



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF HAYS, TEXAS

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

30 SEPTEMBER 2023

CITY OF HAYS, TEXAS

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Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

Arturo Montemayor III CPA, President & CEO | Stacy Britton CPA, Shareholder | Sean Bender CPA, Shareholder
Danielle Guerrero, Shareholder | Sara Carey CPA, Shareholder

Mayor and City Council
City of Hays, Texas

INDEPENDENT AUDITOR'S REPORT

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, business-type activities, and each major fund of the City, as of 30 September 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 twelve months beyond the financial statement date, including any currently known information that raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material

2110 Boca Raton Drive
Building B, Suite 102
Austin TX 78747
512.442.0380
www.montemayor.team



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 generally accepted auditing standards, 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 findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison information, the schedule of changes in net pension (asset)/liability and related ratios, the schedule of contributions and the schedule total OPEB liability and related ratios to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

5 May 2024
Austin, Texas

CITY OF HAYS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hays, Texas' (City's) annual financial report presents our discussion and analysis of the City's financial performance for the year ended 30 September 2023. Please read it in conjunction with the City's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts—*management's discussion and analysis* (this section) and the *basic financial statements*. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*. Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively. In the Statement of Net Position and the Statement of Activities we divide the City into two kinds of activities:

- Governmental activities - The City's general administration is reported here. Property tax, sales tax, and franchise fees finance most of these activities.
- Business-type activities - The City's charged fees to customers to pay for the cost of the water and sanitation services it provides are reported here.

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City's funds can be divided into two categories: governmental and proprietary. Each category contains one fund and both are considered major. The general fund is the governmental fund that is the primary operating fund of the City and reports the same information as the governmental activities column on the government-wide statements. The enterprise fund is the proprietary fund, which reports the same information as the business-type activities column of the government-wide statements.

FINANCIAL HIGHLIGHTS OF THE CITY AS A WHOLE

- The City's total net position was \$2,513,545 and \$2,522,669 on 30 September 2023 and 2022, respectively.
- The City's total revenue was \$467,656 for the year ended 30 September 2023 and \$2,192,823 for the five years ended 30 September 2022, and was generated primarily through water and sanitation service.
- The total cost of the City's operations was \$476,780 for the year ended 30 September 2023 and \$2,043,203 for the five years ended 30 September 2022.
- Unrestricted net position of \$1,798,907 represents resources available to fund the City's future operations.

STATEMENT OF NET POSITION
30 SEPTEMBER 2023 AND 2022

	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Assets</u>						
Cash	\$22,766	\$7,116	\$171,469	\$446,800	\$194,235	\$453,916
Short term investments	560,451	631,487	1,137,885	837,087	1,698,336	1,468,574
Accounts receivable	0	0	27,462	42,499	27,462	42,499
Net pension asset	645	4,684	1,310	9,510	1,955	14,194
Capital assets	<u>471,693</u>	<u>483,656</u>	<u>242,945</u>	<u>271,744</u>	<u>714,638</u>	<u>755,400</u>
	<u>1,055,555</u>	<u>1,126,943</u>	<u>1,581,071</u>	<u>1,607,640</u>	<u>2,636,626</u>	<u>2,734,583</u>
<u>Deferred outflows related to pension and OPEB</u>						
	<u>7,436</u>	<u>2,666</u>	<u>15,096</u>	<u>5,413</u>	<u>22,532</u>	<u>8,079</u>
<u>Liabilities</u>						
Accounts payable	8,049	23,591	37,526	44,191	45,575	67,782
Accrued liabilities	3,866	17,376	7,848	35,277	11,714	52,653
Refundable deposits	0	0	65,634	66,014	65,634	66,014
OPEB liability	<u>3,409</u>	<u>6,189</u>	<u>6,920</u>	<u>12,565</u>	<u>10,329</u>	<u>18,754</u>
	<u>15,324</u>	<u>47,156</u>	<u>117,928</u>	<u>158,047</u>	<u>133,252</u>	<u>205,203</u>
<u>Deferred inflows related to pension and OPEB</u>						
	<u>4,079</u>	<u>4,881</u>	<u>8,282</u>	<u>9,909</u>	<u>12,361</u>	<u>14,790</u>
<u>Net position</u>						
Net investment in capital assets	471,693	483,656	242,945	271,744	714,638	755,400
Unrestricted	<u>571,895</u>	<u>593,916</u>	<u>1,227,012</u>	<u>1,173,353</u>	<u>1,798,907</u>	<u>1,767,269</u>
	<u>\$1,043,588</u>	<u>\$1,077,572</u>	<u>\$1,469,957</u>	<u>\$1,445,097</u>	<u>\$2,513,545</u>	<u>\$2,522,669</u>

