</b>	\$ 353,400
Changes for the year:	
Service cost	11,385
Interest on total OPEB liability	7,125
Effect of differences between expected and actual experience	5,122
Effect of assumption changes and inputs	11,280
Benefit payments	(5,693)
<b>Balance as of December 31, 2021</b>	<b>\$ 382,619</b>

***Sensitivity Analysis***

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 1.84 percent, as well as what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.84 percent) or 1 percentage point higher (2.84 percent) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	<b>1% Decrease in Discount Rate (0.84%)</b>	<b>Current Discount Rate (1.84%)</b>	<b>1% Increase in Discount Rate (2.84%)</b>
City's total OPEB liability	\$ 2,051,838	\$ 1,686,911	\$ 1,402,939
KPUB's total OPEB liability	\$ 465,096	\$ 382,619	\$ 318,633

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

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

For the year ended September 30, 2022, the City and KPUB recognized OPEB expense of \$170,545 and \$43,139, respectively.

At September 30, 2022, the City and KPUB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>City</b>		<b>KPUB</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,317	\$ 92,660	\$ 4,114	\$ 1,909
Changes of assumptions	275,046	21,470	46,936	2,270
Contributions subsequent to the measurement date through year-end	39,808	-	4,757	-
Total	<u>\$ 320,171</u>	<u>\$ 114,130</u>	<u>\$ 55,807</u>	<u>\$ 4,179</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, 2023.

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

<b>Year Ended</b>	<b>City</b>	<b>KPUB</b>
2023	\$ 57,906	\$ 23,418
2024	55,057	18,481
2025	44,888	4,654
2026	8,206	318
2027	176	-
Total	<u>\$ 166,233</u>	<u>\$ 46,871</u>

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

**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 percent interest in net position, which amounted to \$8,695,111 as of September 30, 2022.

**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, 2022**

***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, 2022:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Investments by Fair Value Level</b>				
U.S. agency securities	\$ 8,535,447	\$ -	\$ 8,535,447	\$ -
Municipal bonds	473,393	-	473,393	-
Equity securities	879,123	879,123	-	-
Commercial paper	11,878,797	-	11,878,797	-
Total investments by fair value level	<u>21,766,760</u>	<u>\$ 879,123</u>	<u>\$ 20,887,637</u>	<u>\$ -</u>
<b>Investments Measured at Net Asset Value</b>				
Money market investments	5,870,993			
LOGIC	3,897,930			
Texas CLASS	<u>49,594,918</u>			
Total investments measured at net asset value	59,363,841			
<b>Investments Measured at Amortized Cost</b>				
TexPool Prime	7,228,896			
TexPool Prime (EIC)	3,605,113			
TexPool Prime - Library	133,650			
Certificate of deposits	<u>1,230,000</u>			
	<u>12,197,659</u>			
Total investments	<u>\$ 93,328,260</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.

**City of Kerrville, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2022**

***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, 2022, no investments were classified within Level 3 of the fair value hierarchy.



## **Required Supplementary Information**



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# City of Kerrville, Texas

## Required Supplementary Information

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

Exhibit B-1

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

#### Other Information:

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

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

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

**Exhibit B-2**

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

**Notes to Schedule:**

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31<sup>st</sup> each year and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 12 percent soft corridor
Inflation	2.5 percent
Salary Increases	3.50 percent to 11.5 percent including inflation
Investment Rate of Return	6.75 percent
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 the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 68, only periods for which such information is available are presented.

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

Exhibit B-3

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

**Notes to Schedule:**

Changes of benefit terms: None

Changes of assumptions:

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

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

**Other Information:**

The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods for which such information is available are presented. No assets are maintained in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

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

**Exhibit B-4**

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

**Other Information:**

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

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

**City of Kerrville, Texas**  
**Required Supplementary Information**  
**Schedule of Contributions – KPUB**  
**Texas Municipal Retirement System**  
**Last Eight Fiscal Years (Unaudited)**

**Exhibit B-5**

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

**Notes to Schedule:**

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 12 percent soft corridor
Inflation	2.5 percent
Salary Increases	3.50 percent to 11.5 percent including inflation
Investment Rate of Return	6.75 percent
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

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

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

Exhibit B-6

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

**Notes to Schedule:**

Changes of benefit terms: None

Changes of assumptions:

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

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

**Other Information:**

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



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**City of Kerrville, Texas**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget and Actual (General Fund)**  
**Year Ended September 30, 2022**

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes, penalties, and interest	\$ 21,294,369	\$ 22,019,369	\$ 22,745,093	\$ 725,724
Intergovernmental	1,489,052	1,489,052	1,475,812	(13,240)
Licenses and permits	928,468	928,468	906,548	(21,920)
Charges for services	3,997,854	4,636,512	5,306,774	670,262
Fines and forfeitures	476,550	476,550	398,163	(78,387)
Grants	29,500	29,500	51,975	22,475
Investment income/(loss)	224,961	371,303	(98,615)	(469,918)
Miscellaneous	656,975	656,975	461,742	(195,233)
Lease interest revenue	-	-	5,142	5,142
Total revenues	29,097,729	30,607,729	31,252,634	644,905
Expenditures				
General government				
City council	20,818	26,202	25,871	331
City secretary	243,140	230,346	229,840	506
City attorney	396,527	421,162	419,435	1,727
Municipal court	413,739	386,697	377,229	9,468
City administration	656,851	815,607	810,454	5,153
Human resources	457,944	379,699	379,340	359
Finance	815,349	817,258	807,702	9,556
Information technology	1,302,174	1,292,610	1,251,125	41,485
General operations	1,701,960	1,647,675	1,486,636	161,039
Total general government	6,008,502	6,017,256	5,787,632	229,624
Public safety				
Police	6,696,996	7,282,344	7,127,562	154,782
Fire	5,311,679	6,016,442	6,010,301	6,141
Emergency management and training	223,942	200,266	164,498	35,768
Fire prevention	283,410	286,151	284,348	1,803
Emergency medical services	2,740,895	2,898,841	2,886,458	12,383
Total public safety	15,256,922	16,684,044	16,473,167	210,877
Public works				
Planning	296,573	303,656	302,621	1,035
Building services	539,656	553,556	533,423	20,133
Engineering	610,203	656,219	656,215	4
Streets	4,000,179	4,027,866	1,985,416	2,042,450
Solid waste	74,034	75,098	72,677	2,421
Code compliance	200,639	203,856	196,573	7,283
Total public works	\$ 5,721,284	\$ 5,820,251	\$ 3,746,925	\$ 2,073,326

Exhibit B-7

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Culture and Recreation</b>				
Kerrville-Schreiner Park	\$ 532,061	\$ 556,543	\$ 551,680	\$ 4,863
Tennis center	17,600	16,725	12,978	3,747
Aquatics	181,180	205,852	194,843	11,009
Parks maintenance	1,524,810	1,525,303	1,489,843	35,460
Recreation	206,608	216,159	210,879	5,280
Library	700,546	723,166	677,293	45,873
Sports complex	622,227	618,288	570,666	47,622
Total culture and recreation	3,785,032	3,862,036	3,708,182	153,854
<b>Other</b>				
Capital outlay	-	-	2,031,043	(2,031,043)
Leases	-	-	407,073	(407,073)
Debt Service - Principal	-	-	162,638	(162,638)
Total other	-	-	2,600,754	(2,600,754)
Total expenditures	30,771,740	32,383,587	32,316,660	66,927
Excess (deficiency) of revenues over expenditures	(1,674,011)	(1,775,858)	(1,064,026)	711,832
<b>Other Financing Sources (Uses)</b>				
Issuance of leases	-	-	407,073	407,073
Transfers in	2,424,011	2,424,011	2,284,011	(140,000)
Transfers out	(750,000)	(2,204,114)	(1,110,189)	1,093,925
Total other financing sources	1,674,011	219,897	1,580,895	1,360,998
<b>Net Changes in Fund Balance</b>	-	(1,555,961)	516,869	2,072,830
<b>Fund Balance, Beginning of Year</b>	18,142,730	18,142,730	18,142,730	-
<b>Fund Balance, End of Year</b>	\$ 18,142,730	\$ 16,586,769	\$ 18,659,599	\$ 2,072,830

**City of Kerrville, Texas**  
**Grant Fund**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2022**

Exhibit B-8

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 1,870,829	\$ 1,870,829
<b>Expenditures</b>				
Public safety	-	-	1,870,364	(1,870,364)
<b>Net Change in Fund Balance</b>	-	-	465	465
<b>Fund Balance, Beginning of Year</b>	6,336	6,336	6,336	-
<b>Fund Balance, End of Year</b>	<u>\$ 6,336</u>	<u>\$ 6,336</u>	<u>\$ 6,801</u>	<u>\$ 465</u>

**City of Kerrville, Texas**  
**Notes to Required Supplementary Information**  
**September 30, 2022**

***Budgetary Information***

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

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

A public hearing is conducted to obtain taxpayers' comments.

