



CITY OF WEST LAKE HILLS, TEXAS
NOTICE OF CITY COUNCIL REGULAR MEETING
Wednesday, March 25, 2026 at 7:00 PM

Notice is hereby given that the City Council of the City of West Lake Hills, Texas, will hold a Regular Meeting on the 25th day of March 2026 at 7:00 p.m., in the Council Chambers, Municipal Building, 4010 Bee Cave Road, West Lake Hills, Texas, at which time the following items will be discussed, to-wit:

REMOTE ACCESS - Join Zoom Meeting at <https://us02web.zoom.us/j/3499549035>
Or via telephone: Dial (346) 248-7799 - Meeting ID: 349 954 9035

If you wish to speak during the meeting or provide written comments, please email your name, phone number, comments, and the item number you wish to speak/comment on to citysec@westlakehills.gov by 1:00 P.M. on March 25, 2026.

1. Call to Order
2. Citizen Communications The City Council welcomes public comments at this point on any issue. If the issue is listed on the agenda, the speaker may choose to comment during the Public Comment period or when the specific agenda item is taken up by the Council later in the meeting. The Council cannot respond to or discuss matters not listed on the agenda. The Council may provide factual information, refer the item to a staff member, or request the item be added to a future meeting agenda. Speakers shall limit their comments to five (5) minutes each.
3. Consent Agenda All Consent Agenda items listed are considered to be routine by the City Council and will be enacted by one (1) motion. No separate discussion or action on any of the items is necessary unless requested by a Council Member.
 - a. Approval of the March 11, 2026 Regular Meeting Minutes.
 - b. Discuss and consider action on a resolution to suspend Texas Gas Service (TGS) Company's interim rate increase effective May 9, 2026.
4. Administration Presentation regarding Travis County Community Development Block Grant Program overview.

5. Finance Discuss and consider acceptance of the FY 2024-25 Financial Audit.
6. Administration Discuss and consider wastewater capacity report and related land use assumptions.
7. Administration Receive an update and consider possible action regarding City of West Lake Hills v. Jaffe - 1405 Wildcat Hollow.
8. Adjournment

Approved by: James Vaughan, Mayor

Certificate

I certify that the above Notice of the March 25, 2026 City Council Regular Meeting was posted on the bulletin board at the Municipal Building, 4010 Bee Cave Road, West Lake Hills, Texas on Thursday, March 19, 2026 by 5:00 pm. and will remain posted continuously until said meeting is convened.

Signed by: Makayla Rodriguez, City Secretary

The City of West Lake Hills is committed to compliance with the Americans with Disabilities Act. Reasonable accommodation and equal access to communications will be provided upon request.

All items on the agenda are for discussion and/or action. City Council reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed above, as authorized by Texas Government Code Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices), and 551.086 (Economic Development).



CITY OF WEST LAKE HILLS, TEXAS
NOTICE OF CITY COUNCIL REGULAR MEETING
Wednesday, March 11, 2026 at 7:00 PM

1. Call to Order

With a quorum present, Mayor James Vaughan called the meeting to order at 7:00 p.m.

CITY COUNCIL PRESENT: Mayor James Vaughan, Mayor Pro Tem Gordon Bowman, Councilmember Beth South, Councilmember Brian Plunkett, and Councilmember Darin Walker. Councilmember Dana Harmon joined the meeting at 7:03 p.m.

CITY STAFF PRESENT: City Administrator Trey Fletcher, City Secretary Makayla Rodriguez, Director of Building and Development Services Jennifer Bills, Wastewater and Accounting Manager Theresa Sanchez, Police Chief Scott Gerdes, and City Attorney Charles Zech.

2. Citizen Communications The City Council welcomes public comments at this point on any issue. If the issue is listed on the agenda, the speaker may choose to comment during the Public Comment period or when the specific agenda item is taken up by the Council later in the meeting. The Council cannot respond to or discuss matters not listed on the agenda. The Council may provide factual information, refer the item to a staff member, or request the item be added to a future meeting agenda. Speakers shall limit their comments to five (5) minutes each.

Mayor James Vaughan opened the meeting for public comment. Hearing none, the public comment section was closed.