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 30 SEPTEMBER 2023 AND THE FIVE YEARS
ENDED 30 SEPTEMBER 2022

	Governmental Activities		Business-type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Program revenue:						
Water sales and sanitation	\$0	\$0	\$339,262	\$1,671,896	\$339,262	\$1,671,896
Operating grants:	0	66,786	0	0	0	66,786
General revenue:						
Interest	24,714	28,323	49,429	55,459	74,143	83,782
Sales tax	21,872	98,999	0	0	21,872	98,999
Property tax	20,269	85,375	0	0	20,269	85,375
Walters Southwest reimbursements	0	132,844	0	0	0	132,844
Other	<u>11,715</u>	<u>53,141</u>	<u>395</u>	<u>0</u>	<u>12,110</u>	<u>53,141</u>
	<u>78,570</u>	<u>465,468</u>	<u>389,086</u>	<u>1,727,355</u>	<u>467,656</u>	<u>2,192,823</u>
Program expenses:						
General government	112,554	485,542	0	0	112,554	485,542
Water system operations	<u>0</u>	<u>0</u>	<u>364,226</u>	<u>1,557,661</u>	<u>364,226</u>	<u>1,557,661</u>
	<u>112,554</u>	<u>485,542</u>	<u>364,226</u>	<u>1,557,661</u>	<u>476,780</u>	<u>2,043,203</u>
Change in net position	(33,984)	(20,074)	24,860	169,694	(9,124)	149,620
Beginning net position	<u>1,077,572</u>	<u>1,097,646</u>	<u>1,445,097</u>	<u>1,275,403</u>	<u>2,522,669</u>	<u>2,373,049</u>
Ending net position	<u>\$1,043,588</u>	<u>\$1,077,572</u>	<u>\$1,469,957</u>	<u>\$1,445,097</u>	<u>\$2,513,545</u>	<u>\$2,522,669</u>

Governmental Activities

The City's general revenues for governmental activities for the year ended 30 September 2023 were \$78,570, compared to \$398,682 for the five years ended 30 September 2022. For the five years ended 30 September 2022, the City had an operating grant of \$66,786. Revenues for the City's governmental activities represent 17% of the City's total revenues. General operating expenses for the City's governmental activities for the year ended 30 September 2023 were \$112,554, compared to \$485,542 for the five years ended 30 September 2022. General operating expenses represent 24% of the City's total expense.

Business type Activities

Business-type activities include providing water and sanitation services. Charges for services for the year ended 30 September 2023 were \$339,262, compared to \$1,671,896 for the five years ended 30 September 2022, and generated approximately 73% of the City's total revenue. The remainder of the business-type revenue is generated by investment income. Major expenses for business-type accounts are trash and water system operation, repairs and maintenance, depreciation, salaries and benefits, fees, and utilities. Total expenses for business-type activities represent 76% of the City's total expenses.

THE CITY'S INDIVIDUAL FUND ACCOUNTS

At 30 September 2023 the City's governmental funds consisted of the General Fund. The General Fund reported a fund balance of \$571,302, a decrease of \$26,334 from \$597,636 at 30 September 2022. The City's proprietary fund consisted of the Water and Sanitation Fund. The Water and Sanitation Fund reported a fund balance of \$1,469,957, an increase of \$24,860 from \$1,445,097 at 30 September 2022.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following provides an analysis of the significant budget variations in the general fund. Please refer to the General Fund Budgetary Comparison Schedule on page 27.

Revenues for the City's general fund were less than budgeted revenue by \$47,519, due less than budgeted interest income. Total expenditures of \$104,904 for the general fund were \$114,332 less than budget, primarily due to the \$86,400 of the budget being for contingency not being expended during the current fiscal year. The City's remaining general fund expenditures were \$27,932 less than budget.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

The City had capital assets of \$714,638 at 30 September 2023, consisting of net investments of land of \$105,569, construction in progress of \$290,499, water systems of \$75,135, office building of \$88,115, road improvements of \$121,261 and drainage improvements of \$34,059. The City does not have long-term debt, commitments for capital expenditures, changes in credit ratings, or debt limitations. There are no currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City at (512) 295-4792.

CITY OF HAYS, TEXAS
STATEMENT OF NET POSITION
30 SEPTEMBER 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$22,766	\$171,469	\$194,235
Short term investments	560,451	1,137,885	1,698,336
Accounts receivable	0	27,462	27,462
Net pension asset	645	1,310	1,955
Capital assets not being depreciated:			
Land	6,083	99,486	105,569
Drainage improvement work in progress	286,499	4,000	290,499
Capital assets, net of depreciation:			
Water plant	0	75,135	75,135
Road improvements	121,261	0	121,261
Building and improvements	23,791	64,324	88,115
Drainage improvements	<u>34,059</u>	<u>0</u>	<u>34,059</u>
	<u>1,055,555</u>	<u>1,581,071</u>	<u>2,636,626</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension and OPEB plans	<u>7,436</u>	<u>15,096</u>	<u>22,532</u>
LIABILITIES			
Accounts payable	8,049	37,526	45,575
Accrued liabilities	7,275	14,768	22,043
Refundable deposits	0	65,634	65,634
	<u>15,324</u>	<u>117,928</u>	<u>133,252</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension and OPEB plans	<u>4,079</u>	<u>8,282</u>	<u>12,361</u>
NET POSITION			
Net investment in capital assets	471,693	242,945	714,638
Unrestricted	<u>571,895</u>	<u>1,227,012</u>	<u>1,798,907</u>
	<u>\$1,043,588</u>	<u>\$1,469,957</u>	<u>\$2,513,545</u>

The accompanying notes are an integral part of this financial statement presentation.