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

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

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

Budgets have been adopted for all City funds, except for the Governmental IP Fund, but includes the Economic Improvement Corporation Component Unit fund.

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

Appropriations for annually budgeted funds lapse at year-end.



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## **Supplementary Information**

**City of Kerrville, Texas**  
**Combining Balance Sheet – Nonmajor Governmental Funds**  
**September 30, 2022**

	<b>Special Revenue Funds</b>		
	<b>Library Memorial</b>	<b>Hotel/Motel Tax</b>	<b>History Center</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,212,921	\$ 1,556,980	\$ 224,872
Investments	737,640	518,994	-
Due from other governments	164	-	-
Taxes receivable	-	2,891	-
	<u>2,950,725</u>	<u>2,078,865</u>	<u>224,872</u>
Total assets	<u>2,950,725</u>	<u>2,078,865</u>	<u>224,872</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	<u>68,734</u>	<u>26,226</u>	<u>317</u>
Total liabilities	<u>68,734</u>	<u>26,226</u>	<u>317</u>
<b>Fund Balances</b>			
Restricted	2,881,991	2,052,639	-
Committed	<u>-</u>	<u>-</u>	<u>224,555</u>
Total fund balances	<u>2,881,991</u>	<u>2,052,639</u>	<u>224,555</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,950,725</u>	<u>\$ 2,078,865</u>	<u>\$ 224,872</u>

Exhibit C-1

Special Revenue Funds				Capital Projects Fund	Total Nonmajor Funds
Police	PEG	Municipal Court	TIRZ	Parkland Dedication	
\$ 109,335	\$ 48,284	\$ 64,486	\$ 110,256	\$ 64,065	\$ 4,391,199
36,445	16,095	21,495	-	21,355	1,352,024
-	-	9,500	-	-	9,664
-	15,000	-	-	-	17,891
145,780	79,379	95,481	110,256	85,420	5,770,778
6,671	-	173	-	-	102,121
6,671	-	173	-	-	102,121
139,109	79,379	95,308	110,256	-	5,358,682
-	-	-	-	85,420	309,975
139,109	79,379	95,308	110,256	85,420	5,668,657
\$ 145,780	\$ 79,379	\$ 95,481	\$ 110,256	\$ 85,420	\$ 5,770,778

**City of Kerrville, Texas**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Nonmajor Governmental Funds**  
**Year Ended September 30, 2022**

	<b>Special Revenue Funds</b>		
	<b>Library Memorial</b>	<b>Hotel/Motel Tax</b>	<b>History Center</b>
<b>Revenues</b>			
Taxes and penalties	\$ -	\$ 1,760,465	\$ -
License and permits	-	-	-
Charges for services	-	-	17
Fines and forfeitures	-	-	-
Intergovernmental	440,565	-	-
Investment income	23,001	13,637	1,572
Miscellaneous	7,048	-	18,681
	<u>470,614</u>	<u>1,774,102</u>	<u>20,270</u>
Total revenues			
<b>Expenditures</b>			
Current			
Culture and recreation	87,597	1,372,399	12,031
Public safety	-	-	-
General government	-	-	-
Capital outlay	1,203,044	-	9,980
	<u>1,290,641</u>	<u>1,372,399</u>	<u>22,011</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(820,027)</u>	<u>401,703</u>	<u>(1,741)</u>
<b>Other Financing Uses</b>			
Transfers out	<u>-</u>	<u>(60,000)</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>(60,000)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(820,027)</u>	<u>341,703</u>	<u>(1,741)</u>
<b>Fund Balances, Beginning of Year</b>	<u>3,702,018</u>	<u>1,710,936</u>	<u>226,296</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,881,991</u>	<u>\$ 2,052,639</u>	<u>\$ 224,555</u>

Exhibit C-2

Special Revenue Funds				Capital Projects Fund	Total Nonmajor Funds
Police	PEG	Municipal Court	TIRZ	Parkland Dedication	
\$ -	\$ 60,568	\$ -	\$ 51,112	\$ -	\$ 1,872,145
-	-	-	-	33,475	33,475
-	-	-	-	-	17
1,779	-	83,877	-	-	85,656
58,898	-	-	-	-	499,463
1,156	405	759	539	653	41,722
-	-	-	-	-	25,729
<u>61,833</u>	<u>60,973</u>	<u>84,636</u>	<u>51,651</u>	<u>34,128</u>	<u>2,558,207</u>
-	-	-	-	-	1,472,027
15,914	-	88,855	-	-	104,769
-	55,385	-	-	-	55,385
<u>34,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,425</u>	<u>1,324,785</u>
<u>50,250</u>	<u>55,385</u>	<u>88,855</u>	<u>-</u>	<u>77,425</u>	<u>2,956,966</u>
<u>11,583</u>	<u>5,588</u>	<u>(4,219)</u>	<u>51,651</u>	<u>(43,297)</u>	<u>(398,759)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,000)</u>
11,583	5,588	(4,219)	51,651	(43,297)	(458,759)
<u>127,526</u>	<u>73,791</u>	<u>99,527</u>	<u>58,605</u>	<u>128,717</u>	<u>6,127,416</u>
<u>\$ 139,109</u>	<u>\$ 79,379</u>	<u>\$ 95,308</u>	<u>\$ 110,256</u>	<u>\$ 85,420</u>	<u>\$ 5,668,657</u>

**City of Kerrville, Texas**  
**Library Memorial**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2022**

Exhibit C-3

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 44,000	\$ 44,000	\$ 440,565	\$ 396,565
Investment income	9,000	9,000	23,001	14,001
Miscellaneous	600	600	7,048	6,448
	<u>53,600</u>	<u>53,600</u>	<u>470,614</u>	<u>417,014</u>
<b>Expenditures</b>				
Culture and recreation	38,500	38,500	87,597	(49,097)
Capital outlay	561,680	561,680	1,203,044	(641,364)
	<u>600,180</u>	<u>600,180</u>	<u>1,290,641</u>	<u>(690,461)</u>
<b>Net Change in Fund Balance</b>	(546,580)	(546,580)	(820,027)	(273,447)
<b>Fund Balance, Beginning of Year</b>	<u>3,702,018</u>	<u>3,702,018</u>	<u>3,702,018</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 3,155,438</u>	<u>\$ 3,155,438</u>	<u>\$ 2,881,991</u>	<u>\$ (273,447)</u>

**City of Kerrville, Texas**  
**Hotel/Motel Tax**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2022**

Exhibit C-4

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes and penalties	\$ 1,550,258	\$ 1,550,258	\$ 1,760,465	\$ 210,207
Investment income	<u>5,000</u>	<u>5,000</u>	<u>13,637</u>	<u>8,637</u>
Total revenues	<u>1,555,258</u>	<u>1,555,258</u>	<u>1,774,102</u>	<u>218,844</u>
<b>Expenditures</b>				
Culture and recreation	<u>1,495,258</u>	<u>1,495,258</u>	<u>1,372,399</u>	<u>122,859</u>
Total expenditures	<u>1,495,258</u>	<u>1,495,258</u>	<u>1,372,399</u>	<u>122,859</u>
<b>Excess of revenues over expenditures</b>	<u>60,000</u>	<u>60,000</u>	<u>401,703</u>	<u>341,703</u>
<b>Other Financing Uses</b>				
Transfer to other funds	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	-	-	341,703	341,703
<b>Fund Balance, Beginning of Year</b>	<u>1,710,936</u>	<u>1,710,936</u>	<u>1,710,936</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,710,936</u>	<u>\$ 1,710,936</u>	<u>\$ 2,052,639</u>	<u>\$ 341,703</u>

