



ANNUAL FINANCIAL REPORT 2023

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2023

CITY OF
HORSESHOE BAY, TX

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ANNUAL FINANCIAL REPORT

of the

City of Horseshoe Bay, Texas

**For the Year Ended
September 30, 2023**

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City of Horseshoe Bay, Texas

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Horseshoe Bay:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Horseshoe Bay (the "City") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Horseshoe Bay, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 City of Horseshoe Bay and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's 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 one year after the date that the financial statements are issued.

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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Horseshoe Bay's basic financial statements. The combining schedule of fund statements for nonmajor governmental funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining schedule of fund statements for nonmajor governmental funds 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
May 2, 2024

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Horseshoe Bay, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2023

As management of the City of Horseshoe Bay (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023.

Financial Highlights

- The City's total combined net position is \$45,043,074 at September 30, 2023. Of this, \$15,990,978 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the end of the year, the unassigned fund balance of the general fund was \$7,355,225 or 59% of total general fund expenditures.
- The City had an overall increase in net position of \$5,663,418.
- The City implemented a pension with TMRS for employee retirement benefits during the year. The net pension asset was \$1,450 for the year ended September 30, 2023.

The government adopted a policy for the general fund that requires a minimum cash flow reserve equal to or greater than \$2,500,000 or three months of total operating expenses, plus debt service reserves as required by debt indentures. As of September 30, 2023, the unassigned fund balance for the general fund was \$7,355,225, which was 59% of total general fund expenditures or approximately 7 months of total operating expenditures. The general fund currently doesn't have any debt service obligations, with the exception of lease payments, which are treated as debt service.

The government also adopted a policy for the utility fund that requires excess funds each year to create a cash reserve. The target amount of the reserve fund will be three months of personnel and operating expenses. As of September 30, 2023, the cash balance for the water utility fund was \$4,005,831, which is 51% of total utility fund expenses excluding depreciation, which is approximately 6 months of personnel and operating expenses.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

City of Horseshoe Bay, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2023

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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 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, and public works. The business-type activities of the City include water, wastewater and solid waste recycling operations.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Horseshoe Bay. They are usually segregated for specific activities or objectives. The City of Horseshoe Bay uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

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 year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of 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

City of Horseshoe Bay, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2023

doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Horseshoe Bay maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, capital projects, Summit Rock Public Improvement District, Escondido Public Improvement District, police department seizure, child safety, court technology, and court security funds. The general, Summit Rock Public Improvement District, capital projects, and Escondido Public Improvement District funds are considered to be major funds.

The City of Horseshoe Bay adopts an annual appropriated budget for all funds except for the PID funds. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund budget.

Proprietary Funds

The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a proprietary fund to account for its utility services. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, utility production and distribution. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires is a budgetary comparison schedule. RSI can be found after the basic financial statements.

The PID special revenue funds, and their debt obligations consisting of the PID special assessment bond and note payable to the water utility fund, are solely funded by property assessments paid for by the respective homeowners of the related developments. The City is not obligated for repayment of

City of Horseshoe Bay, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2023

these debts. City council is the governing body over the PID's, the City is the account holder for PID funds, and is the responsible party for management of the PID activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Horseshoe Bay, assets exceeded liabilities by \$45,043,074 as of September 30, 2023, in the primary government.

The largest portion of the City's net position, \$24,231,954, reflects its investments in capital assets (e.g., land, city hall, fire station, police building, water plant, sewer system, as well as the machinery and equipment), less any debt used to acquire those assets that are still 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 assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$4,820,142, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15,990,978 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Current and other assets of governmental activities as of September 30, 2023 and September 30, 2022 were \$29,069,055 and \$13,568,247, respectively. The increase of \$15,500,808 was primarily due to current debt issuances and operating surpluses resulting in greater cash on hand and customer receivables compared to prior year.

Current and other assets of business-type activities as of September 30, 2023 and September 30, 2022 were \$5,793,079 and \$6,310,604, respectively. The decrease of \$517,525 was primarily due to cash outflows for capital purchases during the year.

Long-term liabilities of the primary government as of September 30, 2023 and September 30, 2022 were \$40,299,573 and \$30,382,850, respectively. The increase of \$9,916,723 was due to debt issuances in the current year.

City of Horseshoe Bay, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

| | 2023 | | | 2022 | | |
|---|----------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Current and other assets | \$ 29,069,055 | \$ 5,793,079 | \$ 34,862,134 | \$ 13,568,247 | \$ 6,310,604 | \$ 19,878,851 |
| Internal balances | (4,005,570) | 4,005,570 | - | (4,246,972) | 4,246,972 | - |
| Capital assets, net | 26,784,539 | 26,372,994 | 53,157,533 | 26,772,049 | 25,501,568 | 52,273,617 |
| Total Assets | 51,848,024 | 36,171,643 | 88,019,667 | 36,093,324 | 36,059,144 | 72,152,468 |
| Deferred Outflows of Resources | 499,162 | 144,445 | 643,607 | 146,562 | 2,535 | 149,097 |
| Other liabilities | 2,070,629 | 1,249,525 | 3,320,154 | 1,250,640 | 1,288,419 | 2,539,059 |
| Long-term liabilities | 25,792,933 | 14,506,640 | 40,299,573 | 14,584,407 | 15,798,443 | 30,382,850 |
| Total Liabilities | 27,863,562 | 15,756,165 | 43,619,727 | 15,835,047 | 17,086,862 | 32,921,909 |
| Deferred Inflows of Resources | 341 | 132 | 473 | 146,562 | 2,535 | 149,097 |
| Net Position: | | | | | | |
| Net investment | | | | | | |
| in capital assets | 12,363,406 | 11,868,548 | 24,231,954 | 12,653,547 | 9,710,500 | 22,364,047 |
| Restricted | 4,677,486 | 142,656 | 4,820,142 | 3,831,447 | 11,841 | 3,843,288 |
| Unrestricted | 7,442,391 | 8,548,587 | 15,990,978 | 3,919,845 | 9,252,476 | 13,172,321 |
| Total Net Position | \$ 24,483,283 | \$ 20,559,791 | \$ 45,043,074 | \$ 20,404,839 | \$ 18,974,817 | \$ 39,379,656 |

City of Horseshoe Bay, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

Statement of Activities:

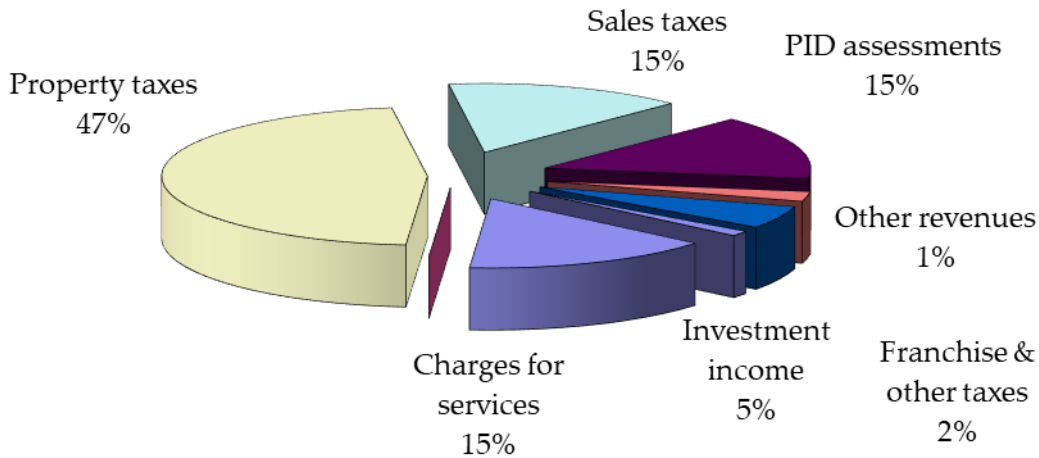
The following table provides a summary of the City's changes in net position:

| | For the Year Ended September 30, 2023 | | | For the Year Ended September 30, 2022 | | |
|----------------------------|---------------------------------------|--------------------------------|--------------------------------|---------------------------------------|--------------------------------|--------------------------------|
| | Governmental Activities | Business Type Activities | Total Primary Government | Governmental Activities | Business Type Activities | Total Primary Government |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,709,834 | \$ 12,024,310 | \$ 14,734,144 | \$ 2,322,189 | \$ 12,710,121 | \$ 15,032,310 |
| Grants and contri. | - | - | - | 559,399 | 11,841 | 571,240 |
| General revenues: | | | | | | |
| Property taxes | 8,310,609 | - | 8,310,609 | 7,028,206 | - | 7,028,206 |
| Sales taxes | 2,601,811 | - | 2,601,811 | 2,499,667 | - | 2,499,667 |
| PID assessments | 2,675,232 | - | 2,675,232 | 2,308,665 | - | 2,308,665 |
| Franch. & other txs. | 399,973 | - | 399,973 | 380,469 | - | 380,469 |
| Investment income | 942,955 | 289,296 | 1,232,251 | 78,297 | 168,656 | 246,953 |
| Other revenues | 209,873 | 51,903 | 261,776 | 193,152 | 56,046 | 249,198 |
| Total Revenues | 17,850,287 | 12,365,509 | 30,215,796 | 15,370,044 | 12,946,664 | 28,316,708 |
| Expenses | | | | | | |
| General govt. | 2,654,093 | - | 2,654,093 | 2,576,127 | - | 2,576,127 |
| Dev. Services | 1,187,013 | - | 1,187,013 | 932,680 | - | 932,680 |
| Public works | 624,657 | - | 624,657 | 603,303 | - | 603,303 |
| Public safety | 6,123,206 | - | 6,123,206 | 5,512,842 | - | 5,512,842 |
| Highways/streets | 2,601,191 | - | 2,601,191 | 2,512,788 | - | 2,512,788 |
| Culture and rec. | 15,742 | - | 15,742 | 17,788 | - | 17,788 |
| Interest | 1,226,441 | 426,314 | 1,652,755 | 529,486 | 470,585 | 1,000,071 |
| Water utility | - | 9,693,721 | 9,693,721 | - | 9,678,392 | 9,678,392 |
| Total Expenses | 14,432,343 | 10,120,035 | 24,552,378 | 12,685,014 | 10,148,977 | 22,833,991 |
| Change | | | | | | |
| Before Transfers | 3,417,944 | 2,245,474 | 5,663,418 | 2,685,030 | 2,797,687 | 5,482,717 |
| Transfers | 660,500 | (660,500) | - | 616,204 | (616,204) | - |
| Total | 660,500 | (660,500) | - | 616,204 | (616,204) | - |
| Change in Net Pos. | 4,078,444 | 1,584,974 | 5,663,418 | 3,301,234 | 2,181,483 | 5,482,717 |
| Beginning Net Position | 20,404,839 | 18,974,817 | 39,379,656 | 17,103,605 | 16,793,334 | 33,896,939 |
| Ending Net Position | \$ 24,483,283 | \$ 20,559,791 | \$ 45,043,074 | \$ 20,404,839 | \$ 18,974,817 | \$ 39,379,656 |