ITY OF HAYS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED 30 SEPTEMBER 2023

<u>Functions/Programs Primary Government:</u>	Program Revenue				Net (Expenses)/Revenue and Changes in Net Position		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Governmental activities:							
General government	\$112,554	\$0	\$0	\$0	(\$112,554)	\$0	(\$112,554)
Business-type activities:							
Water sales and sanitation	<u>364,226</u>	<u>339,262</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(24,964)</u>	<u>(24,964)</u>
Total primary government	<u>\$476,780</u>	<u>\$339,262</u>	<u>\$0</u>	<u>\$0</u>	<u>(112,554)</u>	<u>(24,964)</u>	<u>(137,518)</u>
<u>General Revenue</u>							
				21,872	0	21,872	
				20,269	0	20,269	
				24,714	49,429	74,143	
				<u>11,715</u>	<u>395</u>	<u>12,110</u>	
				<u>78,570</u>	<u>49,824</u>	<u>128,394</u>	
				(33,984)	24,860	(9,124)	
				<u>1,077,572</u>	<u>1,445,097</u>	<u>2,522,669</u>	
				<u>\$1,043,588</u>	<u>\$1,469,957</u>	<u>\$2,513,545</u>	

The accompanying notes are an integral part of this financial statement presentation.

CITY OF HAYS, TEXAS

**BALANCE SHEET
GOVERNMENTAL FUND**

30 SEPTEMBER 2023

	<u>General Fund</u>
ASSETS	
Cash	\$22,766
Short term investments	<u>560,451</u>
	<u>\$583,217</u>
LIABILITIES	
Accounts payable	\$8,049
Accrued liabilities	<u>3,866</u>
	11,915
FUND BALANCE - UNASSIGNED	<u>571,302</u>
	<u>\$583,217</u>

The accompanying notes are an integral part of this financial statement presentation.

CITY OF HAYS, TEXAS

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN GOVERNMENTAL FUND BALANCE**

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	<u>General Fund</u>
REVENUE	
Interest	\$24,714
Sales taxes	21,872
Property taxes	20,269
Other	<u>11,715</u>
	<u>78,570</u>
EXPENDITURES	
Professional fees	61,519
Personnel and related	15,073
Maintenance and repairs	11,420
IT services	3,864
Utilities	3,033
Animal control	2,904
Office	1,841
Fees	1,387
Other	<u>3,863</u>
	<u>104,904</u>
Net change in fund balance	(26,334)
Beginning unassigned fund balance	<u>597,636</u>
Ending unassigned fund balance	<u><u>\$571,302</u></u>

The accompanying notes are an integral part of this financial statement presentation.

CITY OF HAYS, TEXAS
STATEMENT OF NET POSITION PROPRIETARY FUND
30 SEPTEMBER 2023

	<u>Water and Sanitation Fund</u>
ASSETS	
Current assets:	
Cash	\$171,469
Short term investments	1,137,885
Accounts receivable	<u>27,462</u>
	<u>1,336,816</u>
Noncurrent assets:	
Net pension asset	<u>1,310</u>
Capital assets:	
Land	99,486
Other capital assets, net of depreciation	<u>143,459</u>
	<u>242,945</u>
	<u>1,581,071</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension and OPEB	<u>15,096</u>
LIABILITIES	
Current liabilities:	
Accounts payable	37,526
Accrued liabilities	7,848
Refundable deposits	<u>65,634</u>
	111,008
Noncurrent OPEB liability:	<u>6,920</u>
	<u>117,928</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>8,282</u>
NET POSITION	
Net investment in capital assets	242,945
Unrestricted	<u>1,227,012</u>
	<u>\$1,469,957</u>

The accompanying notes are an integral part of this financial statement presentation.

CITY OF HAYS, TEXAS

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND**

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Water and Sanitation <u>Fund</u>
OPERATING REVENUE	
Water and sanitation sales	<u>\$339,657</u>
OPERATING EXPENSES	
Water systems operations (PGMS)	95,354
Trash (TDS)	90,202
Professional fees	44,662
Depreciation	32,799
Maintenance and repairs	21,886
Personnel and related	21,846
Fees	21,815
Utilities	16,528
IT services	7,727
Other	<u>11,407</u>
	<u>364,226</u>
OPERATING INCOME	(24,569)
NONOPERATING REVENUE (EXPENSE)	
Interest and other income	<u>49,429</u>
CHANGE IN NET POSITION	24,860
BEGINNING NET POSITION	<u>1,445,097</u>
ENDING NET POSITION	<u>\$1,469,957</u>

The accompanying notes are an integral part of this financial statement presentation.

CITY OF HAYS, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND

FOR THE YEAR ENDED 30 SEPTEMBER 2023

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from customers	\$353,919
Other operating cash receipts	395
Cash payments to employees for services	(30,601)
Cash payments to suppliers for goods and services	<u>(343,675)</u>
	<u>(19,962)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(4,000)
Interest	49,429
Purchases of short term investments	<u>(300,798)</u>
	<u>(255,369)</u>

NET CHANGE IN CASH (275,331)

BEGINNING CASH 446,800

ENDING CASH \$171,469

Reconciliation of change in net assets to cash provided from operating activities:

Net operating income	(\$24,569)
Depreciation expense	32,799
Change in accounts receivable	15,037
Change in pension asset	8,200
Change in deferred outflows related to pension and OPEB	(9,683)
Change in accounts payable	(6,665)
Change in accrued liabilities	(27,429)
Change in refundable deposits	(380)
Change in deferred outflows related to pension	(1,627)
Change in OPEB liability	<u>(5,645)</u>
	<u>(\$19,962)</u>

The accompanying notes are an integral part of this financial statement presentation.