**City of Kerrville, Texas**  
**History Center**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2022**

Exhibit C-5

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for services	\$ 75	\$ 75	\$ 17	\$ (58)
Investment income	875	875	1,572	697
Miscellaneous	<u>13,200</u>	<u>13,200</u>	<u>18,681</u>	<u>5,481</u>
Total revenues	<u>14,150</u>	<u>14,150</u>	<u>20,270</u>	<u>6,120</u>
<b>Expenditures</b>				
Cultural and recreation	19,564	19,564	12,031	7,533
Capital outlay	<u>1,500</u>	<u>1,500</u>	<u>9,980</u>	<u>(8,480)</u>
Total expenditures	<u>21,064</u>	<u>21,064</u>	<u>22,011</u>	<u>(947)</u>
<b>Net Change in Fund Balance</b>	(6,914)	(6,914)	(1,741)	5,173
<b>Fund Balance, Beginning of Year</b>	<u>226,296</u>	<u>226,296</u>	<u>226,296</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 219,382</u>	<u>\$ 219,382</u>	<u>\$ 224,555</u>	<u>\$ 5,173</u>

**City of Kerrville, Texas**  
**Police Fund**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2022**

Exhibit C-6

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 19,500	\$ 19,500	\$ 1,779	\$ (17,721)
Intergovernmental	5,200	5,200	58,898	53,698
Investment income	375	375	1,156	781
Miscellaneous	-	-	-	-
Total revenues	25,075	25,075	61,833	36,758
<b>Expenditures</b>				
Capital outlay			34,336	(34,336)
Public safety	35,300	35,300	15,914	19,386
Total expenditures	35,300	35,300	50,250	(14,950)
<b>Net Change in Fund Balance</b>	(10,225)	(10,225)	11,583	21,808
<b>Fund Balance, Beginning of Year</b>	127,526	127,526	127,526	-
<b>Fund Balance, End of Year</b>	\$ 117,301	\$ 117,301	\$ 139,109	\$ 21,808

**City of Kerrville, Texas**  
**PEG Fund**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2022**

Exhibit C-7

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes and penalties	\$ 60,000	\$ 60,000	\$ 60,568	\$ 568
Investment income	250	250	405	155
Total revenues	60,250	60,250	60,973	723
<b>Expenditures</b>				
General government	56,000	56,000	55,385	615
Total expenditures	56,000	56,000	55,385	615
<b>Net Change in Fund Balance</b>	4,250	4,250	5,588	1,338
<b>Fund Balance, Beginning of Year</b>	73,791	73,791	73,791	-
<b>Fund Balance, End of Year</b>	<u>\$ 78,041</u>	<u>\$ 78,041</u>	<u>\$ 79,379</u>	<u>\$ 1,338</u>

**City of Kerrville, Texas**  
**Municipal Court**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2022**

Exhibit C-8

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Fines and forfeitures	\$ 60,000	\$ 60,000	\$ 83,877	\$ 23,877
Investment income	375	375	759	384
Total revenues	60,375	60,375	84,636	24,261
<b>Expenditures</b>				
Public Safety	72,722	72,722	88,855	(16,133)
Total expenditures	72,722	72,722	88,855	(16,133)
<b>Net Change in Fund Balance</b>	(12,347)	(12,347)	(4,219)	8,128
<b>Fund Balance, Beginning of Year</b>	99,527	99,527	99,527	-
<b>Fund Balance, End of Year</b>	\$ 87,180	\$ 87,180	\$ 95,308	\$ 8,128

**City of Kerrville, Texas**  
**TIRZ Fund**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2022**

Exhibit C-9

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes and penalties	\$ 62,641	\$ 62,641	\$ 51,112	\$ (11,529)
Investment income	250	250	539	289
Total revenues	62,891	62,891	51,651	(11,240)
<b>Net Change in Fund Balance</b>	62,891	62,891	51,651	(11,240)
<b>Fund Balance, Beginning of Year</b>	58,605	58,605	58,605	-
<b>Fund Balance, End of Year</b>	<u>\$ 121,496</u>	<u>\$ 121,496</u>	<u>\$ 110,256</u>	<u>\$ (11,240)</u>

**City of Kerrville, Texas**  
**Parkland Dedication**  
**Capital Projects Fund**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2022**

Exhibit C-10

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
License and permits	\$ 22,000	\$ 22,000	\$ 33,475	\$ 11,475
Investment income	300	300	653	353
Total revenues	22,300	22,300	34,128	11,828
<b>Expenditures</b>				
Capital outlay	75,000	75,000	77,425	(2,425)
Total expenditures	75,000	75,000	77,425	(2,425)
<b>Net Change in Fund Balance</b>	(52,700)	(52,700)	(43,297)	9,403
<b>Fund Balance, Beginning of Year</b>	128,717	128,717	128,717	-
<b>Fund Balance, End of Year</b>	\$ 76,017	\$ 76,017	\$ 85,420	\$ 9,403

**City of Kerrville, Texas**  
**Debt Service**  
**Budgetary Comparison Schedule**  
**Year Ended September 30, 2022**

Exhibit C-11

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes and penalties	\$ 1,802,378	\$ 1,802,378	\$ 1,822,758	\$ 20,380
Intergovernmental	1,089,369	1,089,369	1,089,369	-
Investment income	6,000	6,000	12,791	6,791
Total revenues	<u>2,897,747</u>	<u>2,897,747</u>	<u>2,924,918</u>	<u>27,171</u>
<b>Expenditures</b>				
Debt service				
Professional services	1,613	1,613	-	1,613
Principal	2,020,000	2,020,000	2,069,796	(49,796)
Interest	885,094	885,094	804,508	80,586
Total expenditures	<u>2,906,707</u>	<u>2,906,707</u>	<u>2,874,304</u>	<u>32,403</u>
<b>Net Change in Fund Balance</b>	(8,960)	(8,960)	50,614	59,574
<b>Fund Balance, Beginning of Year</b>	<u>1,267,808</u>	<u>1,267,808</u>	<u>1,267,808</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,258,848</u>	<u>\$ 1,258,848</u>	<u>\$ 1,318,422</u>	<u>\$ 59,574</u>

**City of Kerrville, Texas**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**September 30, 2022**

Exhibit C-12

	Garage	Employee Benefit Fund	Total Internal Service Funds
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 70,700	\$ 250,104	\$ 320,804
Investments	23,567	83,368	106,935
Receivables	-	5,085	5,085
Inventories	17,212	-	17,212
Total current assets	<u>111,479</u>	<u>338,557</u>	<u>450,036</u>
<b>Capital Assets</b>			
Buildings	159,000	-	159,000
Vehicles	18,056	-	18,056
Machinery and equipment	56,664	-	56,664
Accumulated depreciation	(222,056)	-	(222,056)
Net capital assets	<u>11,664</u>	<u>-</u>	<u>11,664</u>
<b>Other Noncurrent Assets</b>			
Net Pension Asset	<u>8,136</u>	<u>-</u>	<u>8,136</u>
Total assets	<u>131,279</u>	<u>338,557</u>	<u>469,836</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows – pension	19,504	-	19,504
Deferred outflows – OPEB	<u>3,449</u>	<u>-</u>	<u>3,449</u>
Total deferred outflows of resources	<u>22,953</u>	<u>-</u>	<u>22,953</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	11,493	5,000	16,493
Due to other funds	<u>6,356</u>	<u>-</u>	<u>6,356</u>
Total current liabilities	<u>17,849</u>	<u>5,000</u>	<u>22,849</u>
<b>Noncurrent Liabilities</b>			
Compensated absences	10,165	-	10,165
Total OPEB liability	<u>16,868</u>	<u>-</u>	<u>16,868</u>
Total noncurrent liabilities	<u>27,033</u>	<u>-</u>	<u>27,033</u>
Total liabilities	<u>44,882</u>	<u>5,000</u>	<u>49,882</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows – pensions	59,971	-	59,971
Deferred inflows – OPEB	<u>1,372</u>	<u>-</u>	<u>1,372</u>
Total deferred outflows of resources	<u>61,343</u>	<u>-</u>	<u>61,343</u>
<b>Net Position</b>			
Net investment in capital assets	11,664	-	11,664
Unrestricted	<u>36,343</u>	<u>333,557</u>	<u>369,900</u>
Total net position	<u>\$ 48,007</u>	<u>\$ 333,557</u>	<u>\$ 381,564</u>

**City of Kerrville, Texas**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**Internal Service Funds**  
**Year Ended September 30, 2022**

Exhibit C-13

	<b>Garage</b>	<b>Employee Benefit Fund</b>	<b>Total Internal Service</b>
<b>Revenues</b>			
Charges for services	\$ 418,469	\$ 3,717,021	\$ 4,135,490
Total revenues	<u>418,469</u>	<u>3,717,021</u>	<u>4,135,490</u>
<b>Operating Expenses</b>			
Personnel services	334,421	-	334,421
Repairs and maintenance	12,177	-	12,177
Supplies and materials	15,368	-	15,368
Utilities	6,107	-	6,107
Depreciation	2,290	-	2,290
Services	9,944	-	9,944
Premiums and other charges	-	3,733,554	3,733,554
Total operating expenses	<u>380,307</u>	<u>3,733,554</u>	<u>4,113,861</u>
<b>Change in Net Position</b>	38,162	(16,533)	21,629
<b>Net Position, Beginning of Year</b>	<u>9,845</u>	<u>350,090</u>	<u>359,935</u>
<b>Net Position, End of Year</b>	<u><u>\$ 48,007</u></u>	<u><u>\$ 333,557</u></u>	<u><u>\$ 381,564</u></u>