City of Horseshoe Bay, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

Governmental Activities - Revenues

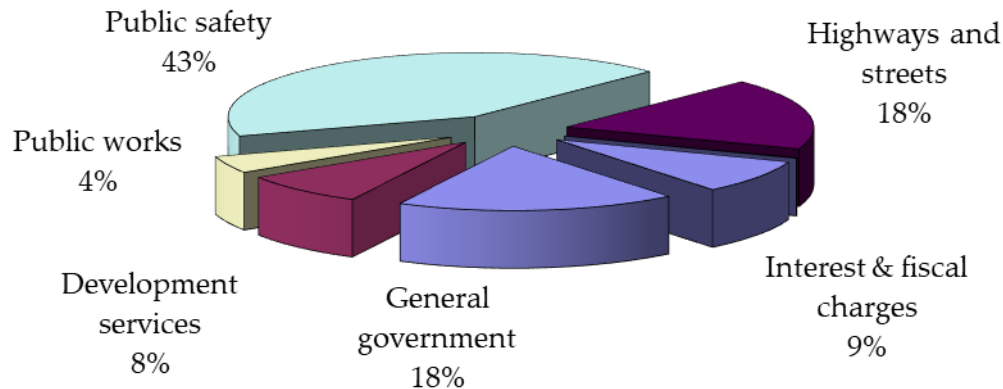


For the year ended September 30, 2023, revenues from governmental activities totaled \$17,850,287. Property tax, sales tax, PID assessments, and charges for services are the City's largest revenue sources. Charges for services increased by \$387,645 or 17% due to greater building permits and firefighter service revenues. Grants and contributions decreased by \$559,399 due to nonrecurring federal grants received through the American Rescue Plan in the prior year. Property tax increased by \$1,282,403 or 18% due to higher property values. PID assessment revenue increased by \$366,567, which is a result of a significant number of property lots being sold during the year. Sales taxes and franchise taxes increased by \$102,144 and \$19,504, respectively, which is primarily attributable to economic growth during the current year. Investment income increased by \$864,658 primarily due to an increase in interest rates and greater interest-bearing accounts held over the course of the year.

City of Horseshoe Bay, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



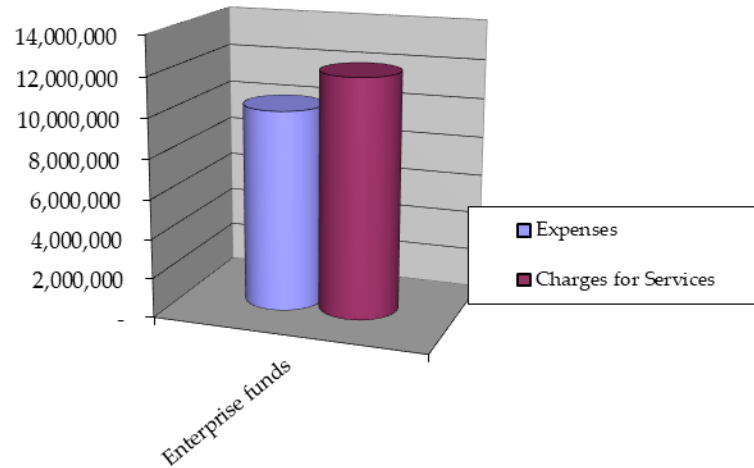
For the year ended September 30, 2023, expenses for governmental activities totaled \$14,432,343. This represents an increase of \$1,747,329 or 14% from the prior year. The City's largest functional expense is public safety of \$6,123,206, which includes operational expenses for the police, fire, and animal control departments. Public safety expenses increased by \$610,364 or 11% primarily due to increased wages. Development services increased by \$254,333 or 27% primarily as a result of greater professional services for permit reviews in the current year. Interest and fiscal charges increased by \$696,955 or 132% due to new debt issuances in the current year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

For the year ended September 30, 2023, charges for services by business-type activities totaled \$12,024,310. This is a decrease of \$685,811, or 5%, from the previous year. The decrease was primarily due to a decrease in sewer tap connection fees and grinder sales, and a small decrease in water consumption compared to prior year.

City of Horseshoe Bay, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

Business-Type Activities - Revenues and Expenses



Total expenses decreased \$28,942 or less than 1%, which was primarily due to a decrease in interest expense as the City's debt balances for business-type activities decreased during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of 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 the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a total fund balance of \$7,389,439. Of this, \$27,609 is restricted for PEG. Unassigned fund balance totaled \$7,355,225 as of year-end. The general fund increased by \$1,147,994 primarily due to greater than anticipated revenues and less than anticipated expenditures.

The Summit Rock PID fund reflected an ending deficit fund balance of \$3,630,589 as of September 30, 2023. This was an improvement of \$250,053 when compared to the deficit in fund balance as of September 30, 2022. This improvement is due to special assessment revenue exceeding interest expenditures.

The Escondido PID fund reflected an ending fund balance of \$853,282, an increase of \$51,009. This increase is due to property assessment revenue exceeding current year expenditures.

The capital projects fund reflected an ending fund balance of \$11,671,799, an increase of \$11,355,281. This increase is due to bond issuances in the current year.

City of Horseshoe Bay, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2023

There was an increase in governmental fund balance of \$13,203,756 over the prior year. The increase is primarily due to bonds issued in the current year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$1,147,994 in the general fund. This is a combination of a positive revenue variance of \$187,104, a positive expenditure variance of \$826,090, and a positive variance of \$134,800 in other financing sources and uses. The most significant revenue variances were for sales taxes and licenses and permits. The most significant expense variances were for general government and capital outlay. Police, fire, and debt service exceeded appropriations at the legal level of control.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$26,784,539 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$26,372,994 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Architecture fees for new city hall plans for \$183,052.
- Streets sealcoat project for \$723,653.
- Phase 4 street improvements totaling \$1,248,968.
- Purchased two vehicles for the police and development services departments for a total of \$118,327.
- Purchased two vehicles for the utility fund for a total of \$157,487.
- Purchased tools and equipment for utilities fund for \$209,038.
- Lift station improvements for \$169,088.
- Pond liner replacement for \$1,034,209.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

City of Horseshoe Bay, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2023

LONG-TERM DEBT

At the end of the current year, the City had total debt outstanding (including premiums) of \$40,299,573. The City made principal payments on debt of \$2,383,832 in the current year. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Horseshoe Bay and improving services provided to their public citizens.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Horseshoe Bay's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City's finance office by phone at (830) 598-8741 or in person at 1 Community Drive, Horseshoe Bay, Texas 78657.

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FINANCIAL STATEMENTS

City of Horseshoe Bay, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2023

| | Primary Government | | |
|--|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>Assets</u> | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 20,651,113 | \$ 4,005,831 | \$ 24,656,944 |
| Restricted cash | 1,228,263 | - | 1,228,263 |
| Receivables, net | 7,182,029 | 1,786,843 | 8,968,872 |
| Internal balances | (378,893) | 378,893 | - |
| Total Current Assets | 28,689,117 | 6,171,567 | 34,860,684 |
| Internal advances | (3,626,677) | 3,626,677 | - |
| Net pension asset | 1,045 | 405 | 1,450 |
| Capital assets: | | | |
| Non-depreciable | 1,662,667 | 419,561 | 2,082,228 |
| Net depreciable capital assets | 25,121,872 | 25,953,433 | 51,075,305 |
| Total Noncurrent Assets | 23,158,907 | 30,000,076 | 53,158,983 |
| Total Assets | 51,848,024 | 36,171,643 | 88,019,667 |
| <u>Deferred Outflows of Resources</u> | | | |
| Deferred charge on refundings | 131,552 | 2,194 | 133,746 |
| Pension contributions | 367,610 | 142,251 | 509,861 |
| Total Deferred Outflows of Resources | 499,162 | 144,445 | 643,607 |

City of Horseshoe Bay, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2023

| | Primary Government | | |
|---|----------------------|----------------------|----------------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Total |
| <u>Liabilities</u> | | | |
| Current liabilities: | | | |
| Accounts payable and | | | |
| accrued liabilities | \$ 879,406 | \$ 424,785 | \$ 1,304,191 |
| Accrued interest payable | 242,827 | 76,882 | 319,709 |
| Unearned revenue | - | 17,564 | 17,564 |
| Customer and permit deposits | 730,199 | 677,373 | 1,407,572 |
| Compensated absences, current | 195,393 | 47,247 | 242,640 |
| Long term debt due within one year | 1,211,459 | 1,275,316 | 2,486,775 |
| Total Current Liabilities | 3,259,284 | 2,519,167 | 5,778,451 |
| Noncurrent liabilities: | | | |
| OPEB liability | 1,094 | 424 | 1,518 |
| Debt due in more than one year | 24,581,474 | 13,231,324 | 37,812,798 |
| Compensated absences | 21,710 | 5,250 | 26,960 |
| Total Noncurrent Liabilities | 24,604,278 | 13,236,998 | 37,841,276 |
| Total Liabilities | 27,863,562 | 15,756,165 | 43,619,727 |
| <u>Deferred Inflows of Resources</u> | | | |
| OPEB deferred inflows | 341 | 132 | 473 |
| <u>Net Position</u> | | | |
| Net investment in capital assets | 12,363,406 | 11,868,548 | 24,231,954 |
| Restricted for: | | | |
| Debt service | 473,882 | - | 473,882 |
| PID activities, including debt service | 3,749,410 | - | 3,749,410 |
| Pension | 368,655 | 142,656 | 511,311 |
| Other purposes | 85,539 | - | 85,539 |
| Unrestricted | 7,442,391 | 8,548,587 | 15,990,978 |
| Total Net Position | \$ 24,483,283 | \$ 20,559,791 | \$ 45,043,074 |

See Notes to Financial Statements.