CITY OF HAYS, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: REPORTING ENTITY

The City of Hays, Texas (City) is a separate self-supporting governmental unit within Hays County, Texas formed on 6 November 1979. The Estates Utilities Water Supply Corporation (EUWSC) was incorporated on 12 March 1979 for the purpose of furnishing a water supply for general farm use and domestic purposes to individuals residing in the rural community of Country Estates, Hays County, Texas, and the surrounding rural areas. On 26 July 1995, a merger agreement was entered into by the City and the Estates Utilities Water Supply Corporation.

The City is administered by a six member City Council who are elected with terms expiring in even number years for the Mayor, Alderman Place II, and Place III. Terms expire in odd number years for Place I, IV, and V.

This report includes the financial statements of the funds and account groups required to account for those activities, and organizations and functions which are related to the City and are controlled by or dependent upon the City's governing body, the City Council. This is the lowest level of government exercising oversight responsibility and control over all activities of the City. Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, authority to establish rates, outstanding debt secured by revenues or general obligations of the City, the City's obligation to finance any deficits that may occur, funding and selection of governing authority and other evidence of financial interdependence, and the ability to exercise oversight responsibility. There are no component units which meet the criteria for inclusion or disclosure in this report.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City conform to U.S. generally accepted accounting principles applicable to governments promulgated by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and by the Financial Accounting Standards Board (when applicable). The City has elected to follow GASB statements issued after November 30, 1989, rather than statements issued by the Financial Accounting Standards Board (FASB).

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the City's activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to customers for support. All internal balances have been eliminated in government-wide Statement of Net Position. In the Statement of Net Position, interfund transactions are eliminated, however, transactions between governmental and business-type activities are not eliminated.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Program revenues include charges to customers who purchase, use or directly benefit from services provided by a given program and operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not included among program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. Major funds are determined by criteria specified by GASB. The City has two funds, both of which are major.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental fund:

General Fund - The General Fund is the main operating fund of the City. The fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures, fixed charges and non-capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary fund:

Water and Sanitation Fund - The Water and Sanitation Fund is used to account for the provision of water and sanitation services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sanitation systems and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for water debt.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements and proprietary fund financial statements are reported using the flow of 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. Taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements use the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period in which they become susceptible to accrual, i.e. 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 (defined by the City as collected within 60 days of year end). Expenditures are generally recorded when a liability is due; except for interest on long-term debt, which is recognized when the payment matures. The reported fund balance of governmental funds is considered a measure of available spendable resources.

The revenues susceptible to accrual are property taxes, sales taxes, charges for services, and interest income. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

SHORT TERM INVESTMENTS

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel.

ESTIMATES

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

TRANSACTIONS BETWEEN FUNDS

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the government unit are accounted for as revenues, expenditures or expenses in the funds involved. Transactions which constitute reimbursement for expenditures or expenses initially made from a fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund, and as reductions of the expenditures or expenses in the fund that is reimbursed. Interfund transfers are authorized by City Council approval, typically to the General Fund from the Water and Sanitation Fund to support the City's operations.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The statement of net position reports a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period and is not recognized as an outflow of resources in the current period. The City's pension and other post employment benefit (OPEB) related items qualify for reporting in this category in the government-wide financial statements. See Notes 7 and 8 for more information.

NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Restricted net position is recorded when there are limitations imposed on the use of resources by enabling legislation adopted by the City or by external restrictions imposed by creditors, grantors or laws or other governmental regulations.

PROPERTY TAX

Taxes are levied on 1 October on the assessed value listed as of 1 January for all real and personal property located in the City. The tax rate for the 1 October 2022 levy was \$.0953 per \$100 of value. Taxes are due by 31 January following the 1 October levy date. The Hays County Tax Assessor-Collector bills and collects the property taxes for the City. All unpaid taxes become delinquent 1 February of the following year. Property taxes attach as an enforceable lien on property as of January 1 of each year.

RESTRICTED RESOURCES

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as needed. When both assigned and unassigned funds are available for expenditure, assigned funds are used first.

CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported in the business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses.

Renewals and betterments are capitalized. Assets are capitalized if over \$2,500 and useful life over 3 years.

Depreciation has been calculated on each class of depreciable property using the straight-line method and is charged as direct expense to programs of the primary government. Estimated useful lives are as follows:

Water plant	33 Years
Building and improvements	39 Years
Road improvements	20 Years
Drainage improvements	20 Years
Furniture and equipment	5 Years

PENSION AND OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

NOTE 3: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft and destruction of assets, errors and omissions, injuries to employees, natural disasters, etc. The City insures against risk through participation in the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool, consisting of over 2,800 member cities/political subdivisions located throughout the State of Texas. The City pays premiums to the risk pool for its general liability, property, and workers' compensation coverage. The City's risk is limited to the amount of premiums paid unless the pool should fail, in which case, the City would be liable for its ratable share of the pool deficit.

NOTE 4: BUDGET VARIANCES

The City adopts an annual budget for the General Fund. The City amends the budget as needed during the year. Certain revenue and expenses were different than budgeted, resulting in a higher than budgeted fund balance. Primarily, the contingency budget was not used.