3. Administration Presentation regarding US and State retired flag donation box Eagle Scout project.

Henry Newby of Eagle Scout Troop 310 presented a project to install a U.S. and state flag retirement bin in front of City Hall, allowing residents to properly dispose of flags, which local Eagle Scouts will collect and retire accordance with proper flag retirement traditions.

City Council inquired about outreach, maintenance, longevity, and whether additional flags would be included. Mr. Newby confirmed the bin will remain at City Hall indefinitely and will accept state and national flags.

Trey Fletcher presented the previously flown U.S. and state flag from the old City Hall at 911 Westlake Drive, and Mayor James Vaughan presented Henry Newby with the City Coin.

Mayor James Vaughan suspended the meeting at 7:12 p.m.

Mayor James Vaughan reconvened the meeting at 7:21 p.m.

4. Consent Agenda All Consent Agenda items listed are considered to be routine by the City Council and will be enacted by one (1) motion. No separate discussion or action on any of the items is necessary unless requested by a Council Member.
 - a. Approval of the February 25, 2026 Regular Meeting Minutes.
 - b. Approval of the March 4, 2026 Workshop Minutes.

MOTION: Upon a motion made by Councilmember Gordon Bowman and seconded by Councilmember Beth South, the City Council voted 5-0 to approve the Consent Agenda.

5. Administration Discuss and consider wastewater capacity report and related land use assumptions.

Leigh Thomas of HRGreen gave an overview of the city's wastewater system, living unit equivalent (LUEs), and existing and projected wastewater flow.

City Administrator Trey Fletcher stated that he is seeking feedback from City Council regarding the analysis of projected wastewater system needs to notify the City of Austin of the City's future demand.

City Council and Leigh Thomas discussed future land use, wastewater demand, analysis methodology, and future wastewater needs.

Mayor Vaughan asked when notification needed to be sent to the City of Austin. City Administrator Trey Fletcher stated that a response would be needed by the end of March. City Council discussed next steps to bring back more information in the next meeting.

6. Executive Session Executive Session pursuant to Texas Government Code Section 551.072 regarding real estate negotiations for 911 Westlake Drive.

The City Council went into Executive session at 8:31 p.m.

Mayor James Vaughan called the meeting back to order at 8:54 p.m.

Mayor James Vaughan stated that no action was taken during Executive Session.

7. Adjournment

Mayor James Vaughan adjourned the meeting at 8:54 p.m.

Respectfully submitted:

James Vaughan, Mayor

ATTEST:

City Secretary, Makayla Rodriguez

The minutes were approved on the 25th day of March, 2026.



City of West Lake Hills
City Council

AGENDA REPORT

| | | | |
|----------------------|----------------------------------|-------------------------|------------|
| Meeting Date: | <u>March 25, 2026</u> | Item Number: | <u>3b</u> |
| Department: | <u>Administration</u> | | |
| Prepared By: | <u>Makayla Rodriguez</u> | Cost / Budget: | <u>n/a</u> |
| Exhibits: | <u>Resolution No. 2026-03-25</u> | Source of Funds: | <u>n/a</u> |

Subject

Discuss and consider action on a resolution to suspend Texas Gas Service (TGS) Company's interim rate increase effective May 9, 2026.

Recommendation

Staff recommends approval of the resolution.

Discussion

On March 10, 2026, Texas Gas Service Company filed an Interim Rate Adjustment, known as “GRIP,” with cities in its service area, scheduled to take effect on May 9, 2026. The filing increases the small residential customer charge from \$19.50 to \$23.08 per month, large residential from \$35.00 to \$38.58 per month, and small commercial from \$75.00 to \$88.70 per month. Under the GRIP statute, cities may not challenge the Company’s request, but City can suspend effective date of the rate increase by 45 days.

If the resolution is approved, the City will suspend the effective date of the rate increase by 45 days. If no action is taken, the rate increase will take effect on May 9, 2026.