City of Horseshoe Bay, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

| Functions/Programs | Expenses | Program Revenues |
|---------------------------------------|----------------------|----------------------|
| | | Charges for Services |
| Primary Government | | |
| Governmental Activities | | |
| General government | \$ 2,654,093 | \$ 9,000 |
| Development services | 1,187,013 | 1,099,158 |
| Public works | 624,657 | 539,681 |
| Public safety | 6,123,206 | 424,702 |
| Highways and streets | 2,601,191 | 637,293 |
| Culture and recreation | 15,742 | - |
| Interest and fiscal charges | 1,226,441 | - |
| Total Governmental Activities | 14,432,343 | 2,709,834 |
| Business-Type Activities | | |
| Utility | 10,120,035 | 12,024,310 |
| Total Business-Type Activities | 10,120,035 | 12,024,310 |
| Total Primary Government | \$ 24,552,378 | \$ 14,734,144 |

General Revenues:

Taxes
 Property taxes
 Sales taxes
 Franchise and local taxes
 PID assessment revenue
 Investment income
 Other revenues
 Gain on sale of assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | |
|------------------------------------|-------------------------------------|----------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (2,645,093) | \$ - | \$ (2,645,093) |
| (87,855) | - | (87,855) |
| (84,976) | - | (84,976) |
| (5,698,504) | - | (5,698,504) |
| (1,963,898) | - | (1,963,898) |
| (15,742) | - | (15,742) |
| (1,226,441) | - | (1,226,441) |
| (11,722,509) | - | (11,722,509) |
| - | 1,904,275 | 1,904,275 |
| - | 1,904,275 | 1,904,275 |
| (11,722,509) | 1,904,275 | (9,818,234) |
| 8,310,609 | - | 8,310,609 |
| 2,601,811 | - | 2,601,811 |
| 399,973 | - | 399,973 |
| 2,675,232 | - | 2,675,232 |
| 942,955 | 289,296 | 1,232,251 |
| 181,373 | 51,903 | 233,276 |
| 28,500 | - | 28,500 |
| 660,500 | (660,500) | - |
| 15,800,953 | (319,301) | 15,481,652 |
| 4,078,444 | 1,584,974 | 5,663,418 |
| 20,404,839 | 18,974,817 | 39,379,656 |
| \$ 24,483,283 | \$ 20,559,791 | \$ 45,043,074 |

City of Horseshoe Bay, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2023

| | | Summit | |
|---|---------------------|---------------------|---------------------|
| | General | Rock | Escondido |
| | | PID | PID |
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 8,329,085 | \$ - | \$ - |
| Restricted cash | - | 374,981 | 853,282 |
| Receivables, net | 638,916 | 3,897,467 | 2,629,250 |
| Due from other funds | 100 | - | - |
| Prepays | 6,605 | - | - |
| Total Assets | \$ 8,974,706 | \$ 4,272,448 | \$ 3,482,532 |
| <u>Liabilities</u> | | | |
| Accounts payable and accrued liabilities | \$ 732,995 | \$ - | \$ - |
| Permit deposits | 730,199 | - | - |
| Advances from other funds | - | 3,626,677 | - |
| Due to other funds | 28,094 | 378,893 | - |
| Total Liabilities | 1,491,288 | 4,005,570 | - |
| <u>Deferred Inflows of Resources</u> | | | |
| Unavailable revenue | | | |
| Property taxes | 93,979 | - | - |
| PID property assessments | - | 3,897,467 | 2,629,250 |
| Total Deferred Inflows of Resources | 93,979 | 3,897,467 | 2,629,250 |
| <u>Fund Balances</u> | | | |
| Nonspendable: | | | |
| Prepays | 6,605 | - | - |
| Restricted for: | | | |
| Court | - | - | - |
| Police department seizures | - | - | - |
| PEG | 27,609 | - | - |
| PID activities, including debt service | - | - | 853,282 |
| Debt service | - | - | - |
| Capital projects | - | - | - |
| Unassigned reported in: | | | |
| General fund | 7,355,225 | - | - |
| Summit Rock PID fund | - | (3,630,589) | - |
| Total Fund Balances | 7,389,439 | (3,630,589) | 853,282 |
| Total Liabilities, Deferred Inflows, and Fund Balances | \$ 8,974,706 | \$ 4,272,448 | \$ 3,482,532 |

See Notes to Financial Statements.

| Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------|--|---|
| \$ 11,818,310 | \$ 503,718 | \$ 20,651,113 |
| - | - | 1,228,263 |
| - | 16,396 | 7,182,029 |
| - | 28,094 | 28,194 |
| - | - | 6,605 |
| <u>\$ 11,818,310</u> | <u>\$ 548,208</u> | <u>\$ 29,096,204</u> |
| | | |
| \$ 146,411 | \$ - | \$ 879,406 |
| - | - | 730,199 |
| - | - | 3,626,677 |
| 100 | - | 407,087 |
| <u>146,511</u> | <u>-</u> | <u>5,643,369</u> |
| | | |
| - | 16,396 | 110,375 |
| - | - | 6,526,717 |
| <u>-</u> | <u>16,396</u> | <u>6,637,092</u> |
| | | |
| | - | 6,605 |
| - | 48,945 | 48,945 |
| - | 8,985 | 8,985 |
| - | - | 27,609 |
| - | - | 853,282 |
| - | 473,882 | 473,882 |
| 11,671,799 | - | 11,671,799 |
| - | - | 7,355,225 |
| - | - | (3,630,589) |
| <u>11,671,799</u> | <u>531,812</u> | <u>16,815,743</u> |
| | | |
| <u>\$ 11,818,310</u> | <u>\$ 548,208</u> | <u>\$ 29,096,204</u> |

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City of Horseshoe Bay, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2023

| | |
|--|----------------------|
| Fund Balances - Total Governmental Funds | \$ 16,815,743 |
| Adjustments for the Statement of Net Position: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds. | |
| Capital assets - non-depreciable | 1,662,667 |
| Capital assets - net depreciable | 25,121,872 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. | |
| Property tax receivable | 110,375 |
| Assessments receivable | 6,526,717 |
| Net pension asset | 1,045 |
| Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then. | |
| Deferred charge on refunding | 131,552 |
| Pension contributions | 367,610 |
| Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. | |
| OPEB difference between assumptions and actual | (341) |
| Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds. | |
| Accrued interest | (242,827) |
| Compensated absences | (217,103) |
| Bond premium | (1,116,813) |
| OPEB liability | (1,094) |
| Non-current liabilities due in one year | (1,211,459) |
| Non-current liabilities due in more than one year | (23,464,661) |
| | <hr/> |
| | \$ 24,483,283 |

See Notes to Financial Statements.

City of Horseshoe Bay, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 1 of 2) For the Year Ended September 30, 2023

| | General | Summit Rock PID | Escondido PID |
|---|-------------------|-----------------------|------------------|
| <u>Revenues</u> | | | |
| Property tax | \$ 6,527,164 | \$ - | \$ - |
| Sales tax | 2,601,811 | - | - |
| Franchise and local taxes | 399,973 | - | - |
| License and permits | 1,099,158 | - | - |
| Charges for services | 1,185,974 | - | - |
| Fire and police | 424,702 | - | - |
| PID property assessments | - | 503,839 | 347,544 |
| Investment income | 546,977 | 8,651 | 30,372 |
| Other revenue | 160,045 | - | - |
| Total Revenues | 12,945,804 | 512,490 | 377,916 |
| <u>Expenditures</u> | | | |
| Current: | | | |
| General government | 2,363,264 | - | 26,219 |
| Police department | 2,986,175 | - | - |
| Development services | 1,211,985 | - | - |
| Fire | 2,937,323 | - | - |
| Animal control | 125,505 | - | - |
| Streets | 1,826,463 | - | - |
| Mowing and clearing | 624,657 | - | - |
| Technology services | 222,757 | - | - |
| Debt service: | | | |
| Principal | 15,109 | - | 210,000 |
| Interest | 2,268 | 262,437 | 90,688 |
| Bond issuance costs | - | - | - |
| Capital outlay | 179,604 | - | - |
| Total Expenditures | 12,495,110 | 262,437 | 326,907 |
| Excess of Revenues Over (Under) Expenditures | 450,694 | 250,053 | 51,009 |

| Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------|--|---|
| \$ - | \$ 1,730,734 | \$ 8,257,898 |
| - | - | 2,601,811 |
| - | - | 399,973 |
| - | - | 1,099,158 |
| - | - | 1,185,974 |
| - | - | 424,702 |
| - | - | 851,383 |
| 322,199 | 34,756 | 942,955 |
| - | 13,028 | 173,073 |
| <u>322,199</u> | <u>1,778,518</u> | <u>15,936,927</u> |
| - | 5,488 | 2,394,971 |
| - | 955 | 2,987,130 |
| - | - | 1,211,985 |
| - | - | 2,937,323 |
| - | - | 125,505 |
| - | - | 1,826,463 |
| - | - | 624,657 |
| - | - | 222,757 |
| - | 935,000 | 1,160,109 |
| - | 437,656 | 793,049 |
| 343,862 | - | 343,862 |
| 1,073,028 | - | 1,252,632 |
| <u>1,416,890</u> | <u>1,379,099</u> | <u>15,880,443</u> |
| (1,094,691) | 399,419 | 56,484 |