**City of Kerrville, Texas**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended September 30, 2022**

Exhibit C-14

	Garage	Employee Benefit Trust	Total Internal Service Funds
<b>Operating Activities</b>			
Cash received from customers and employees	\$ 418,469	\$ 3,716,207	\$ 4,134,676
Cash payments to employees	(361,504)	-	(361,504)
Cash payments to suppliers for goods and services	(35,454)	(3,731,235)	(3,766,689)
Net cash provided by (used in) operating activities	21,511	(15,028)	6,483
<b>Investing Activities</b>			
Sales of investments	-	37,387	37,387
Investment income	1,643	-	1,643
Net cash provided by investing activities	1,643	37,387	39,030
<b>Net Increase in Cash and Cash Equivalents</b>	23,154	22,359	45,513
<b>Cash and Cash Equivalents, Beginning of Year</b>	47,546	227,745	275,291
<b>Cash and Cash Equivalents, End of Year</b>	\$ 70,700	\$ 250,104	\$ 320,804
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in)</b>			
<b>Operating Activities</b>			
Operating income (loss)	\$ 38,162	\$ (16,533)	\$ 21,629
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	2,290	-	2,290
Changes in assets and deferred outflows			
(Increase) decrease in inventories	190	-	190
(Increase) decrease in receivables	-	(814)	(814)
(Increase) decrease in deferred pension outflows	2,704	-	2,704
(Increase) decrease in deferred OPEB outflows	282	-	282
Changes in liabilities and deferred inflows			
Increase (decrease) in accounts payable	1,596	2,319	3,915
Increase (decrease) in compensated absences	(6,685)	-	(6,685)
Increase (decrease) in net pension liability/(asset)	(57,823)	-	(57,823)
Increase (decrease) in total OPEB liability	773	-	773
Increase (decrease) in deferred pension inflows	33,381	-	33,381
Increase (decrease) in deferred OPEB inflows	285	-	285
Increase (decrease) in due to other funds	6,356	-	6,356
Total adjustments	(16,651)	1,505	(15,146)
Net cash provided by (used in) operating activities	\$ 21,511	\$ (15,028)	\$ 6,483

**City of Kerrville, Texas**  
**Balance Sheet**  
**Economic Improvement Corporation**  
**September 30, 2022**

Exhibit C-15

**Assets**

Cash and cash equivalents	\$ 5,575,083
Other receivables	9,908
Due from other governments	<u>846,256</u>
Total assets	<u><u>\$ 6,431,247</u></u>

**Fund Balances**

Restricted	<u>\$ 6,431,247</u>
Total fund balance	<u>6,431,247</u>
Total liabilities and fund balance	<u><u>\$ 6,431,247</u></u>

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

Total fund balances – EIC balance sheet	\$ 6,431,247
---	--------------

**Amounts Reported for Governmental Activities in the Discretely Presented  
Component Unit Statement of Net Position are Different Because**

Capital assets used in governmental activities are not reported in the funds	<u>1,138,436</u>
EIC net position	<u><u>\$ 7,569,683</u></u>

**City of Kerrville, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Economic Improvement Corporation**  
**Year Ended September 30, 2022**

Exhibit C-16

**Revenues**

Sales and other taxes	\$ 4,864,636
Investment income	<u>39,761</u>
Total revenues	<u>4,904,397</u>

**Expenditures**

General government	<u>1,997,798</u>
Total expenditures	<u>1,997,798</u>

**Net Change in Fund Balance** 2,906,599

**Fund Balance, Beginning of Year** 3,524,648

**Fund Balance, End of Year** \$ 6,431,247

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

**Unit Statement of Activities**

EIC change in fund balance \$ 2,906,599

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

EIC change in net position \$ 2,906,599



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**Statistical Section**



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## Statistical Section

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

### Table of Contents

	<u>Page</u>
<b>Financial Trends.....</b>	<b>104</b>
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
<b>Revenue Capacity .....</b>	<b>113</b>
These schedules contain trend information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.	
<b>Debt Capacity .....</b>	<b>120</b>
These schedules contain trend information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
<b>Demographic and Economic Information .....</b>	<b>126</b>
The schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time with other governments.	
<b>Operating Information.....</b>	<b>131</b>
The schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.	

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



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

**Table D-1**

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 61,342	\$ 60,765	\$ 61,339	\$ 64,579	\$ 69,695	\$ 71,382	\$ 67,741	\$ 67,070	\$ 66,025	\$ 68,392
Restricted	1,434	1,386	1,324	1,165	1,139	1,144	1,243	1,176	1,268	7,463
Unrestricted	<u>15,684</u>	<u>18,595</u>	<u>22,953</u>	<u>25,343</u>	<u>27,133</u>	<u>24,490</u>	<u>23,353</u>	<u>27,258</u>	<u>29,892</u>	<u>25,146</u>
Total governmental activities net position	<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>	<u>\$ 97,185</u>	<u>\$ 101,001</u>
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 38,699	\$ 37,157	\$ 39,106	\$ 41,630	\$ 37,218	\$ 45,057	\$ 45,521	\$ 46,866	\$ 49,035	\$ 49,413
Restricted	4,105	3,789	3,451	1,675	1,805	1,805	1,744	1,781	1,781	1,781
Unrestricted	<u>5,064</u>	<u>8,143</u>	<u>7,773</u>	<u>6,619</u>	<u>11,349</u>	<u>5,550</u>	<u>2,718</u>	<u>2,736</u>	<u>2,371</u>	<u>4,465</u>
Total business-type activities net position	<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>	<u>\$ 53,187</u>	<u>\$ 55,659</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 100,041	\$ 97,922	\$ 100,445	\$ 106,209	\$ 106,913	\$ 116,439	\$ 113,262	\$ 113,936	\$ 115,060	\$ 117,805
Restricted	5,539	5,175	4,775	2,840	2,944	2,949	2,987	2,957	3,049	9,244
Unrestricted	<u>20,748</u>	<u>26,738</u>	<u>30,726</u>	<u>31,962</u>	<u>38,482</u>	<u>30,040</u>	<u>26,071</u>	<u>29,994</u>	<u>32,263</u>	<u>29,611</u>
Total primary government net position	<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>	<u>\$ 150,372</u>	<u>\$ 156,660</u>

**Note:** 2013 net position has been adjusted due to implementation of GASB Statement No. 65.  
2015 net position has been adjusted due to implementation of GASB Statement No. 68.  
2018 net position has been adjusted due to implementation of GASB Statement No. 75.

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

	Fiscal Year			
	2013	2014	2015	2016
<b>Expenses</b>				
<b>Governmental Activities</b>				
General government	\$ 4,667	\$ 5,159	\$ 6,272	\$ 6,107
Public safety	11,631	12,365	13,169	12,933
Culture and recreation	3,371	3,066	3,405	3,701
Public works	3,327	3,159	3,490	3,404
Interest on long-term debt	566	564	519	818
Total governmental activities expenses	23,562	24,313	26,855	26,963
<b>Business-type Activities</b>				
Water and sewer services	8,442	8,984	8,241	9,753
Golf course	934	908	863	926
Total business-type activities expenses	9,376	9,892	9,104	10,679
Total primary government expenses	\$ 32,938	\$ 34,205	\$ 35,959	\$ 37,642
<b>Program Revenues</b>				
<b>Governmental Activities</b>				
Charges for services				
General government	\$ 1,054	\$ 100	\$ 24	\$ 1
Public safety	2,442	3,391	4,340	3,672
Cultural and recreation	410	425	465	520
Public works	359	519	1,169	1,241
Operating grants and contributions	719	72	141	759
Capital grants and contributions	2,000	971	772	2,626
Total governmental activities program revenues	6,984	5,478	6,911	8,819
<b>Business-type Activities</b>				
Charges for services				
Water and sewer services	11,072	11,080	11,118	11,329
Golf course	877	884	784	743
Operating grants and contributions	-	-	-	-
Capital grants and contributions	508	10	-	19
Total business-type activities program revenues	12,457	11,974	11,902	12,091
Total primary government program revenues	\$ 19,441	\$ 17,452	\$ 18,813	\$ 20,910
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (16,578)	\$ (18,835)	\$ (19,944)	\$ (18,144)
Business-type activities	3,081	2,082	2,798	1,412
Total primary government net expense	\$ (13,497)	\$ (16,753)	\$ (17,146)	\$ (16,732)