RESOLUTION NO. 2026-03-25

A RESOLUTION BY THE CITY OF WEST LAKE HILLS, TEXAS SUSPENDING THE MAY 9, 2026 EFFECTIVE DATE OF THE PROPOSAL BY TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC. TO IMPLEMENT INTERIM GRIP RATE ADJUSTMENTS FOR GAS UTILITY INVESTMENT IN 2025 AND REQUIRING DELIVERY OF THIS RESOLUTION TO THE COMPANY AND LEGAL COUNSEL.

WHEREAS, the City of West Lake Hills, Texas (“City”) is a gas utility customer of Texas Gas Service Company, a Division of One Gas, Inc. (“TGS” or “Company”) and is a regulatory authority with an interest in the rates and charges of TGS; and

WHEREAS, TGS made filings with the City and the Railroad Commission of Texas (“Railroad Commission”) on March 10, 2026, proposing to implement interim rate adjustments (“GRIP Rate Increases”) pursuant to Texas Utilities Code § 104.301 on all customers served by TGS, effective May 9, 2026; and

WHEREAS, it is incumbent upon the City, as a regulatory authority, to examine the GRIP Rate Increases to determine its compliance with the Texas Utilities Code.

THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WEST LAKE HILLS, TEXAS, THAT:

1. The May 9, 2026, effective date of the GRIP Rate Increases proposed by TGS is hereby suspended for the maximum period allowed by Texas Utilities Code § 104.301(a) to permit adequate time to review the proposed increases, analyze all necessary information, and take appropriate action related to the proposed increases.

2. A copy of this Resolution shall be sent to TGS representative Judy Hitchye, Texas Gas Service Company, Barton Skyway IV, 1301 S. Mopac, Suite 400, Austin, Texas 787476

(Judy.Hitchye@onegas.com), and to Thomas Brocato, legal counsel to the City, at Lloyd Gosselink, 816 Congress Ave., Suite 1900, Austin, Texas 78701 (tbrocato@lglawfirm.com).

Passed and approved this 25th day of March, 2026.

CITY OF WEST LAKE HILLS, TEXAS

James Vaughan, Mayor

ATTEST:

Makayla Rodriguez, City Secretary



City of West Lake Hills
City Council

AGENDA REPORT

| | | | |
|----------------------|---------------------------|-------------------------|------------|
| Meeting Date: | <u>March 25, 2026</u> | Item Number: | <u>4</u> |
| Department: | <u>Administration</u> | | |
| Prepared By: | <u>Makayla Rodriguez</u> | Cost / Budget: | <u>n/a</u> |
| | <u>Travis County CDBG</u> | | |
| Exhibits: | <u>Presentation 2026</u> | Source of Funds: | <u>n/a</u> |

Subject

Presentation regarding Travis County Community Development Block Grant Program overview.

Recommendation

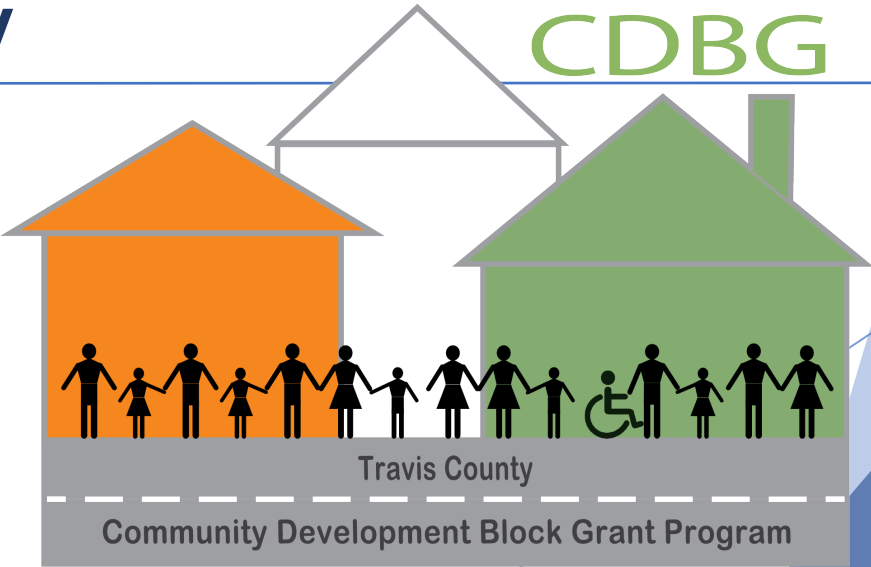
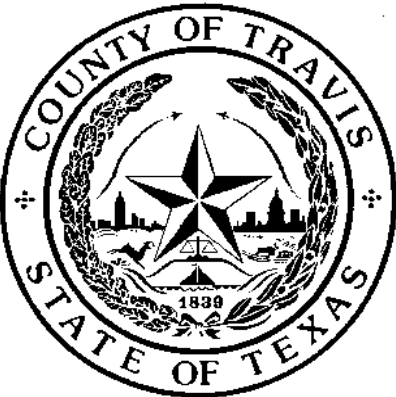
Receive the presentation.