City of Horseshoe Bay, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 2 of 2) For the Year Ended September 30, 2023

| | General | Summit Rock PID | Escondido PID |
|--|---------------------|-----------------------|-------------------|
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers in | \$ 660,500 | \$ - | \$ - |
| Bond issuance | - | - | - |
| Premium from bond issuance | - | - | - |
| Sale of capital assets | 28,500 | - | - |
| Insurance recoveries | 8,300 | - | - |
| Total Other Financing Sources (Uses) | 697,300 | - | - |
| Net Change in Fund Balances | 1,147,994 | 250,053 | 51,009 |
| Beginning fund balances | 6,241,445 | (3,880,642) | 802,273 |
| Ending Fund Balances (Deficit) | \$ 7,389,439 | \$ (3,630,589) | \$ 853,282 |

See Notes to Financial Statements.

| Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------|--|---|
| \$ - | \$ - | \$ 660,500 |
| 11,845,000 | - | 11,845,000 |
| 604,972 | - | 604,972 |
| - | - | 28,500 |
| - | - | 8,300 |
| <u>12,449,972</u> | <u>-</u> | <u>13,147,272</u> |
| 11,355,281 | 399,419 | 13,203,756 |
| 316,518 | 132,393 | 3,611,987 |
| <u>\$ 11,671,799</u> | <u>\$ 531,812</u> | <u>\$ 16,815,743</u> |

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City of Horseshoe Bay, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|---------------|
| Net changes in fund balances - total governmental funds | \$ 13,203,756 |
|---|---------------|

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.

| | |
|----------------------|-------------|
| Capital outlay | 2,325,225 |
| Depreciation expense | (2,312,735) |

Revenues in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds.

| | |
|-------------------------------------|-----------|
| Property tax receivable | 52,711 |
| PID property assessments receivable | 1,823,849 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|-----------------------|-----------|
| Compensated absences | (2,189) |
| Accrued interest | (155,857) |
| Net pension liability | 368,655 |
| OPEB liability | (1,435) |

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | |
|---|--------------|
| Debt issuance | (12,449,972) |
| Amortization of deferred charges on refunding | (15,010) |
| Amortization of premium on debt | 81,337 |
| Principal payments | 1,160,109 |

| | |
|--|---------------------|
| Change in Net Position of Governmental Activities | \$ 4,078,444 |
|--|---------------------|

See Notes to Financial Statements.

City of Horseshoe Bay, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2023

| | Utility |
|--|----------------------|
| <u>Assets</u> | |
| <u>Current Assets</u> | |
| Cash and cash equivalents | \$ 4,005,831 |
| Receivables, net | 1,786,843 |
| Due from other funds | 378,893 |
| Total Current Assets | 6,171,567 |
| <u>Noncurrent Assets</u> | |
| Advance to other funds | 3,626,677 |
| Net pension asset | 405 |
| Capital assets: | |
| Non-depreciable | 419,561 |
| Net depreciable capital assets | 25,953,433 |
| Total Noncurrent Assets | 30,000,076 |
| Total Assets | 36,171,643 |
| <u>Deferred Outflows of Resources</u> | |
| Pension contributions | 142,251 |
| Deferred charge on refunding | 2,194 |
| Total Deferred Outflows of Resources | 144,445 |
| <u>Liabilities</u> | |
| <u>Current Liabilities</u> | |
| Accounts payable and accrued liabilities | 424,785 |
| Accrued interest | 76,882 |
| Customer deposits | 677,373 |
| Unearned revenue | 17,564 |
| Compensated absences, current | 47,247 |
| Long-term debt due within a year | 1,275,316 |
| Total Current Liabilities | 2,519,167 |
| <u>Noncurrent Liabilities</u> | |
| OPEB liability | 424 |
| Compensated absences | 5,250 |
| Long-term debt due in more than a year | 13,231,324 |
| Total Liabilities | 15,756,165 |
| <u>Deferred Inflows of Resources</u> | |
| OPEB deferred inflows | 132 |
| <u>Net Position</u> | |
| Net investment in capital assets | 11,868,548 |
| Restricted for pension | 142,656 |
| Unrestricted | 8,548,587 |
| Total Net Position | \$ 20,559,791 |

See Notes to Financial Statements.

City of Horseshoe Bay, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2023

| | <u>Utility</u> |
|--|-----------------------------|
| <u>Operating Revenues</u> | |
| Charges for services | \$ 12,024,310 |
| Other revenue | 23,074 |
| Total Operating Revenues | <u>12,047,384</u> |
| <u>Operating Expenses</u> | |
| Administration | 1,564,195 |
| Water production | 1,612,634 |
| Water distribution | 926,580 |
| Wastewater treatment | 640,687 |
| Wastewater collection | 1,984,638 |
| Solid waste recycling | 1,121,451 |
| Depreciation | 1,843,536 |
| Total Operating Expenses | <u>9,693,721</u> |
| Operating Income (Loss) | <u>2,353,663</u> |
| <u>Nonoperating Revenues (Expenses)</u> | |
| Investment income | 289,296 |
| Gain on sale of property | 28,829 |
| Interest expense | (426,314) |
| Total Nonoperating Revenues (Expenses) | <u>(108,189)</u> |
| Income (Loss) Before Transfers | 2,245,474 |
| Transfers (out) | <u>(660,500)</u> |
| Change in Net Position | 1,584,974 |
| Beginning net position | <u>18,974,817</u> |
| Ending Net Position | <u><u>\$ 20,559,791</u></u> |

See Notes to Financial Statements.

City of Horseshoe Bay, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2) For the Year Ended September 30, 2023

| | Utility |
|--|---------------------|
| <u>Cash Flows from Operating Activities</u> | |
| Receipts from customers | \$ 11,923,122 |
| Payments to suppliers | (6,367,017) |
| Payments to employees | (1,702,180) |
| Payments to other funds | 12,123 |
| Net Cash Provided by Operating Activities | 3,866,048 |
| <u>Cash Flows from Noncapital Financing Activities</u> | |
| Operating transfers (out) | (660,500) |
| Net Cash Provided (Used) by Noncapital Financing Activities | (660,500) |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Capital purchases | (2,714,962) |
| Proceeds from sale of capital assets | 28,829 |
| Collections of advance to other funds | 229,279 |
| Principal paid on debt | (1,223,723) |
| Interest paid on debt | (489,215) |
| Net Cash (Used) by Capital and Related Financing Activities | (4,169,792) |
| <u>Cash Flows from Investing Activities</u> | |
| Interest on investments | 289,296 |
| Net Cash Provided by Investing Activities | 289,296 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (674,948) |
| Beginning cash and cash equivalents | 4,680,779 |
| Ending Cash and Cash Equivalents | \$ 4,005,831 |

See Notes to Financial Statements.

City of Horseshoe Bay, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2023

| | <u>Utility</u> |
|--|---------------------|
| <u>Reconciliation of Operating Income</u> | |
| <u>to Net Cash Provided by Operating Activities</u> | |
| Operating Income | \$ 2,353,663 |
| Adjustments to reconcile operating income to net cash provided: | |
| Depreciation | 1,843,536 |
| Changes in Operating Assets and Liabilities: | |
| (Increase) Decrease in: | |
| Accounts receivable | (157,018) |
| Due from/to other funds | 12,123 |
| Net pension and deferrals | (142,656) |
| OPEB liability and deferrals | 556 |
| Increase (Decrease) in: | |
| Accounts payable and accrued liabilities | (81,027) |
| Compensated absences | 4,115 |
| Customer deposits | 32,756 |
| Net Cash Provided by Operating Activities | \$ 3,866,048 |

See Notes to Financial Statements.

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City of Horseshoe Bay, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide 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. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

At a special election held on September 10, 2005, voters approved incorporation of the City of Horseshoe Bay, Texas (the "City") as a Type A, General-Law Municipality. At a special election held on November 8, 2005, voters elected a mayor and five Council Members. In January 2006, the City approved a strategic partnership agreement with Lake LBJ Municipal Utility District (the "District"). Pursuant to the terms of the agreement, on March 6, 2006, the City annexed the District. All assets, liabilities, and equity of the District were transferred to the City and the District was subsequently dissolved. The City became a Home Rule City when a majority of the voters approved the Home Rule Charter at a special election held on May 9, 2009.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria

City of Horseshoe Bay, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

C. Basis of Presentation Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and other taxes, licenses and permits, and charges for services. Expenditures include general government, public safety, and public works.

Summit Rock PID Fund

The Summit Rock PID fund is used to account for all activities of the Summit Rock Public Improvement District.

Escondido PID Fund

The Escondido PID fund is used to account for all activities of the Escondido Public Improvement District.