Table D-2

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 5,805	\$ 6,988	\$ 7,901	\$ 7,855	\$ 6,139	\$ 5,324
14,240	14,243	14,984	14,996	15,874	17,317
4,543	5,112	5,242	5,743	5,735	8,894
4,002	5,617	11,661	7,120	8,380	4,601
722	606	633	738	543	1,068
29,312	32,566	40,421	36,452	36,671	37,204
8,997	9,579	13,402	10,514	9,679	10,378
1,090	1,046	1,108	1,045	959	1,090
10,087	10,625	14,510	11,559	10,638	11,468
\$ 39,399	\$ 43,191	\$ 54,931	\$ 48,011	\$ 47,309	\$ 48,672
\$ 1	\$ 1	\$ 1	\$ 207	\$ 1,817	\$ 295
4,353	4,233	4,214	4,125	3,029	3,624
599	613	650	678	867	2,044
1,537	1,528	1,818	2,002	-	819
348	273	863	2,627	4,088	3,242
2,595	1,314	3,463	4,527	1,407	-
9,433	7,962	11,009	14,166	11,208	10,024
11,885	11,885	11,798	12,997	13,298	14,131
864	855	838	862	1,042	1,073
-	-	-	-	-	-
1,500	1,500	1,000	1,000	-	813
14,249	14,240	13,636	14,859	14,340	16,017
\$ 23,682	\$ 22,202	\$ 24,645	\$ 29,025	\$ 25,548	\$ 26,041
\$ (19,879)	\$ (24,604)	\$ (29,412)	\$ (22,286)	\$ (25,463)	\$ (27,180)
4,162	3,615	(874)	3,300	3,702	4,549
\$ (15,717)	\$ (20,989)	\$ (30,286)	\$ (18,986)	\$ (21,761)	\$ (22,631)

**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			
	2013	2014	2015	2016
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (16,578)	\$ (18,835)	\$ (19,944)	\$ (18,144)
Business-type activities	3,081	2,082	2,798	1,412
Total primary government net expense	(13,497)	(16,753)	(17,146)	(16,732)
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities				
Taxes				
Property taxes levied for general purposes	8,439	8,427	8,459	8,765
Property taxes levied for debt service	1,216	1,262	1,293	1,343
Sales and use taxes	5,120	5,554	5,787	6,201
Hotel occupancy taxes	854	958	1,046	1,081
Franchise taxes	1,826	1,716	1,776	1,742
Alcoholic beverage taxes	53	55	68	74
Grants and contributions not restricted to specific programs	-	-	-	-
Investment earnings	56	44	58	57
Miscellaneous income	1,257	1,322	1,509	2,789
Gain/(loss) on sale of assets	(235)	-	-	-
Transfers	2,149	1,250	1,125	1,802
Total governmental activities	20,735	20,588	21,121	23,854
Business-type Activities				
Unrestricted investment earnings	23	50	66	49
Miscellaneous income	186	333	197	-
Transfers	(2,149)	(1,250)	(1,125)	(1,802)
Total business-type activities	(1,940)	(867)	(862)	(1,753)
Total primary government	\$ 18,795	\$ 19,721	\$ 20,259	\$ 22,101
<b>Change in Net Position</b>				
Governmental activities	\$ 4,157	\$ 1,753	\$ 1,177	\$ 5,710
Business-type activities	1,141	1,215	1,936	(341)
Total primary government	\$ 5,298	\$ 2,968	\$ 3,113	\$ 5,369

Table D-3

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ (19,879)	\$ (24,604)	\$ (29,412)	\$ (22,286)	\$ (25,463)	\$ (27,180)
4,162	3,615	(874)	3,300	3,702	4,549
(15,717)	(20,989)	(30,286)	(18,986)	(21,761)	(22,631)
8,963	9,321	9,531	10,008	12,075	12,761
1,390	1,448	1,459	1,579	-	-
6,427	6,722	6,900	7,826	8,920	9,761
1,107	1,219	1,334	1,174	1,599	1,760
1,580	1,734	1,950	1,852	1,884	2,040
74	72	87	100	104	114
-	-	-	-	-	1,756
130	244	391	567	206	(352)
2,033	2,064	1,153	264	420	932
-	-	-	-	-	-
1,910	3,934	1,641	2,084	1,935	2,224
23,614	26,758	24,446	25,454	27,143	30,996
92	222	229	177	17	43
-	-	-	7	20	105
(1,910)	(3,934)	(1,641)	(2,084)	(1,935)	(2,224)
(1,818)	(3,712)	(1,412)	(1,900)	(1,898)	(2,076)
\$ 21,796	\$ 23,046	\$ 23,034	\$ 23,554	\$ 25,245	\$ 28,920
\$ 3,735	\$ 2,154	\$ (4,966)	\$ 3,168	\$ 1,680	\$ 3,816
2,344	(97)	(2,286)	1,400	1,804	2,473
\$ 6,079	\$ 2,057	\$ (7,252)	\$ 4,568	\$ 3,484	\$ 6,289

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

	Fiscal Year				
	2013	2014	2015	2016	2017
General fund					
Nonspendable	\$ 35	\$ 17	\$ 22	\$ 18	\$ 19
Restricted	2,657	2,476	3,079	3,912	3,361
Committed	580	633	311	428	1,633
Assigned	-	-	-	-	10
Unassigned	6,294	5,969	6,786	7,880	8,417
Total general fund	<u>\$ 9,566</u>	<u>\$ 9,095</u>	<u>\$ 10,198</u>	<u>\$ 12,238</u>	<u>\$ 13,440</u>
All other governmental funds					
Restricted	\$ 8,923	\$ 5,946	\$ 11,593	\$ 9,835	\$ 2,901
Committed	1,638	3,289	4,040	4,450	4,986
	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 10,561</u>	<u>\$ 9,235</u>	<u>\$ 15,630</u>	<u>\$ 14,285</u>	<u>\$ 7,887</u>

Table D-4

	Fiscal Year				
	2018	2019	2020	2021	2022
General fund					
Nonspendable	\$ 12	\$ 14	\$ 12	\$ 12	\$ 655
Restricted	3,501	3,682	5,088	5,272	4,471
Committed	3,117	2,082	2,216	1,322	1,869
Assigned	-	-	-	-	-
Unassigned	8,419	8,577	9,281	11,537	11,664
Total general fund	<u>\$ 15,049</u>	<u>\$ 14,355</u>	<u>\$ 16,597</u>	<u>\$ 18,143</u>	<u>\$ 18,659</u>
All other governmental funds					
Restricted	\$ 2,901	\$ 3,206	\$ 2,835	\$ 3,345	\$ 50,906
Committed	4,986	17,120	16,289	13,688	5,480
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 7,887</u>	<u>\$ 20,326</u>	<u>\$ 19,124</u>	<u>\$ 17,033</u>	<u>\$ 56,386</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			
	2013	2014	2015	2016
<b>Revenues</b>				
Taxes and penalties	\$ 17,981	\$ 18,526	\$ 19,113	\$ 19,500
Licenses and permits	359	519	551	480
Intergovernmental	1,120	1,004	1,523	1,348
Charges for services	2,564	2,261	3,488	3,425
Grants	719	1,005	552	781
Fines and forfeitures	433	355	351	549
Investment income	44	58	57	130
Lease interest revenue	-	-	-	-
Miscellaneous	1,405	1,479	1,838	1,923
Total revenues	24,625	25,207	27,473	28,136
<b>Expenditures</b>				
General government	4,360	4,534	5,656	4,367
Public safety	11,138	12,001	12,678	12,303
Culture and recreation	3,163	3,155	3,383	3,476
Public works	2,992	3,007	3,162	3,017
Capital outlay	1,519	4,497	4,939	3,645
Leases	-	-	-	-
Debt service				
Principal	754	779	1,393	1,736
Interest	590	565	520	818
Other charges	-	-	-	-
Total expenditures	24,516	28,538	31,731	29,362
Excess (deficiencies) of revenues over expenditures	109	(3,331)	(4,258)	(1,226)
<b>Other Financing Sources (Uses)</b>				
Proceeds from debt issuance	-	284	9,746	-
Bond premium	-	-	249	-
Issuance of leases	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	2,523	3,582	2,897	3,349
Transfers out	(1,273)	(2,332)	(1,094)	(1,428)
Total other financing sources (uses)	1,250	1,534	11,798	1,921
Net change in fund balances	\$ 1,359	\$ (1,797)	\$ 7,540	\$ 695
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	5.9%	5.7%	7.3%	9.9%