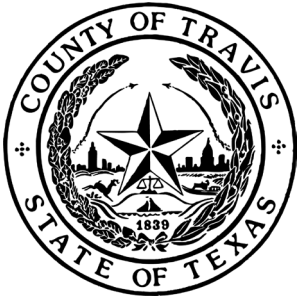
Discussion

City administration was approached by the Travis County Community Development Block Grant (CDBG) program requesting the opportunity to share program information and resources.

Community Development Block Grant Program (CDBG)

2026 Program Overview





What is CDBG?

- CDBG is a Federal Grant received by Travis County. The grant averages \$1.7 million annually.
- The grant serves low-to-moderate income families and communities located in Travis County.





Examples of Past CDBG Funded Projects



1. Crystal Bend Drainage Improvements 2024
2. Forest Bluff Infrastructure Improvements 2023
3. S.E. Metro All Inclusive Playground 2023
4. Austin Colony Infrastructure Improvements 2024



Additional Programs Funded through CDBG

Home Rehabilitation

- Up to \$24,999 to fund home repairs for qualifying families.
- Repairs can include: Septic System repair/replacements, roofs, ADA compliance needs such as ramps and railings, weatherization issues, etc. etc.
- Accepting applications now!

HOME

A separate grant managed by CDBG. It can help qualifying, first-time homebuyers with down-payment and closing-cost assistance.





Examples of 2025 Home Rehab Projects



1



2



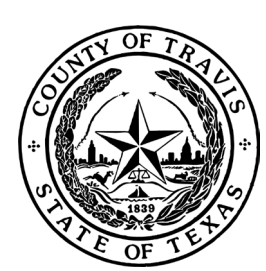
3

3. New HVAC System
4. Roofing repairs



4

1. ADA compliant wheelchair ramp
2. Window replacement and weatherization



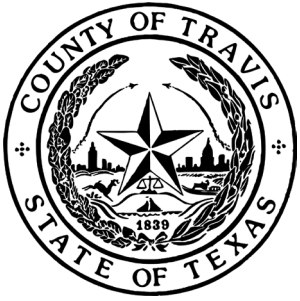
Eligibility for CDBG is based on...

- **Income Level:** Low-to-Moderate income families and communities. Qualifying projects must be located in areas at or below 80% moderate income levels for Travis County.
- **National Objectives:** Qualifying projects must meet national objectives set by the federal government.
- **County Priorities:** Projects also meet county priorities, established every 5 years in a Consolidated Plan.

Current program priorities are Affordable Housing and Infrastructure improvements.

Examples include: Drainage/flood mitigation, all-possibilities/special needs playground, home rehabilitation, septic system rehab, water line and wastewater improvements, road/right-of-way and sidewalk/ADA improvements, etc.

All projects will be considered but must meet these criteria to qualify.



Community Needs Survey

Our yearly Community Needs survey allows resident's direct input in CDBG funding and priorities.



English



Spanish

On our website at:
[Community Development Block Grant](#)

Also available in print format upon request.



Please tell us how we can best support your communities!