Capital Projects Fund

The Capital Projects fund is used to account for construction activities of governmental activities

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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The government reports the following major enterprise fund:

Utility Fund

This fund is used to account for the provision of water, wastewater, and solid waste recycling services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems, and solid waste recycling services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

City of Horseshoe Bay, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

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The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. 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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances

City of Horseshoe Bay, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

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

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost (except for right-to-use lease assets, the measurement of which is discussed in Note 13) if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

| Asset Description | Estimated Useful Life |
|----------------------------|------------------------------|
| Vehicles | 5 years |
| Equipment | 7 years |
| Right-to-use leased assets | 3 – 5 years |
| Infrastructure | 20-40 years |
| Street improvements | 20 years |
| Buildings and improvements | 30 years |

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and PID property assessments revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

9. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of

City of Horseshoe Bay, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The government adopted a policy for the general fund that requires a minimum cash flow reserve equal to or greater than \$2,500,000 or three months of total operating expenses, plus debt service reserves as required by debt indentures. As of September 30, 2023, the City was in compliance with this policy.

The government also adopted a policy for the water utility fund that requires excess funds each year to create a cash reserve. The target amount of the reserve fund will be three months of personnel and operating expenses. As of September 30, 2023, the City was in compliance with this policy.

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

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NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred in accordance with GASB statement no. 65.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

13. Leases

The City is a lessee for a noncancellable lease of office equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an individual value of \$5,000 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.

City of Horseshoe Bay, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

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Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as 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.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

14. Estimates

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

15. Subscription Based Information Technology Arrangements ("SBITA")

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements ("SBITA"). The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in

City of Horseshoe Bay, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

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combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of an SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and enterprise funds.

The appropriated budget is prepared by fund, function, and department. The legal level of control is the department level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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A. Expenditures in Excess of Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:

| | |
|-----------|----------|
| Police | \$ 8,199 |
| Fire | 3,936 |
| Principal | 4,545 |
| Interest | 684 |

B. Deficit Fund Equity

The Summit PID fund had a deficit fund balance of \$3,630,589 as of September 30, 2023 primarily due to an advance owed to the Water Utility fund. The fund plans to repay the principal amounts owed when sufficient lots are sold for the development to provide property assessments to service the principal payments. Until then, the fund is making interest payments and small repayments on the advances with property assessments. The deficit in fund balance as of September 30, 2022 was \$3,880,642.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2023, the primary government had the following investments:

| Investment Type | Value | Average Maturity (Years) |
|-------------------------------------|----------------------|-----------------------------|
| External investment pools | \$ 23,215,473 | 0.09 |
| Total value | <u>\$ 23,215,473</u> | |
| Portfolio weighted average maturity | | 0.09 |

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed six months; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

City of Horseshoe Bay, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

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Credit risk – The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2023, the market values of pledged securities and FDIC full insured all deposit balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

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NOTES TO FINANCIAL STATEMENTS, Continued
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TexasCLASS

Texas CLASS is a local government investment pool created to meet the cash management and short-term investment needs of Texas governmental entities. Texas CLASS Government seeks to provide participants with a competitive market yield while maintaining daily liquidity and a stable net asset value. Texas CLASS Government is rated 'AAAm' by S&P Global Ratings. There were no limitations or restrictions on withdrawals.

B. Receivables

The following comprise receivable balances of the primary government at year end:

| | General | Summit Rock PID | Escondido PID | Nonmajor Govt. | Utility | Total |
|-------------------------|-------------------|----------------------------|--------------------------|---------------------------|---------------------|---------------------|
| Property taxes | \$ 95,793 | \$ - | \$ - | \$ 16,396 | \$ - | \$ 112,189 |
| Sales tax | 433,182 | - | - | - | - | 433,182 |
| Franchise & local taxes | 102,414 | - | - | - | - | 102,414 |
| Assessments - long-term | - | 3,889,487 | 2,625,000 | - | - | 6,514,487 |
| Assessments - delinq. | - | 7,980 | 4,250 | - | - | 12,230 |
| Liens | 52,187 | - | - | - | - | 52,187 |
| Accounts | 7,527 | - | - | - | 1,929,145 | 1,936,672 |
| Allowance | (52,187) | - | - | - | (142,302) | (194,489) |
| | <u>\$ 638,916</u> | <u>\$ 3,897,467</u> | <u>\$ 2,629,250</u> | <u>\$ 16,396</u> | <u>\$ 1,786,843</u> | <u>\$ 8,968,872</u> |

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

| | Beginning Balances | Increases | Disposals / Reclassifications | Ending Balances |
|--|-------------------------------|-------------------------|--|-----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 146,856 | \$ - | \$ - | \$ 146,856 |
| Construction in progress | 83,791 | 1,432,021 | - | 1,515,812 |
| Total capital assets not being depreciated | <u>230,647</u> | <u>1,432,021</u> | <u>-</u> | <u>1,662,668</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 36,603,015 | 723,653 | - | 37,326,668 |
| Buildings and improvements | 4,545,298 | 13,180 | - | 4,558,478 |
| Right to use leased equipment | 76,206 | - | - | 76,206 |
| Machinery and equipment | 4,016,826 | 156,371 | (84,679) | 4,088,518 |
| Total capital assets being depreciated | <u>45,241,345</u> | <u>893,204</u> | <u>(84,679)</u> | <u>46,049,870</u> |
| Less accumulated depreciation | | | | |
| Infrastructure | 12,994,673 | 1,867,067 | - | 14,861,740 |
| Buildings and improvements | 2,944,322 | 147,333 | - | 3,091,655 |
| Right to use leased equipment | 11,048 | 17,033 | - | 28,081 |
| Machinery and equipment | 2,749,900 | 281,302 | (84,679) | 2,946,523 |
| Total accumulated depreciation | <u>18,699,943</u> | <u>2,312,735</u> | <u>(84,679)</u> | <u>20,927,999</u> |
| Net capital assets being depreciated | <u>26,541,402</u> | <u>(1,419,531)</u> | <u>-</u> | <u>25,121,871</u> |
| Total Capital Assets | <u><u>\$ 26,772,049</u></u> | <u><u>\$ 12,490</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 26,784,539</u></u> |

Depreciation was charged to governmental functions as follows:

| | |
|---|----------------------------|
| General government | \$ 79,711 |
| Public safety | 323,872 |
| Streets | 1,883,326 |
| Development services | 10,084 |
| Culture and recreation | 15,742 |
| Total Governmental Activities Depreciation Expense | <u><u>\$ 2,312,735</u></u> |

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

A summary of changes in business-type activities capital assets for the year end was as follows:

| | Beginning Balances | Increases | Disposals / Reclassifications | Ending Balances |
|--|-------------------------------|--------------------------|--|-----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 419,561 | \$ - | \$ - | \$ 419,561 |
| Total capital assets not being depreciated | <u>419,561</u> | <u>-</u> | <u>-</u> | <u>419,561</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 53,681,351 | 2,332,280 | - | 56,013,631 |
| Buildings and improvements | 1,252,468 | 16,158 | - | 1,268,626 |
| Right to use assets | 7,504 | - | - | 7,504 |
| Machinery and equipment | 4,135,097 | 366,524 | - | 4,501,621 |
| Total capital assets being depreciated | <u>59,076,420</u> | <u>2,714,962</u> | <u>-</u> | <u>61,791,382</u> |
| Less accumulated depreciation | | | | |
| Infrastructure | 30,001,380 | 1,512,459 | - | 31,513,839 |
| Buildings and improvements | 787,500 | 56,440 | - | 843,940 |
| Right to use assets | 3,602 | 3,902 | - | 7,504 |
| Machinery and equipment | 3,201,931 | 270,735 | - | 3,472,666 |
| Total accumulated depreciation | <u>33,994,413</u> | <u>1,843,536</u> | <u>-</u> | <u>35,837,949</u> |
| Net capital assets being depreciated | 25,082,007 | 871,426 | - | 25,953,433 |
| Total Capital Assets | <u><u>\$ 25,501,568</u></u> | <u><u>\$ 871,426</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 26,372,994</u></u> |

Depreciation was charged to business-type activities as follows:

| | |
|--|----------------------------|
| Utility | <u>\$ 1,843,536</u> |
| Total Business-type Activities Depreciation Expense | <u><u>\$ 1,843,536</u></u> |

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. The City uses the debt service fund to liquidate the majority of governmental activities debts.

| | Beginning Balance | Additions | Decreases | Ending Balance | Amounts Due within One Year |
|--|------------------------------|----------------------|-----------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Bonds, notes and other payables: | | | | | |
| Combination Tax and Revenue | | | | | |
| Certificates of Obligation | \$ 8,195,000 | \$ 4,050,000 | \$ (635,000) | \$ 11,610,000 | \$ 595,000 |
| General Obligation Bonds | 2,675,000 | 7,795,000 | (300,000) | 10,170,000 | 380,000 |
| PID Special Assessments Bond | 3,055,000 | - | (210,000) | 2,845,000 | 220,000 |
| Lease liabilities | 66,229 | - | (15,109) | 51,120 | 16,459 |
| Less deferred amounts: | | | | | |
| For issuance premiums | 593,178 | 604,972 | (81,337) | 1,116,813 | - |
| Total Governmental Activities | \$ 14,584,407 | \$ 12,449,972 | \$ (1,241,446) | \$ 25,792,933 | \$ 1,211,459 |
| Long-term liabilities due in more than one year | | | | \$ 24,581,474 | |
| Business-Type Activities: | | | | | |
| General Obligation Bonds | \$ 4,115,000 | \$ - | \$ (635,000) | \$ 3,480,000 | \$ 665,000 |
| Certificates of Obligation | 11,050,000 | - | (585,000) | 10,465,000 | 610,000 |
| Lease liabilities | 4,039 | - | (3,723) | 316 | 316 |
| Less deferred amounts: | | | | | |
| For issuance premiums | 624,566 | - | (63,242) | 561,324 | - |
| Total Business-Type Activities | \$ 15,793,605 | \$ - | \$ (1,286,965) | \$ 14,506,640 | \$ 1,275,316 |
| Long-term liabilities due in more than one year | | | | \$ 13,231,324 | |