NOTE 5: CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type assets:				
Capital assets not being depreciated				
Land	\$99,486	\$0	\$0	\$99,486
Construction in progress	<u>0</u>	<u>4,000</u>	<u>0</u>	<u>4,000</u>
	<u>99,486</u>	<u>4,000</u>	<u>0</u>	<u>103,486</u>
Capital assets being depreciated				
Water plant	1,000,826	0	0	1,000,826
Building and improvements	96,363	0	0	96,363
Equipment	64,819	0	0	64,819
Accumulated depreciation	<u>(989,750)</u>	<u>(32,799)</u>	<u>0</u>	<u>(1,022,549)</u>
	<u>172,258</u>	<u>(32,799)</u>	<u>0</u>	<u>139,459</u>
Net business-type assets	<u>271,744</u>	<u>(28,799)</u>	<u>0</u>	<u>242,945</u>
Governmental activities:				
Capital assets not being depreciated				
Land	6,083	0	0	6,083
Drainage improvement work in progress	<u>286,499</u>	<u>0</u>	<u>0</u>	<u>286,499</u>
	<u>292,582</u>	<u>0</u>	<u>0</u>	<u>292,582</u>
Capital assets being depreciated				
Road improvements	174,815	0	0	174,815
Tanglewood drainage improvements	46,180	0	0	46,180
Building and improvements	35,641	0	0	35,641
Accumulated depreciation	<u>(65,562)</u>	<u>(11,963)</u>	<u>0</u>	<u>(77,525)</u>
	<u>191,074</u>	<u>(11,963)</u>	<u>0</u>	<u>179,111</u>
Net governmental-type assets	<u>483,656</u>	<u>(11,963)</u>	<u>0</u>	<u>471,693</u>
Total government-wide	<u>\$755,400</u>	<u>(\$40,762)</u>	<u>\$0</u>	<u>\$714,638</u>

NOTE 6: DEPOSIT AND INVESTMENTS

The City maintains cash that is available for use by all funds, except as restricted. Each fund type’s portion of these amounts is displayed on the fund balance sheets with the description of “cash” under each fund’s caption. It is the policy of the City to invest public funds in a manner consistent with the greatest safety and protection for its investments, while producing the highest investment return for meeting the cash flow requirements of the City and conform to all Texas State statutes and policies governing the investment of public funds including Texas Public Funds Investment Act. Authorized investments include certificates of deposit and TexPool.

The City’s investments as of 30 September 2023 consisted of deposits in TexPool of \$1,698,336. TexPool investments are carried at amortized cost, which approximates fair value. The State Comptroller oversees TexPool, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. TexPool allows shareholders the ability to deposit or withdraw funds on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. TexPool investments are rated AAAM (the highest rating a local government investment pool can achieve) and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At 30 September 2023, the TexPool portfolio had a weighted average maturity of 28 days. The City considers the holdings in these funds to have a one day weighted average maturity because the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

NOTE 7: PENSION PLAN

PLAN DESCRIPTION

The City participates in the nontraditional, joint contributory, hybrid defined benefit plan administered by the TMRS, an agent multiple-employer retirement system for municipal employees in the state of Texas. All of the City’s eligible employees are required to participate in TMRS. TMRS issues a publicly available comprehensive annual financial report which is available on TMRS’ website at www.TMRS.com.

BENEFITS PROVIDED

The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS. At retirement, the employee benefit is calculated as if the sum of the employee’s contributions, with interest, and the City’s contributions, with interest, were used to purchase an annuity. Members have several options to choose from as to how to receive their retirement benefits. Plan provisions for the City are as follows:

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	100% Repeating, Transfers
Annuity increase (to retirees)	0% of CPI

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

Inactive employees or beneficiaries receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	0

CONTRIBUTIONS

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. This 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. The contribution rates for employees participating in TMRS are either 5%, 6% or 7% of employee gross wages, and the City matching percentage is either 100%, 150% or 200%, as adopted by the City Council. Employees of the City were required to contribute 7% of their annual gross earnings during fiscal year 2023. The City's required contribution rate for 2023 was 11.62%, which includes .96%, respectively, for the SDBF (see Note 8). The City's total employer contributions to TMRS for the year ended 30 September 2023 totaled \$683, including contributions to the SDBF, and were equal to the required contributions.

NET PENSION ASSET

The City's net pension asset of \$1,955 at 30 September 2023 was measured as of 31 December 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

PENSION ACTUARIAL ASSUMPTIONS

The significant actuarial assumptions used to measure the total pension liability/asset as of the 31 December 2022 valuation are as follows:

Investment Rate of Return, net of expenses	6.75%
Projected Salary Increases	0%
Inflation	2.50%
Mortality Rates	Post-retirement: 2019 Municipal Retirees of TX Mortality Tables Pre-retirement: PUB(10) Mortality Tables

Actuarial assumptions used in the 31 December 2022 valuation were based on the results of actuarial experience studies. The experience study was for the period from 31 December 2014 through 31 December 2018. Assumptions are reviewed annually. 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.