Table D-5

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 20,430	\$ 21,152	\$ 21,831	\$ 22,537	\$ 24,618	\$ 26,440
549	627	694	961	531	940
3,827	2,651	2,220	7,277	5,400	4,945
4,044	4,214	4,276	4,347	4,698	5,307
321	259	3,466	1,309	95	52
631	612	518	307	453	484
243	391	619	567	206	(352)
-	-	-	-	-	5
2,338	1,453	497	459	632	487
32,383	31,359	34,121	37,764	36,633	38,308
5,186	5,985	6,179	6,542	5,525	5,995
12,651	13,124	13,762	14,004	15,084	16,608
3,837	4,545	4,676	4,993	4,961	5,180
3,373	5,206	4,992	3,997	4,850	3,759
11,969	1,955	2,817	7,534	5,835	11,084
-	-	-	-	-	407
1,833	2,018	1,907	1,915	2,855	2,044
722	618	703	851	858	444
-	-	-	-	52	995
39,571	33,451	35,036	39,836	40,020	46,516
(7,188)	(2,092)	(915)	(2,072)	(3,387)	(8,208)
-	6,750	9,895	3,285	2,835	44,400
-	458	759	179	441	1,047
-	-	-	-	-	407
-	(7,133)	-	(2,435)	(2,370)	-
7,170	3,444	3,531	4,527	2,715	3,394
(3,236)	(1,803)	(1,525)	(2,444)	(781)	(1,170)
3,934	1,716	12,660	3,112	2,840	48,078
\$ (3,254)	\$ (376)	\$ 11,745	\$ 1,040	\$ (547)	\$ 39,870
9.9%	8.4%	8.8%	8.8%	10.9%	9.8%

**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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales and Use Tax</b>	<b>Occupancy Tax</b>	<b>Franchise Tax</b>	<b>Mixed Beverage Tax</b>	<b>Total</b>
2013	\$ 9,703	\$ 5,120	\$ 854	\$ 1,829	\$ 53	\$ 17,559
2014	9,849	5,855	1,046	1,776	69	18,594
2015	10,015	6,230	1,081	1,793	74	19,193
2016	10,303	6,427	1,107	1,632	74	19,542
2017	10,736	6,722	1,219	1,734	72	20,482
2018	10,882	6,899	1,334	1,951	87	21,152
2019	11,062	7,297	1,416	1,943	113	21,831
2020	11,587	7,826	1,174	1,851	99	22,537
2021	12,111	8,901	1,599	1,874	104	24,589
2022	12,765	9,761	1,760	2,040	114	26,440

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

Table D-7

<b>Fiscal Year</b>	<b>Assessed Value</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
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	673,967	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%
2021	2,555,285	906,016	1,649,269	0.5116	1,649,269	100%
2022	2,753,596	982,002	1,771,594	0.5093	1,771,594	100%

**Source:** Kerr Central Appraisal District

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

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

Table D-8

Fiscal Year	City of Kerrville Direct Tax Rate			Overlapping Tax Rates			Total Direct and Overlapping Rates
	General Government	Debt Service	Total	School District	Kerr County	Guadalupe River Authority	
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
2021	0.4381	0.0735	0.5116	1.1150	0.4757	0.0268	2.1291
2022	0.4358	0.0735	0.5093	1.0520	0.4258	0.0262	2.0133

**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	2022			2013		
	Assessed Value	Rank	Percentage of Total City Assessed Value	Assessed Value	Rank	Percentage of Total City Assessed Value
James Avery Craftsman	\$ 41,640,791	1	1.51%	\$ 16,193,734	1	0.85%
Atmos Energy/Mid-Tex Distribution	16,667,450	2	0.61%	5,091,492	10	0.27%
Kerrville SPC LLC	14,087,294	3	0.51%			
H.E. Butt Grocery Company	10,366,967	4	0.38%			
Wal-Mart Stores Inc.	9,518,590	5	0.35%	7,784,640	4	0.41%
Mooney International Corporation	8,766,885	6	0.32%			
Sendero Ridge Kerrville LP	8,036,000	7	0.29%			
Ken Stoepel Ford, INC	7,469,935	8	0.27%			
S-H Forty-Nine Properties	7,423,015	9	0.27%			
Emerald Cottages of Kerrville, LLC	6,915,950	10	0.25%	6,270,099	8	0.33%
Wal-Mart Stores Inc # 508				6,989,802	6	0.37%
Home Depot, USA Inc.				6,813,801	7	0.36%
Comanche Trace Ranch & Golf				7,313,056	5	0.39%
Windstream				14,559,687	2	0.77%
Atek Plastics				5,121,625	9	0.27%
Emeritus				9,115,001	3	0.48%
Total top 10	130,892,877		4.75%	85,252,937		4.49%
All other	2,622,703,123		95.25%	1,813,205,063		95.51%
Total	\$ 2,753,596,000		100.00%	\$ 1,898,458,000		100.00%

Source: Kerr Central Appraisal District

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

Table D-10

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected Within Year of Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Current Year Amount</b>	<b>Percentage of Levy</b>		<b>Combined Amount</b>	<b>Percentage of Levy</b>
2013	\$ 9,679	\$ 9,443	97.55%	213	\$ 9,655	99.75%
2014	9,688	9,545	98.53%	124	9,670	99.81%
2015	10,024	9,840	98.16%	164	10,004	99.80%
2016	10,320	10,132	98.18%	164	10,295	99.76%
2017	10,653	10,491	98.48%	129	10,620	99.69%
2018	10,951	10,774	98.38%	142	10,916	99.68%
2019	11,108	11,432	102.91%	(365)	11,066	99.62%
2020	11,648	11,432	98.14%	156	11,588	99.49%
2021	12,048	11,856	98.41%	119	11,976	99.40%
2022	12,714	12,455	97.96%	224	12,679	99.73%



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

Type	2013	2014	2015	2016
Accommodation/Food Services	\$ 80,993,418	\$ 86,829,574	\$ 90,808,253	\$ 99,768,744
Admin/Support/Waste Mgmt/Remediation Svcs	21,314,998	22,289,923	20,465,440	20,904,166
Agriculture/Forestry/Fishing/Hunting	714,641	563,751	899,054	843,386
Arts/Entertainment/Recreation	4,692,190	4,631,153	5,151,160	4,867,665
Construction	92,022,514	98,816,059	101,873,825	156,396,169
Educational Services	30,859,006	32,115,711	33,054,086	35,228,505
Finance/Insurance	58,606	89,760	83,638	97,335
Health Care/Social Assistance	13,049,140	4,821,994	4,313,333	4,022,867
Information	23,351,651	25,079,857	26,097,466	25,910,010
Manufacturing	45,808,283	52,060,982	61,045,814	62,392,882
Other Services (Except Public Administration)	44,899,714	51,180,278	53,106,519	46,838,152
Professional/Scientific/Technical Services	17,807,087	18,519,033	20,179,472	18,449,324
Public Administration	41,666,600	42,307,481	43,510,601	38,010,491
Real Estate/Rental/Leasing	4,201,799	12,231,231	7,666,292	3,873,704
Retail Trade	730,374,049	838,913,172	799,284,207	867,204,733
Transportation/Warehousing	3,269,255	3,835,865	2,386,422	2,346,229
Wholesale Trade	50,622,313	46,402,764	47,227,827	44,107,128
Total	<u>\$ 1,205,705,264</u>	<u>\$ 1,340,688,588</u>	<u>\$ 1,317,153,409</u>	<u>\$ 1,431,261,490</u>
Direct Sales Tax Rate	1.50%	1.50%	1.50%	1.50%