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Long-term debt at year end was comprised of the following debt issues:

| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|---|------------------------------------|--------------------------------------|-----------------------------|
| Certificates of Obligation: | | | |
| \$9,800,000 Certificates of Obligation, Series 2014, due in annual installments through 2039, interest at 2-3.75% | \$ 3,830,000 | \$ 3,370,000 | \$ 7,200,000 |
| \$3,770,000 Certificates of Obligation, Series 2016, due in annual installments through 2031, interest at 2-4% | 330,000 | 1,685,000 | 2,015,000 |
| \$5,920,000 Certificates of Obligation, Series 2019, due in annual installments through 2039, interest at 2-4% | - | 5,410,000 | 5,410,000 |
| \$3,925,000 Certificates of Obligation, Series 2020, due in annual installments through 2039, interest at 2% | 3,580,000 | - | 3,580,000 |
| \$4,050,000 Certificates of Obligation, Series 2022, due in annual installments through 2042, interest at 5% | 3,870,000 | - | 3,870,000 |
| Total Certificates of Obligation | <u>\$ 11,610,000</u> | <u>\$ 10,465,000</u> | <u>\$ 22,075,000</u> |
| PID Special Assessment Bond: | | | |
| \$3,270,000 PID Special Assessment Bond, Series 2020, due in annual installments through 2034, interest at 3-3.25% | \$ 2,845,000 | \$ - | \$ 2,845,000 |
| General Obligation Bonds: | | | |
| \$7,500,000 General Obligation, Series 2007, due in installments through 2027, interest at 4.04% | \$ - | \$ 1,980,000 | \$ 1,980,000 |
| \$7,500,000 General Obligation Refunding Bonds, Series 2020, due in installments through 2030, interest at 2-5% | 2,375,000 | 1,500,000 | 3,875,000 |
| \$7,795,000 General Obligation Refunding Bonds, Series 2023, due in installments through 2053, interest at 4-5% | 7,795,000 | - | 7,795,000 |
| Total General Obligation Bonds | <u>\$ 10,170,000</u> | <u>\$ 3,480,000</u> | <u>\$ 13,650,000</u> |
| Less deferred amounts: | | | |
| Issuance premium | \$ 1,116,813 | \$ 561,324 | \$ 1,678,137 |
| Lease Liabilities | \$ 51,120 | \$ 316 | \$ 51,436 |
| Total Debt | <u><u>\$ 25,792,933</u></u> | <u><u>\$ 14,506,640</u></u> | <u><u>\$ 40,299,573</u></u> |

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

| Year ending September 30, | Governmental Activities | | | | | |
|------------------------------|--------------------------|---------------------|----------------------------|---------------------|-------------------------|-------------------|
| | General Obligation Bonds | | Certificates of Obligation | | 2020 Prop. Assess. Bond | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | \$ 380,000 | \$ 480,530 | \$ 595,000 | \$ 388,884 | \$ 220,000 | \$ 84,238 |
| 2025 | 450,000 | 412,063 | 615,000 | 369,559 | 230,000 | 77,488 |
| 2026 | 465,000 | 400,363 | 630,000 | 349,084 | 235,000 | 70,513 |
| 2027 | 475,000 | 384,963 | 535,000 | 328,009 | 240,000 | 63,388 |
| 2028 | 490,000 | 365,763 | 555,000 | 310,453 | 250,000 | 56,038 |
| 2029 | 515,000 | 344,413 | 580,000 | 291,978 | 255,000 | 48,463 |
| 2030 | 535,000 | 320,088 | 595,000 | 272,659 | 265,000 | 40,663 |
| 2031 | 170,000 | 302,713 | 615,000 | 252,596 | 275,000 | 32,563 |
| 2032 | 180,000 | 294,213 | 640,000 | 231,619 | 285,000 | 23,807 |
| 2033 | 190,000 | 285,213 | 660,000 | 209,553 | 290,000 | 14,463 |
| 2034 | 200,000 | 275,713 | 690,000 | 186,541 | 300,000 | 4,875 |
| 2035 | 205,000 | 265,713 | 710,000 | 161,756 | - | - |
| 2036 | 220,000 | 255,463 | 735,000 | 137,556 | - | - |
| 2037 | 230,000 | 244,463 | 760,000 | 113,000 | - | - |
| 2038 | 240,000 | 232,963 | 790,000 | 88,016 | - | - |
| 2039 | 250,000 | 220,963 | 820,000 | 61,788 | - | - |
| 2040 | 265,000 | 208,463 | 515,000 | 40,263 | - | - |
| 2041 | 280,000 | 195,213 | 280,000 | 24,225 | - | - |
| 2042 | 290,000 | 181,213 | 290,000 | 12,325 | - | - |
| 2043 | 305,000 | 166,713 | - | - | - | - |
| 2044 | 320,000 | 154,513 | - | - | - | - |
| 2045 | 330,000 | 141,713 | - | - | - | - |
| 2046 | 345,000 | 128,513 | - | - | - | - |
| 2047 | 360,000 | 114,713 | - | - | - | - |
| 2048 | 375,000 | 100,313 | - | - | - | - |
| 2049 | 390,000 | 85,313 | - | - | - | - |
| 2050 | 405,000 | 69,713 | - | - | - | - |
| 2051 | 420,000 | 53,513 | - | - | - | - |
| 2052 | 435,000 | 36,713 | - | - | - | - |
| 2053 | 455,000 | 18,769 | - | - | - | - |
| | <u>\$ 10,170,000</u> | <u>\$ 6,740,988</u> | <u>\$ 11,610,000</u> | <u>\$ 3,829,864</u> | <u>\$ 2,845,000</u> | <u>\$ 516,498</u> |

City of Horseshoe Bay, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

The PID special assessment bond is secured solely by the pledged property assessments revenue for the related properties within the Escondido PID area. The debt is repaid with property assessments by the respective homeowners. The City is not obligated to pay the bonds from any funds raised from taxation or from any other revenues available to the City. The City through their designated trustee and third-party administrator set up a separate fund used to service the bond, collect the property assessments, and for initiating any future foreclosures.

| Year ending September 30, | Governmental Activities | |
|------------------------------|-------------------------|-----------------|
| | Leases | |
| | Principal | Interest |
| 2024 | \$ 16,459 | \$ 1,626 |
| 2025 | 16,352 | 955 |
| 2026 | 9,852 | 448 |
| 2027 | 8,457 | 115 |
| | <u>\$ 51,120</u> | <u>\$ 3,144</u> |

The City entered into a four separate five-year lease agreement as lessee for the acquisition and use office equipment. The total initial lease liability for these agreements was recorded in the amount of \$85,163. As of September 30, 2023, the value of the lease liability was \$51,120. The City is required to make monthly principal and interest payments ranging from of \$186 to \$658. The leases have an interest rate of 4%. The equipment has a five-year estimated useful life. The value of the right-to-use assets as of the end of the current fiscal year was \$76,206, and had accumulated amortization of \$28,081.

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

| Year ending September 30, | Business-Type Activities | | | |
|------------------------------|--------------------------|-------------------|---------------------|-------------------|
| | 2007 G.O. Bond | | 2020 G.O Bond | |
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 465,000 | \$ 79,992 | \$ 200,000 | \$ 48,400 |
| 2025 | 485,000 | 61,206 | 200,000 | 44,400 |
| 2026 | 505,000 | 41,612 | 200,000 | 40,400 |
| 2027 | 525,000 | 21,210 | 210,000 | 34,200 |
| 2028 | - | - | 220,000 | 25,600 |
| 2029 | - | - | 230,000 | 16,600 |
| 2030 | - | - | 240,000 | 6,000 |
| | <u>\$ 1,980,000</u> | <u>\$ 204,020</u> | <u>\$ 1,500,000</u> | <u>\$ 215,600</u> |

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

| Year ending September 30, | Business-Type Activities | | | | | |
|------------------------------|--------------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| | 2014 C.O.O. | | 2016 C.O.O. | | 2019 C.O.O. | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | \$ 155,000 | \$ 113,498 | \$ 185,000 | \$ 67,400 | \$ 270,000 | \$ 136,450 |
| 2025 | 165,000 | 109,085 | 190,000 | 60,000 | 280,000 | 125,650 |
| 2026 | 165,000 | 104,135 | 200,000 | 52,400 | 295,000 | 114,450 |
| 2027 | 175,000 | 99,035 | 205,000 | 44,400 | 305,000 | 102,650 |
| 2028 | 180,000 | 93,485 | 215,000 | 36,200 | 315,000 | 90,450 |
| 2029 | 185,000 | 87,554 | 220,000 | 27,600 | 325,000 | 84,150 |
| 2030 | 195,000 | 81,379 | 230,000 | 18,800 | 330,000 | 77,650 |
| 2031 | 200,000 | 74,960 | 240,000 | 9,600 | 335,000 | 71,050 |
| 2032 | 210,000 | 68,088 | - | - | 345,000 | 64,350 |
| 2033 | 220,000 | 60,670 | - | - | 350,000 | 57,450 |
| 2034 | 225,000 | 52,994 | - | - | 355,000 | 50,450 |
| 2035 | 235,000 | 44,413 | - | - | 365,000 | 42,906 |
| 2036 | 250,000 | 34,713 | - | - | 370,000 | 35,150 |
| 2037 | 260,000 | 25,000 | - | - | 380,000 | 26,825 |
| 2038 | 270,000 | 15,394 | - | - | 390,000 | 18,275 |
| 2039 | 280,000 | 5,250 | - | - | 400,000 | 9,500 |
| | <u>\$ 3,370,000</u> | <u>\$ 1,069,650</u> | <u>\$ 1,685,000</u> | <u>\$ 316,400</u> | <u>\$ 5,410,000</u> | <u>\$ 1,107,406</u> |

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City.

| Year ending September 30, | Business-Type Activities | |
|------------------------------|--------------------------|-------------|
| | Leases | |
| | Principal | Interest |
| 2024 | \$ 316 | \$ 1 |
| | <u>\$ 316</u> | <u>\$ 1</u> |

During fiscal year 2021, the City entered into a three-year lease agreement as lessee for the acquisition and use office equipment. An initial lease liability was recorded in the amount of \$10,806 during the prior fiscal year. As of September 30, 2023, the value of the lease liability was \$316. The City is required to make monthly principal and interest payments of \$318. The lease has an interest rate of 4%. The equipment has a three-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$7,504 and had accumulated amortization of \$7,204.