DISCOUNT RATE

For purpose of the valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 4.05%. The rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of 31 December 2022. A single discount rate of 6.75% was used to measure the total TMRS pension liability as of 31 December 2022. Based on the stated assumptions and the

projection of cash flows, the City's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the 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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

	<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Global Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%

CHANGE IN TOTAL PENSION LIABILITY/ (ASSET)

<u>Changes in Net Pension Liability/(Asset)</u>	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability/ (Asset) (a)-(b)</u>
Balance at 31 December 2021	<u>\$181,501</u>	<u>\$195,695</u>	<u>(\$14,194)</u>
Changes for the year:			
Service cost	0	0	0
Interest on total pension liability	11,873	0	11,873
Differences between actual and expected experience	(7,914)	0	(7,914)
Effect of assumption changes	0	0	0
Benefit payments, including refunds	(11,211)	(11,211)	0
Administrative expenses	0	(124)	124
Member contributions	0	0	0
Net investment income	0	(14,258)	14,258
Employer contributions	0	3,635	(3,635)
Employee contributions	0	2,319	(2,319)
Other	<u>0</u>	<u>148</u>	<u>(148)</u>
Balance at 31 December 2022	<u>\$174,249</u>	<u>\$176,204</u>	<u>(\$1,955)</u>

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued TMRS financial report.

SENSITIVITY OF THE NET PENSION LIABILITY 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 would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease <u>(5.75%)</u>	Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
City's net pension liability/(asset)	<u>\$14,222</u>	<u>(\$14,194)</u>	<u>(\$15,872)</u>

PENSION EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended 30 September 2023, the City recognized pension expense of (\$6,464). At 30 September 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$1,263	\$0
Changes in actuarial assumptions and other inputs	\$0	\$0
Differences between projected and actual investment earnings	\$9,730	\$21,973
Contributions subsequent to the measurement date	N/A	\$513

\$513 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's year ending 30 September 2023. Other amounts reported as deferred outflows of resources and deferred outflows of resources related to pensions will be recognized as pension expense as follows:

For the fiscal year ended September 30:

2024	(\$829)
2025	3,019
2026	3,299
2027	<u>5,491</u>
	<u>\$10,980</u>

NOTE 8: OTHER POST EMPLOYMENT BENEFITS

In addition to the pension plan, the City also participates in an optional death benefit plan, offered by TMRS, know as the Supplemental Death Benefits Fund (SDBF). The City elected to provide group-term life insurance coverage to both current and retired employees. The City may elect to terminate coverage under and discontinue participation in the SDBF on an annual basis.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary, for active employees, and retired employees are insured for a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e no assets are accumulated). The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based upon 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 active member and retiree deaths on a pay-as-you-go-basis.

At the 31 December 2022 valuation of the total OPEB liability, membership data is as follows:

Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	1
Active employees	0

OPEB LIABILITY AND SUMMARY OF ACTUARIAL ASSUMPTIONS

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The total OPEB liability was based upon and actuarial valuation as of 31 December 2022. The actuarial assumptions used in the 31 December 2022 valuation were based on the results of an actuarial experience study for the period 31 December 2014 to 31 December 2018. The significant actuarial assumptions are as follows:

Inflation	2.50%
Projected Salary Increases	N/A
Discount rate*	4.05%
Retirees’ share of benefit-related costs	\$0
Administrative expenses	All paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality post-retirement	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality pre-retirement	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. The rates are projected on a fully generational basis with scale UMP.

* The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of 31 December 2022.

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

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

	1% Decrease <u>(3.05%)</u>	Discount Rate <u>(4.05%)</u>	1% Increase <u>(5.05%)</u>
City's OPEB liability/(asset)	<u>\$12,288</u>	<u>\$10,329</u>	<u>\$8,775</u>

CHANGE IN TOTAL OPEB LIABILITY

Balance at 31 December 2021:	<u>\$18,754</u>
Changes for the year:	
Service cost	0
Interest on total OPEB liability	343
Changes in benefit terms including TMRS plan participation	0
Differences between actual and expected experience	(3,508)
Changes in assumptions or other inputs	(5,065)
Benefit payments**	<u>(195)</u>
Net changes	<u>(8,425)</u>
Balance at 31 December 2022	<u>\$10,329</u>

* Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended 30 September 2023, the City recognized OPEB expense of (\$6,604). At 30 September 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$560	\$0
Changes in actuarial assumptions	\$808	\$0
Contributions subsequent to the measurement date	N/A	\$46

\$46 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the City's year ending 30 September 2023. Other amounts reported as deferred outflows of resources and deferred outflows of resources related to pensions will be recognized as pension expense as follows:

For the fiscal year ended September 30:

2024 (\$1,368)

NOTE 9: DRAINAGE IMPROVEMENT WORK IN PROGRESS

The Drainage Improvement Project (the "Project") envisions construction of water drainage channels to convey storm water runoff into designated drainage courses and to prevent flooding of homes within the City. The City has spent nearly \$300,000 under agreements with CP&Y, Inc., Waco, Texas (formerly the Wallace Group), doing design, environmental, and easement acquisition work for the Project. The completed Project is estimated to cost \$1,500,000.

The City has prepared and submitted a FEMA Mitigation Fund application for the construction of the Project. The application is through the Texas Division of Emergency Management for disasters declared in 2016. The application is currently under review by the Texas Water Development Board. If successful, FEMA will pay 75% of the cost of the Project and the City will pay the remaining 25% of the cost. Approval of applications for these types of projects normally take about a year and a half.