**Source:** Texas Comptroller of Public Accounts

\*\* 3rd & 4th quarters are not available

Table D-11

	2017	2018	2019	2020	2021	**2022
\$	103,430,428	\$ 105,526,744	\$ 111,974,706	\$ 112,103,308	\$ 120,718,171	\$ 65,003,006
	21,426,494	14,572,883	11,782,070	14,301,977	17,487,666	9,480,437
	1,026,297	845,740	690,136	971,933	1,007,535	873,291
	5,007,627	4,810,259	5,012,938	4,726,375	5,954,098	3,500,026
	133,145,615	103,404,904	101,183,251	76,532,550	144,859,609	38,613
	36,301,968	38,184,943	35,547,507	40,833,088	38,876,048	17,896,112
	217,055	388,912	385,181	491,656	473,919	241,273
	3,713,659	4,195,709	5,608,243	6,643,238	8,104,679	5,948,575
	24,105,256	23,277,197	23,729,450	22,869,895	22,635,597	11,697,957
	58,198,653	72,164,556	65,854,610	57,303,379	56,938,615	32,564,029
	40,228,943	39,856,344	40,062,823	38,592,164	39,722,513	21,594,744
	20,889,638	17,584,712	19,546,971	21,613,838	20,146,431	15,750,799
	38,842,343	43,789,470	41,260,070	43,134,446	43,013,135	23,299,111
	11,637,480	12,379,884	21,292,018	14,191,951	16,278,317	6,994,557
	836,748,834	849,115,911	877,744,253	919,184,154	1,229,107,778	631,973,482
	1,717,323	1,723,837	12,530,821	7,423,239	81,251,139	8,565,477
	44,770,943	49,878,321	41,585,378	45,596,544	56,999,682	32,796,636
	<u>\$ 1,381,408,556</u>	<u>\$ 1,381,700,326</u>	<u>\$ 1,415,790,426</u>	<u>\$ 1,426,513,735</u>	<u>\$ 1,903,574,932</u>	<u>\$ 888,218,125</u>
	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>			
	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Bank/ Private Loans</b>	<b>Leases</b>
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	-	-
2021	8,300	16,677	865	-
2022	52,477	15,863	675	534

**Source:** Debt rollforward spreadsheet in audit/debt folder

PREMIUMS ARE INCLUDED IN OUTSTANDING BOND NUMBERS

Table D-12

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Bank/ Private Loans	Leases			
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	-	76,224	10.65%	3,029
2021	17,772	20,753	7,500	-	71,867	9.97%	2,960
2022	15,448	19,720	7,500	502	112,719	14.69%	4,596

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

Table D-13

<b>Fiscal Year</b>	<b>General Bonded Debt Outstanding</b>			<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Less: Amounts Available In Debt Service Funds</b>	<b>Total</b>		
2013	9,355	4,144	5,211	0.41%	227
2014	8,844	5,443	3,401	0.27%	144
2015	7,909	5,162	2,747	0.20%	115
2016	6,945	4,770	2,175	0.16%	90
2017	5,852	2,513	3,339	0.24%	137
2018	17,682	2,536	15,146	1.02%	611
2019	15,987	2,074	13,912	0.93%	558
2020	15,984	2,580	13,404	0.84%	533
2021	26,072	2,543	23,530	1.43%	969
2022	67,925	2,690	65,235	3.68%	2,660

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

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

# City of Kerrville, Texas

## Direct and Overlapping Governmental Activities Debt

Table D-14

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
<b>Debt Repaid with Property Taxes</b>			
Kerrville ISD	\$ 86,660,000	66.22%	\$ 57,386,252
Kerr County	28,630,000	42.38%	<u>12,133,394</u>
Subtotal, overlapping debt			69,519,646
<b>City of Kerrville Direct Debt</b>	112,719,000	100%	<u>112,719,000</u>
Total direct and overlapping debt			<u><u>\$ 182,238,646</u></u>
Average debt per capita			<u><u>\$ 7,242.61</u></u>

**Source:** Municipal Advisory Council of Texas

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

**Table D-15**

	Fiscal Year				
	2013	2014	2015	2016	2017
Total Taxable Assessed Value	\$ 1,279,663	\$ 1,274,970	\$ 1,363,191	\$ 1,354,968	\$ 1,405,346
Annual payment	8,531	8,500	9,088	9,033	9,369
Debt limit	127,966	127,497	136,319	135,497	140,535
Total net debt applicable to limit	2,826	2,826	2,826	5,783	7,470
Legal debt margin	125,140	124,671	133,493	129,714	133,065

	Fiscal Year				
	2018	2019	2020	2021	2022
Total taxable assessed value	\$ 1,485,795	\$ 1,497,972	\$ 1,593,526	\$ 1,649,269	\$ 1,771,594
Annual payment	9,905	9,986	10,624	10,995	11,811
Debt limit	148,580	149,797	159,353	164,927	177,159
Total net debt applicable to limit	16,538	14,744	14,744	5,571	66,661
Legal debt margin	132,042	135,053	144,608	159,356	110,498

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

Assessed value	\$ 2,753,596
Exempt real property	(982,002)
	<u>1,771,594</u>
Debt limit (10% of assessed value)	<u>177,159</u>
Debt applicable to limit	
General obligation bonds	67,925
Less: Amount set aside for repayment of general obligation debt	<u>1,264</u>
Total net debt applicable to limit	<u>66,661</u>
Legal debt margin	<u>\$ 110,498</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 percent.

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

Table D-16

Water and Sewer Revenue Bonds						
Fiscal Years	Utility Service Charges	Less Operating Expenses*	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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	6,287	6,364	-	-	N/A
2021	12,838	5,627	7,211	-	-	N/A
2022	13,838	8,671	5,167	-	-	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

	Fiscal Year				
	2013	2014	2015	2016	2017
Population	22,983	23,558	23,808	24,111	24,292
Personal income (000's)	\$ 578,275	\$ 592,968	\$ 602,414	\$ 602,699	\$ 578,394
Per capita personal income	\$ 25,161	\$ 25,171	\$ 25,303	\$ 24,997	\$ 23,810
Median age	45.7	45.7	46.5	46.0	46.5
Education level in years of schooling: % with high school diploma or greater	87.5%	85.1%	85.4%	88.6%	85.7%
School enrollment	5,031	5,038	5,029	5,018	5,004
Unemployment rate	5.6%	4.8%	3.8%	3.9%	3.2%

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

Table D-17

	Fiscal Year				
	2018	2019	2020	2021	2022
Population	24,796	24,931	25,162	24,278	24,527
Personal income (000's)	\$ 627,512	\$ 685,029	\$ 715,406	\$ 720,692	\$ 767,278
Per capita personal income	\$ 25,307	\$ 27,477	\$ 28,432	\$ 29,685	\$ 31,283
Median age	47.3	46.7	46.2	47.4	47.4
Education level in years of schooling: % with high school diploma or greater	86.1%	88.5%	88.4%	88.5%	91.8%
School enrollment	4,951	4,828	4,800	4,808	4,838
Unemployment rate	3.3%	2.9%	5.6%	4.3%	3.4%

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

Table D-18

Employer	2022			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Peterson Health	1,200	1	5.64%	672	2	3.14%
Kerrville ISD	700	2	3.29%	700	1	3.27%
James Avery Craftsman	685	3	3.22%	432	4	2.02%
Kerrville State Hospital	550	4	2.59%	552	3	2.58%
HEB Grocery & Foundation	400	5	1.88%	301	7	1.41%
Kerrville VA Hospital	400	6	1.88%	394	5	1.84%
Kerr County	300	7	1.41%	305	6	1.43%
City of Kerrville	300	8	1.41%	291	8	1.36%
Wal-Mart	250	9	1.18%	276	10	1.29%
Brookdale Senior Services	150	10	0.71%	-		0.00%
Sava Senior Center	-		0.00%	279	9	1.30%
	4,935		23.20%	4,202		19.65%
All others	16,339		76.80%	17,185		80.35%
Total employed	21,274		100.00%	21,387		100.00%