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

E. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general and enterprise funds to liquidate compensated absences.

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|------------------------------|-------------------|---------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 214,914 | \$ 195,612 | \$ (193,423) | \$ 217,103 | \$ 195,393 |
| Total Governmental Activities | <u>\$ 214,914</u> | <u>\$ 195,612</u> | <u>\$ (193,423)</u> | <u>\$ 217,103</u> | <u>\$ 195,393</u> |
| Other Long-term Liabilities Due in More than One Year | | | | <u>\$ 21,710</u> | |
| Business-Type Activities: | | | | | |
| Compensated Absences | \$ 48,382 | \$ 47,659 | \$ (43,544) | \$ 52,497 | \$ 47,247 |
| Total Business-Type Activities | <u>\$ 48,382</u> | <u>\$ 47,659</u> | <u>\$ (43,544)</u> | <u>\$ 52,497</u> | <u>\$ 47,247</u> |
| Other Long-term Liabilities Due in More than One Year | | | | <u>\$ 5,250</u> | |

F. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2019 general obligation refunding bonds and 2020 series refunding special assessment bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding debts. Current year balances for governmental and business-type activities totaled \$131,552 and \$2,194, respectively. Current year amortization expense for governmental and business-type activities totaled \$15,010 and \$344, respectively.

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

G. Interfund Transactions

Transfers between the primary government funds during the 2023 year were as follows:

| | <u>Transfer In</u> | |
|----------------------|--------------------|-------------------|
| <u>Transfer out:</u> | <u>General</u> | <u>Total</u> |
| Utility | \$ 660,500 | \$ 660,500 |
| | <u>\$ 660,500</u> | <u>\$ 660,500</u> |

The compositions of interfund due to/from balances as of the year ended September 30, 2023 were as follows:

| | <u>Due from: (Receivable Fund)</u> | | | |
|-------------------------------|------------------------------------|---------------------|-------------------|-------------------|
| <u>Due to: (Payable Fund)</u> | <u>General</u> | <u>Debt service</u> | <u>Utility</u> | <u>Total</u> |
| Capital projects | \$ 100 | \$ - | \$ - | \$ 100 |
| General | - | 28,094 | - | 28,094 |
| Summit Rock PID | - | - | 378,893 | 378,893 |
| Total | <u>\$ 100</u> | <u>\$ 28,094</u> | <u>\$ 378,893</u> | <u>\$ 407,087</u> |

Interfund balances resulted from the timing difference 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. All balances are expected to be paid in the subsequent year.

The compositions of interfund advances to/from balances as of the year ended September 30, 2023 were as follows:

| | <u>Advances from:</u> | |
|---------------------|------------------------|---------------------|
| <u>Advances to:</u> | <u>Summit Rock PID</u> | <u>Total</u> |
| Utility | \$ 3,626,677 | \$ 3,626,677 |
| Total | <u>\$ 3,626,677</u> | <u>\$ 3,626,677</u> |

The amount indicated as an “advance to/from” within the table above relates to the remaining balance of the note between the Summit Rock PID and the City to finance water and wastewater capital improvements for the Summit Rock PID area. This note accrues interest between 3% and 7% at an interest rate of prime, and is being repaid with annual property assessments collected by the Summit Rock PID.

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

H. Restricted/Committed Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of net position/fund balances restricted by the City:

| | Governmental Funds Restricted | Governmental Activities Restricted | Business-Type Activities Restricted |
|---------------------------------------|--|---|--|
| Court tech. and security | \$ 19,479 * | \$ 19,479 | \$ - |
| Police department seizures | 8,985 * | 8,985 | - |
| PEG | 27,609 * | 27,609 | - |
| Child safety | 29,466 * | 29,466 | - |
| PID activities, include. debt service | 853,282 | 3,749,410 | - |
| Debt service | 473,882 | 473,882 | - |
| Capital projects | 11,671,799 | - | - |
| Pension | - | 368,655 | 142,656 |
| | <u>\$ 13,084,502</u> | <u>\$ 4,677,486</u> | <u>\$ 142,656</u> |

* Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

B. Contingent Liabilities

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does not anticipate that it will have an arbitrage liability and performs periodic calculations to estimate whether any potential liability exists. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

D. Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City of Horseshoe Bay participates as one of 920 plans in the nontraditional, joint contributory, hybrid 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 (the TMRS Act) as an agent multiple-employer retirement system for municipal

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

2. Benefits Provided

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

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

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

| | <u>Plan Year 2022</u> |
|---|-----------------------|
| Employee deposit rate | 7% |
| Matching ratio (city to employee) | 2 to 1 |
| Years required for vesting | 5 |
| Service retirement eligibility (expressed as age / years of service) | 60/5, 0/20 |
| Updated service credit | 0% |
| Annuity increase (to retirees) | 0% of CPI |
| Supplemental death benefit to active employees | Yes |
| Supplemental death benefit to retirees | Yes |

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | <u>2022</u> |
|--|-------------|
| Inactive employees or beneficiaries currently receiving benefits | 0 |
| Inactive employees entitled to but not yet receiving benefits | 0 |
| Active employees | <u>105</u> |
| Total | <u>105</u> |

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Horseshoe Bay, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City of Horseshoe Bay, Texas was 8.31% for the calendar year 2023. The City's contributions to TMRS for the year ended September 30, 2023, were \$526,434 and were equal to the required contributions.

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

City of Horseshoe Bay, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

Actuarial assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation | 2.50% per year |
| Overall payroll growth | 3.0% per year |
| Investment Rate of Return | 6.75% net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 1, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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. In determining their best estimate of a recommended investment return assumption under the various alternative

City of Horseshoe Bay, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

asset allocation portfolios, Gabriel Roeder Smith & Company (GRS) focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|--------------------------|--|
| 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 | 100.0% | |

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee 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 active and inactive employees. 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.

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

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

| 1% Decrease | Current Single Rate | 1% Increase |
|--------------------|----------------------------|--------------------|
| 5.75% | Assumption 6.75% | 7.75% |
| \$ 5,355 | \$ (1,450) | \$ (6,872) |

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Changes in the Net Pension Liability:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|---------------------------------------|--|--|--|
| Balance at 12/31/21 | \$ - | \$ - | \$ - |
| Changes for the year: | | | |
| Service Cost | 44,177 | - | 44,177 |
| Interest (on the Total Pension Liab.) | 1,357 | - | 1,357 |
| Change in benefit terms | (1,984) | - | (1,984) |
| Contributions – employer | - | 24,425 | (24,425) |
| Contributions – employee | - | 20,575 | (20,575) |
| Net changes | 43,550 | 45,000 | (1,450) |
| Balance at 12/31/22 | \$ 43,550 | \$ 45,000 | \$ (1,450) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$22,975.

The general fund and utility fund are used to liquidate pension liabilities.

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

| | Deferred Outflows of Resources |
|---|---|
| Contributions subsequent to the measurement date | \$ 509,861 |
| Total | \$ 509,861 |

The City reported \$509,861 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2024.

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 0 |
| Inactive employees entitled to but not yet receiving benefits | 0 |
| Active employees | 105 |
| Total | 105 |

The City's contributions to the TMRS SDBF for the year ended September 30, 2023 were \$0.

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2022, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.5% to 11.50%, including inflation per year |
| Discount rate | 4.05% |
| Retirees' share of benefit-related costs | \$0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68 |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP. For disabled annuitants, the 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.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.05%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate.

| 1% Decrease 3.05% | Current Single Rate Assumption 4.05% | 1% Increase 5.05% |
|----------------------|---|----------------------|
| \$ 1,599 | \$ 1,518 | \$ 1,108 |

Changes in the Total OPEB Liability:

| | Total OPEB Liability |
|----------------------------|---------------------------------|
| Balance at 12/31/21 | \$ - |
| Changes for the year: | |
| Service Cost | 2,025 |
| Interest | 19 |
| Changes of assumptions | (526) |
| Net changes | 1,518 |
| Balance at 12/31/22 | \$ 1,518 |

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$1,991.

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

| | Deferred Inflows of Resources |
|------------------------|--|
| Changes in assumptions | \$ 473 |
| Total | \$ 473 |

City of Horseshoe Bay, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended December 31: | | |
|--------------------------------|----|--------------|
| 2023 | \$ | (53) |
| 2024 | | (53) |
| 2025 | | (53) |
| 2026 | | (53) |
| 2027 | | (53) |
| Thereafter | | (208) |
| | \$ | <u>(473)</u> |

The OPEB plan is not administered through a trust, or equivalent arrangement, and there are no assets accumulated in a GASB-compliant trust.