NOTE 10: DEVELOPMENT AGREEMENT

On 3 September 2023, the Development Agreement (the Agreement) between the City and Hays Commons Land Investments, LP ended. The Agreement, execute on 3 September 2013, ended after ten years unless renewed by both parties. The general partner, Milestone, Inc., chose not to negotiate an amended agreement.

On 1 September 2023, Hays Commons Land Investments, LP petitioned for release of 290.388 acres from the Extraterritorial Jurisdiction (ETJ) of the City. The land is released by operation of law under Sections 42.101-105 of the Texas Local Government Code.

The net effect of these developments is that the City lost much of its ability to regulate how land adjacent to its city limits is developed.

NOTE 11: RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Net change in fund balance	(\$26,334)
Pension and OPEB contributions are reported as expenditures in the governmental fund when made. Adjustments to the net pension liability/(asset) and pension and OPEB expense resulting from changes in deferred outflows and inflows of resources are not recognized in the fund financial statements.	4,313
Depreciation is not recognized as an expenditure in the governmental fund since they do not require the use of current financial resources.	<u>(11,963)</u>
Change in net position of governmental activities	<u><u>(\$33,984)</u></u>

NOTE 12: RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

Unassigned general fund balance	\$571,302
Deferred outflows and inflows of resources related to pension and OPEB plans are applicable to future reporting periods and are not in the fund financial statements.	3,357
Pension and OPEB assets and liabilities are not recognized in the fund financial statements.	(2,764)
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The effect of including the beginning balances of capital assets (net of depreciation) is to increase net position.	483,656
Depreciation expense is recognized in the government-wide financial statements and not in the fund financial statements.	<u>(11,963)</u>
Net position of governmental activities	<u>\$1,043,588</u>

CITY OF HAYS, TEXAS
GENERAL FUND BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED 30 SEPTEMBER 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable)</u>
REVENUE				
Interest	\$12,000	\$74,936	\$24,714	(\$50,222)
Sales tax	22,000	22,000	21,872	(128)
Property tax	21,153	21,153	20,269	(884)
Grants	33,000	0	0	0
Other income	<u>8,000</u>	<u>8,000</u>	<u>11,715</u>	<u>3,715</u>
	<u>96,153</u>	<u>126,089</u>	<u>78,570</u>	<u>(47,519)</u>
EXPENDITURES				
Professional services	58,250	61,750	61,519	231
Personnel and related	29,000	25,200	15,073	10,127
Maintenance and repairs	6,500	18,500	11,420	7,080
IT services	0	4,333	3,864	469
Utilities	3,000	3,000	3,033	(33)
Animal control	1,050	2,986	2,904	82
Office	2,500	2,500	1,841	659
Fees	1,000	3,000	1,387	1,613
Contingency	133,000	86,400	0	86,400
Other expenses	<u>5,367</u>	<u>11,567</u>	<u>3,863</u>	<u>7,704</u>
	<u>239,667</u>	<u>219,236</u>	<u>104,904</u>	<u>114,332</u>
CHANGE IN FUND BALANCE	(143,514)	(93,147)	(26,334)	66,813
BEGINNING FUND BALANCE	<u>597,636</u>	<u>597,636</u>	<u>597,636</u>	<u>0</u>
ENDING FUND BALANCE	<u>\$454,122</u>	<u>\$504,489</u>	<u>\$571,302</u>	<u>\$66,813</u>

See Independent Auditor's report.