**Major Employer Source:** Kerr Economic Development Corporation



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# City of Kerrville, Texas

## Budgeted Full-time Equivalent Employees by Function/Program

### Last Ten Fiscal Years

	Fiscal Year			
	2013	2014	2015	2016
<b>General Fund</b>				
City Secretary	2.0	2.0	2.0	2.0
City Attorney	2.0	2.0	1.0	2.0
City Administration	4.0	5.0	6.0	6.0
Human Resources	4.0	4.0	4.0	4.0
Finance	5.0	5.0	5.0	5.0
Information Technology	5.0	5.0	5.0	5.0
Public Information Office	0.0	0.0	0.0	0.0
Municipal Court	5.0	5.0	5.0	5.0
Kerrville-Schreiner Park	6.0	6.0	6.0	6.0
Police	71.0	68.0	70.0	71.0
Fire	49.0	49.2	48.1	49.0
Emergency Management and Training	0.0	0.0	0.0	0.0
Fire Marshal	2.0	2.0	2.0	2.0
EMS	27.0	26.8	27.9	27.0
Solid Waste	5.0	5.0	5.0	1.0
Planning	2.0	2.0	2.0	2.0
Building Services	5.0	4.0	4.0	5.0
Code Compliance	2.0	2.0	2.0	1.0
Business Programs	2.0	0.0	0.0	0.0
Aquatics	0.0	0.0	0.0	0.0
Parks Maintenance	12.0	13.0	18.0	19.0
Recreation	1.0	2.0	1.0	2.0
Community Events	0.0	0.0	0.0	0.0
Sports Complex	0.0	0.0	0.0	0.0
Engineering	21.0	3.0	4.0	4.0
Streets	0.0	16.0	18.0	18.0
Library	10.0	11.0	9.0	9.0
General Operations	0.0	0.0	0.0	0.0
Total general fund	242.0	238.0	245.0	245.0
<b>Utility Fund</b>				
Utility Billing	8.0	8.5	8.0	8.0
Utility Administration	4.0	5.0	3.0	3.0
Water Production	11.0	11.0	11.0	11.0
Water Distribution	9.0	9.0	9.0	9.0
Water Reclamation	17.0	14.0	14.0	14.0
Wastewater Collection	0.0	0.0	0.0	0.0
Utility Lab	4.0	4.0	4.0	4.0
Total utility fund	53.0	51.5	49.0	49.0
<b>Gold Course Fund</b>				
Golf Course Maintenance	8.0	8.0	7.0	7.0
Pro Shop	3.0	3.0	3.0	3.0
Total gold course fund	11.0	11.0	10.0	10.0
<b>Garage Fund</b>	4.0	4.0	4.0	4.0
Grand total	310.0	304.5	308.0	308.0

**Source:** Budget Book

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

Table D-19

2017	2018	2019	2020	2021	2022
2.0	2.0	2.0	3.0	3.0	3.0
1.0	1.0	1.0	1.0	1.5	2.0
6.0	5.5	5.0	5.0	4.3	4.3
4.0	4.0	4.0	4.0	4.0	4.0
5.0	5.0	5.0	5.0	4.0	4.0
5.0	6.0	6.0	7.0	5.3	6.0
0.0	0.0	0.0	0.0	2.0	2.0
6.0	6.0	6.0	6.0	5.0	5.0
7.0	7.0	8.0	8.0	8.0	8.0
71.0	72.0	72.0	72.0	72.0	72.0
49.0	49.0	48.0	48.0	48.0	48.0
0.0	0.0	1.0	1.0	1.0	1.0
2.0	2.0	2.0	2.0	2.0	2.0
27.0	26.0	26.0	26.0	26.0	27.0
1.0	1.0	1.0	1.0	1.0	1.0
3.0	2.0	2.0	2.0	3.0	0.0
5.0	5.0	6.0	6.0	5.0	0.0
2.0	2.0	2.0	2.0	2.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0
19.0	20.0	20.0	21.0	19.3	21.0
2.0	2.0	2.0	2.0	2.0	2.0
0.0	0.0	1.0	1.0	1.0	1.0
2.0	4.0	6.0	6.0	6.0	6.0
4.0	5.0	5.0	6.0	5.3	6.0
18.0	18.0	19.0	18.0	17.5	18.5
9.0	9.0	9.0	9.0	9.0	9.0
0.0	0.0	1.0	1.0	0.0	0.0
250.0	253.5	260.0	263.0	257.0	252.8
8.0	7.0	7.0	8.0	8.0	8.0
0.0	0.0	0.0	0.0	0.0	0.0
12.0	13.0	13.0	13.0	13.0	13.0
9.0	9.0	10.0	10.0	10.0	10.0
15.0	15.0	15.0	15.0	9.0	9.0
0.0	0.0	0.0	0.0	6.0	6.0
4.0	4.0	4.0	4.0	4.0	4.0
48.0	48.0	49.0	50.0	50.0	50.0
7.0	7.0	7.0	5.0	5.0	5.0
3.0	3.0	3.0	2.0	2.0	2.0
10.0	10.0	10.0	7.0	7.0	7.0
4.0	5.5	5.0	5.0	5.3	5.2
312.0	317.0	324.0	325.0	319.3	315.0

# City of Kerrville, Texas

## Operating Indicators by Function/Program

### Last Ten Fiscal Years

**Table D-20**

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Police</b>										
Calls for service	16,126	14,820	16,220	17,040	17,164	14,534	14,247	13,404	14,225	14,543
Avg. response time per call (minutes)	9.0	6.2	8.3	7.4	6.2	6.5	6.4	5.2	5.6	5.8
Clearance rate	54%	55%	54%	58%	52%	58%	70%	73%	80%	62%
<b>Fire</b>										
Fire response time (minutes)	N/A	4.2	4.3	4.6	4.7	5.0	4.8	4.9	5.2	2.4
First responder response time (min)	N/A	8.9	8.1	6.2	8.7	4.0	4.3	4.0	4.5	4.4
EMS response time – City (minutes)	N/A	5.3	5.0	4.9	5.2	5.4	5.1	5.0	5.4	5.3
Inspections	458	393	429	491	593	802	647	680	733	569
<b>Streets</b>										
Street maintenance – man hours	1,749	6,224	4,161	4,128	4,789	6,785	4,912	5,940	5,800	4,429
Pothole repairs	1,323	2,109	2,273	2,250	2,208	1,234	1,553	915	866	429
Traffic control (signs) – man hours	1,804	1,722	1,777	2,185	2,110	2,111	2,114	2,156	3,424	1,911
<b>Solid Waste</b>										
Annual tonnages at landfill	7,500	8,279	8,242	9,259	8,932	9,839	8,591	9,908	9,392	9,298
Annual tonnages at transfer station*	48,402	50,175	55,528	66,162	72,773	68,460	72,510	81,694	74,491	80,062
Annual tonnages – recycling program*	1,200	1,383	669	1,508	1,595	1,643	1,561	1,172	1,068	1,065
<b>Culture and Recreation</b>										
Park maintenance – man hours	17,675	25,033	27,622	29,450	29,198	33,781	34,291	30,703	34,768	31,272
Golf Course – rounds of golf played	32,509	29,489	27,111	26,252	25,979	23,468	21,744	24,111	25,732	25,582
Swimming pool attendance	9,719	15,290	17,118	10,158	13,024	13,867	14,178	8,461	13,156	17,286
<b>Kerrville Schreiner Park</b>										
Reservations processed	7,263	12,507	13,369	14,333	15,749	16,783	15,291	14,574	7,551	19,119
<b>Water</b>										
Water meters read	116,563	117,459	119,126	120,053	120,836	121,081	120,998	122,160	122,587	125,028
Work orders processed	10,672	10,737	10,748	11,191	12,013	11,256	9,574	11,114	12,526	11,699
Water main breaks	42	21	28	19						
Calls for water main breaks**					100	62	107	84	114	90
<b>Total Water Consumption</b>										
(thousands of gallons)	1,302,333	1,243,039	1,072,229	1,206,145	1,347,170	1,281,620	1,128,810	1,365,368	1,053,572	1,141,459
Cost per thousand gallons	\$1.07	\$1.22	\$1.55	\$1.30	\$1.24	\$1.53	\$1.69	\$1.46	\$1.78	\$1.28
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	2,199	2,132	2,044	2,484	2,054	2,010	2,165	2,033	2,172	2,070

\*Revised recycling program began in 2015.

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

# City of Kerrville, Texas

## Capital Asset Statistics by Function/Program

### Last Ten Fiscal Years

Table D-21

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Public Safety</b>										
Police and Fire:										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	4	4	4	4	4	4	4	4	4	4
<b>Highway and Streets</b>										
Streets (lane miles)	282	282	282	282	282	282	282	285	285	285
Area in square miles	21.1	21.3	21.8	22.2	22.2	22.4	22.4	22.4	22.71	22.71
<b>Culture and Recreation</b>										
Parks acreage	937	937	937	937	1,041	1,041	1,046	1,048	1048	1048
Swimming pools	1	1	1	1	1	1	1	1	1	1
Picnic areas & playgrounds	23	23	23	23	23	23	23	23	24	24
Municipal auditoriums	1	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	1	1
Tennis center	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
Water main (miles)	246	249	253	253	255	257	258	262	264	264
Average daily consumption (millions of gallons)	3.88	3.17	3.67	2.85	3.01	3.86	3.33	3.27	3.39	3.53
<b>Sewer</b>										
Sanitary sewers (miles)	214	209	227	227	227	227	227	227	198	198
Storm sewers (miles)	7	7	7	7	7	8	8	8	15	15
Maximum treatment capacity (millions of gallons)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5

**Source:** Various city departments



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