E. Subsequent Events

On January 16, 2024, The City issued a \$8,390,000 Combination Tax and Revenue Certificate of Obligation. The debt bears interest at 4% - 5% per annum, and will be repaid annually with final payment on August 15, 2044.

Subsequent events were evaluated through May 2, 2024, the date the financial statements were available to be issued.

F. New Accounting Pronouncements

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled subscription-based information technology arrangements ("SBITA"). Due to the implementation of GASB 96, the City will record subscription assets and subscription liabilities based on the present value of the payments for the related arrangements. The assets are included within capital assets, and depreciated straight-line over the term of the arrangement. The liabilities accrue interest at the implied rate estimated by the City, and are relieved with payments over the term of the arrangements. There were no such arrangements meeting this criteria as of September 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

City of Horseshoe Bay, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2023

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|------------------------------|---------------------|---------------------|-------------------|-------------------------------|
| <u>Revenues</u> | | | | |
| Property tax | \$ 6,543,300 | \$ 6,543,300 | \$ 6,527,164 | \$ (16,136) |
| Sales tax | 2,597,200 | 2,950,000 | 2,601,811 | (348,189) |
| Franchise and local taxes | 328,800 | 376,800 | 399,973 | 23,173 |
| License and permits | 635,000 | 659,000 | 1,099,158 | 440,158 |
| Charges for services | 1,248,250 | 1,248,250 | 1,185,974 | (62,276) |
| Fire and police | 371,250 | 371,250 | 424,702 | 53,452 |
| Investment income | 15,000 | 475,000 | 546,977 | 71,977 |
| Other revenue | 135,100 | 135,100 | 160,045 | 24,945 |
| Total Revenues | 11,873,900 | 12,758,700 | 12,945,804 | 187,104 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| General government | 2,804,595 | 2,679,395 | 2,363,264 | 316,131 |
| Police department | 2,951,706 | 2,978,056 | 2,986,175 | (8,119) * |
| Development services | 1,175,264 | 1,213,114 | 1,211,985 | 1,129 |
| Fire | 2,933,387 | 2,933,387 | 2,937,323 | (3,936) * |
| Animal control | 211,650 | 136,650 | 125,505 | 11,145 |
| Streets | 797,750 | 1,909,350 | 1,826,463 | 82,887 |
| Mowing and clearing | 655,000 | 655,000 | 624,657 | 30,343 |
| Technology services | 219,100 | 225,100 | 222,757 | 2,343 |
| Debt service: | | | | |
| Principal | 10,564 | 10,564 | 15,109 | (4,545) * |
| Interest | 1,584 | 1,584 | 2,268 | (684) * |
| Capital outlay | 274,500 | 579,000 | 179,604 | 399,396 |
| Total Expenditures | 12,035,100 | 13,321,200 | 12,495,110 | 826,090 |
| Revenues Over (Under) | | | | |
| Expenditures | \$ (161,200) | \$ (562,500) | \$ 450,694 | \$ 1,013,194 |

City of Horseshoe Bay, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Page 2 of 2)
For the Year Ended September 30, 2023

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|---------------------|----------------------------|---------------------------------------|
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers in | \$ 660,500 | \$ 660,500 | \$ 660,500 | \$ - |
| Transfers (out) | - | (150,000) | - | 150,000 |
| Sale of capital assets | 52,000 | 52,000 | 28,500 | (23,500) |
| Insurance recoveries | - | - | 8,300 | 8,300 |
| Total Other Financing Sources | | | | |
| (Uses) | <u>712,500</u> | <u>562,500</u> | <u>697,300</u> | <u>134,800</u> |
| Net Change in Fund Balance | <u>\$ 551,300</u> | <u>\$ -</u> | <u>1,147,994</u> | <u>\$ 1,147,994</u> |
| Beginning fund balance | | | <u>6,241,445</u> | |
| Ending Fund Balance | | | <u><u>\$ 7,389,439</u></u> | |

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* Expenditures exceeded appropriations at the legal level of control.

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City of Horseshoe Bay, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Year Ended December 31,

| | ¹ 12/31/2022 |
|---|-------------------------|
| Total pension liability | |
| Service cost | \$ 44,177 |
| Interest | 1,357 |
| Changes in benefit terms (TMRS Plan Participation) | (1,984) |
| Net change in total pension liability | 43,550 |
| Total pension liability - beginning | - |
| Total pension liability - ending (a) | \$ 43,550 |
| Plan fiduciary net position | |
| Contributions - employer | \$ 24,425 |
| Contributions - members | 20,575 |
| Net change in plan fiduciary net position | 45,000 |
| Plan fiduciary net position - beginning | - |
| Plan fiduciary net position - ending (b) | \$ 45,000 |
| Fund's net pension liability (asset) - ending (a) - (b) | \$ (1,450) |
| Plan fiduciary net position as a percentage of the total pension liability | 103.33% |
| Covered payroll | \$ 293,924 |
| Fund's net position as a percentage of covered payroll | -0.49% |

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

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City of Horseshoe Bay, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

| | <u>9/30/2023</u> ¹ |
|--|-------------------------------|
| Actuarially determined employer contributions | \$ 526,434 |
| Contributions in relation to the actuarially determined contribution | \$ 526,434 |
| Contribution deficiency (excess) | \$ - |
| Annual covered employee payroll | \$ 6,334,940 |
| Employer contributions as a percentage of covered employee payroll | 8.31% |

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 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 | N/A |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.0% to 11.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018 |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

Other Information:

Notes There were no benefit changes during the year other than TMRS plan participation.

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City of Horseshoe Bay, Texas
SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION (OPEB) LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Year Ended December 31,

| | ¹ 2022 |
|--|--------------------------|
| Total OPEB liability | |
| Service cost | \$ 2,025 |
| Interest | 19 |
| Changes of assumptions | (526) |
| Net changes | 1,518 |
| Total OPEB liability - beginning | - |
| Total OPEB liability - ending (a) | \$ 1,518 |
| Covered-employee payroll | \$ 293,924 |
| Total OPEB Liability as a percentage of | 0.52% |

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

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COMBINING STATEMENTS

City of Horseshoe Bay, Texas

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2023

| | Debt Service | Police Dept. Seizure | Court Child Safety |
|--|-------------------|-------------------------|-----------------------|
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 445,788 | \$ 8,985 | \$ 29,466 |
| Accounts receivable, net | 16,396 | - | - |
| Due from other funds | 28,094 | - | - |
| Total Assets | \$ 490,278 | \$ 8,985 | \$ 29,466 |
| <u>Deferred Inflows of Resources</u> | | | |
| Unavailable revenue: | | | |
| Property taxes | 16,396 | - | - |
| Total Deferred Inflows of Resources | 16,396 | - | - |
| <u>Fund Balances</u> | | | |
| Restricted for: | | | |
| Debt service | 473,882 | - | - |
| Court | - | - | 29,466 |
| Police department seizures | - | 8,985 | - |
| Total Fund Balances | 473,882 | 8,985 | 29,466 |
| Total Liabilities, Fund Balances, and Deferred Inflows of Resources | \$ 490,278 | \$ 8,985 | \$ 29,466 |

| Court Technology | Court Security | Total |
|-----------------------------|---------------------------|-------------------|
| \$ 8,122 | \$ 11,357 | \$ 503,718 |
| - | - | 16,396 |
| - | - | 28,094 |
| <u>\$ 8,122</u> | <u>\$ 11,357</u> | <u>\$ 548,208</u> |
| - | - | 16,396 |
| - | - | 16,396 |
| - | - | 473,882 |
| 8,122 | 11,357 | 48,945 |
| - | - | 8,985 |
| <u>8,122</u> | <u>11,357</u> | <u>531,812</u> |
| <u>\$ 8,122</u> | <u>\$ 11,357</u> | <u>\$ 548,208</u> |

City of Horseshoe Bay, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

| | Debt Service | Police Dept. Seizure | Court Child Safety |
|---|--------------------------|---------------------------------|-------------------------------|
| <u>Revenues</u> | | | |
| Property tax | \$ 1,730,734 | \$ - | \$ - |
| Investment income | 34,738 | 18 | - |
| Other revenue | - | - | 8,888 |
| Total Revenues | <u>1,765,472</u> | <u>18</u> | <u>8,888</u> |
| <u>Expenditures</u> | | | |
| General government | - | - | 5,488 |
| Public safety | - | - | - |
| Debt Service: | | | |
| Principal | 935,000 | - | - |
| Interest and fiscal charges | 437,656 | - | - |
| Total Expenditures | <u>1,372,656</u> | <u>-</u> | <u>5,488</u> |
| Revenues Over (Under) Expenditures | <u>392,816</u> | <u>18</u> | <u>3,400</u> |
| Net Change in Fund Balances | 392,816 | 18 | 3,400 |
| Beginning fund balances | 81,066 | 8,967 | 26,066 |
| Ending Fund Balances | <u><u>\$ 473,882</u></u> | <u><u>\$ 8,985</u></u> | <u><u>\$ 29,466</u></u> |

| Court Technology | Court Security | Total |
|-----------------------------|---------------------------|--------------|
| \$ - | \$ - | \$ 1,730,734 |
| - | - | 34,756 |
| 1,878 | 2,262 | 13,028 |
| 1,878 | 2,262 | 1,778,518 |
| - | - | 5,488 |
| 955 | - | 955 |
| - | - | 935,000 |
| - | - | 437,656 |
| 955 | - | 1,379,099 |
| 923 | 2,262 | 399,419 |
| 923 | 2,262 | 399,419 |
| 7,199 | 9,095 | 132,393 |
| \$ 8,122 | \$ 11,357 | \$ 531,812 |