CITY OF HAYS, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF CHANGES IN THE NET PENSION (ASSET)/LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED 30 SEPTEMBER 2023*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total pension (asset)/liability									
Service cost	\$3,047	\$3,443	\$3,544	\$2,711	\$8,800	\$9,052	\$8,978	\$8,978	\$0
Interest on total pension (asset)/liability	8,261	8,476	8,751	8,589	9,014	9,945	10,468	11,491	11,873
Effect of plan changes	0	0	0	0	0	0	0	0	0
Difference between expected & actual experience of the total pension net (asset)/ liability	(20)	79	(384)	1,052	7,066	(1,080)	6,927	888	(7,914)
Changes of assumptions	0	2,975	0	0	0	1,072	0	0	0
Benefit payments, including refunds of contributions	<u>(8,425)</u>	<u>(8,425)</u>	<u>(8,425)</u>	<u>(11,211)</u>	<u>(11,211)</u>	<u>(11,211)</u>	<u>(11,211)</u>	<u>(11,211)</u>	<u>(11,211)</u>
Net change in total pension (asset)/liability	2,863	6,548	3,486	1,141	13,669	7,778	15,162	10,146	(7,252)
Total pension (asset)/liability-beginning	<u>120,708</u>	<u>123,571</u>	<u>130,119</u>	<u>133,605</u>	<u>134,746</u>	<u>148,415</u>	<u>156,193</u>	<u>171,355</u>	<u>181,501</u>
Total pension (asset)/liability-ending (a)	<u>\$123,571</u>	<u>\$130,119</u>	<u>\$133,605</u>	<u>\$134,746</u>	<u>\$148,415</u>	<u>\$156,193</u>	<u>\$171,355</u>	<u>\$181,501</u>	<u>\$174,249</u>
Plan fiduciary net position									
Contributions-employer	\$936	\$1,143	\$1,047	\$973	\$2,852	\$1,696	\$4,468	\$5,003	\$3,635
Contributions-employee	1,166	1,260	1,260	1,061	3,609	3,710	3,710	3,710	2,319
Net investment income	8,455	221	9,720	20,417	(4,743)	22,990	12,577	22,835	(14,258)
Benefit payments, including refunds of employee	(8,425)	(8,425)	(8,425)	(11,211)	(11,211)	(11,211)	(11,211)	(11,211)	(11,211)
Administrative expenses	(88)	(134)	(110)	(106)	(92)	(130)	(82)	(106)	(124)
Other	<u>(7)</u>	<u>(7)</u>	<u>(6)</u>	<u>(5)</u>	<u>(4)</u>	<u>(4)</u>	<u>(2)</u>	<u>1</u>	<u>148</u>
Net change in plan fiduciary net position	2,037	(5,942)	3,486	11,129	(9,589)	17,051	9,460	20,232	(19,491)
Plan fiduciary net position-beginning	<u>147,831</u>	<u>149,868</u>	<u>143,926</u>	<u>147,412</u>	<u>158,541</u>	<u>148,952</u>	<u>166,003</u>	<u>175,463</u>	<u>195,695</u>
Plan fiduciary net position-ending (b)	<u>149,868</u>	<u>143,926</u>	<u>147,412</u>	<u>158,541</u>	<u>148,952</u>	<u>166,003</u>	<u>175,463</u>	<u>195,695</u>	<u>176,204</u>
Net pension (asset)/liability (a) - (b)	<u>(\$26,297)</u>	<u>(\$13,807)</u>	<u>(\$13,807)</u>	<u>(\$23,795)</u>	<u>(\$537)</u>	<u>(\$9,810)</u>	<u>(\$4,108)</u>	<u>(\$14,194)</u>	<u>(\$1,955)</u>
Plan fiduciary net position as a % of the total pension (asset)/liability	121.3%	110.6%	110.3%	117.7%	100.4%	106.3%	102.4%	107.8%	101.1%
Covered employee payroll	\$16,650	\$18,000	\$18,000	\$15,160	\$51,551	\$52,999	\$52,999	\$52,999	\$0
Net pension liability as a percentage of covered employee payroll	(157.9)%	(76.7)%	(76.7)%	(157.0)%	(1.0)%	(18.5)%	(7.8)%	(26.8)%	N/A

Note: * The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available. Fiscal 2023 information based on 12/31/22 Valuation Date.

See Independent Auditor's report.

CITY OF HAYS, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF EMPLOYER PENSION PLAN CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	\$1,080	\$1,071	\$1,665	\$2,244	\$2,013	\$3,631	\$4,788	\$5,515	\$627
Contributions in relation to the actuarially determined contribution**	\$1,080	\$1,071	\$1,665	\$2,244	\$2,013	\$3,631	\$4,788	\$5,515	\$627
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered-employee payroll	\$16,650	\$18,000	\$18,000	\$15,160	\$51,551	\$52,999	\$52,999	\$52,999	\$5,878
Contributions as a percentage of covered-employee payroll	6.5%	6.0%	9.3%	14.8%	3.9%	6.9%	9.0%	10.4%	10.7%

Notes to Required Supplementary Information:

* The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

** TMRS calculates actuarially determined contributions on a calendar year basis. GASB 68 indicates the employer should report employer contributions on a fiscal year basis.

Valuation Date: 31 December 2022. Actuarially determined contribution rates are calculated each 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
Investment Rate of Return	6.75%
Inflation	2.5%
Projected Salary Increases	0%
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 rates	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 generation basis with scale UMP.

Changes in Assumptions and Methods: 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023: No changes.

Changes in Plan Provisions: 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023: No changes.

See Independent Auditor's report.

CITY OF HAYS, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS*

Changes in the Total OPEB Liability	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total OPEB liability-beginning	\$11,172	\$12,575	\$12,294	\$15,113	\$17,497	\$18,754
Changes for the year:						
Service cost	120	464	164	249	334	0
Interest on total OPEB liability	424	420	454	418	350	343
Change in benefit terms	0	0	0	0	0	0
Difference between expected and actual experience	0	(152)	350	(200)	367	(3,508)
Changes of assumptions or other inputs	908	(802)	2,121	2,023	487	(5,065)
Benefit payments**	<u>(49)</u>	<u>(211)</u>	<u>(270)</u>	<u>(106)</u>	<u>(281)</u>	<u>(195)</u>
Net changes in total OPEB /liability	<u>1,403</u>	<u>(281)</u>	<u>2,819</u>	<u>2,384</u>	<u>1,257</u>	<u>(8,425)</u>
Total OPEB liability-ending	<u>\$12,575</u>	<u>\$12,294</u>	<u>\$15,113</u>	<u>\$17,497</u>	<u>\$18,754</u>	<u>\$10,329</u>
Covered-employee payroll	\$15,160	\$51,551	\$52,999	\$52,999	\$52,999	\$5,878
Total OPEB liability as a percentage of covered employee payroll	0.0%	23.8%	28.5%	33.0%	33.0%	175.7%

Note: * The District implemented GASB 75 in fiscal year 2018. A full 10-year schedule will be displayed as it becomes available.
 ** Due to the SDBF plan being considered an unfunded OPEB plan under GASB, benefit payments are treated as being equal to the employer's yearly contributions for retirees.