Contact Us and Useful Links

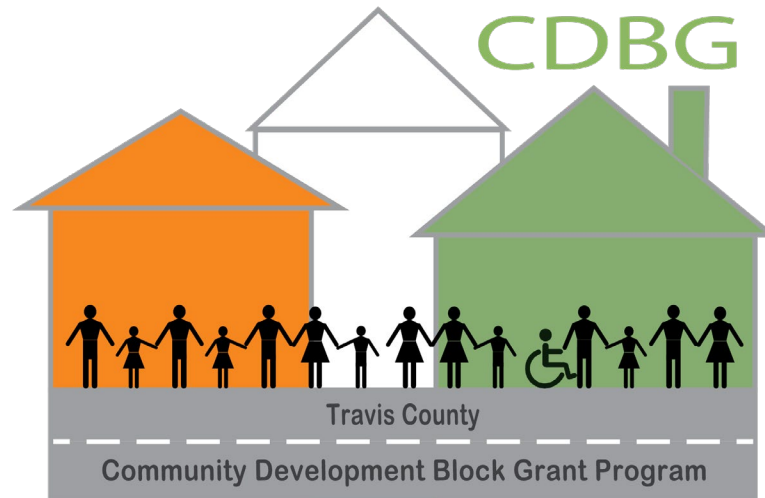
Phone Number: (512) 854-3460

Email Address: CDBG@Traviscountytexas.gov

Mailing Address: P.O. Box 17 48 Austin, TX 78767



Interactive Map Tool
to look at CDBG
Qualifying areas



CDBG Project
Application Form



City of West Lake Hills
City Council

AGENDA REPORT

| | | | |
|----------------------|--|-------------------------|------------|
| Meeting Date: | <u>March 25, 2026</u> | Item Number: | <u>5</u> |
| Department: | <u>Finance</u> | | |
| Prepared By: | <u>Vonda Ragsdale</u> FY2024-25 Annual Financial Report (Audit), Letter to the Governing Body & Management | Cost / Budget: | <u>N/A</u> |
| Exhibits: | <u>Representation Letter</u> | Source of Funds: | <u>N/A</u> |

Subject

FY2024-25 Annual Financial Report (Financial Audit)

Recommendation

Accept Auditor Opinion of *Unmodified* – the financial statements referred to above 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 West Lake Hills, Texas, as of September 30, 2025.

Discussion

Financial Highlights

- The City’s fund balance in the General Fund decreased by \$995,864 to end at \$13,452,779 largely due to the \$3,000,000 transfer out of the City Hall Reserve to the Capital Projects Fund 22. The unassigned fund balance is \$6,577,396.
- The City’s fund balance in the Wastewater Funds increased by \$1,010,636 to end at \$6,657,998 due to lower expenditures and an increase in revenue. The unassigned fund balance is \$5,483,453.
- The GO & CO Bond Funds have an ending fund balance of \$2,683,265.
- For the year ended 9/30/25, expenditures did not significantly exceed appropriations in any of the City’s legally adopted budgets.

DRAFT -
For Discussion
Purposes Only

CITY OF WEST LAKE HILLS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2025



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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council of
City of West Lake Hills, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of West Lake Hills, Texas (the "City"), as of and for the year ended September 30, 2025, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government 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 audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefits liabilities related schedules following the notes to the financial statements 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.

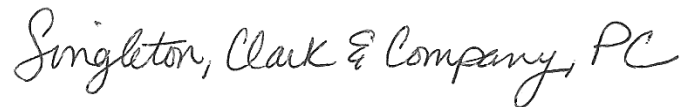
Other Information

Management is responsible for the other information included within the annual report. The other information comprises the introductory section and the Debt Service Fund budget to actual schedule but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Singleton, Clark & Company, PC
Cedar Park, Texas

January 30, 2026

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Management's Discussion and Analysis

The Management's Discussion and Analysis section of the City of West Lake Hills, Texas's (hereafter the "City") Annual Financial Report offers readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. Please read it in conjunction with the independent auditor's report beginning on page 1 of this report and the City's basic financial statements which follow this section.

Financial Highlights

- The City's net position for governmental activities increased by \$5,037,846 to end at 25,389,417. Of this amount, \$14,888,784 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's fund balance in the General Fund decreased by \$995,867 to end at \$13,452,774.
- The City's net position in the Wastewater Fund increased by \$1,010,637 to end at \$6,657,998.

Overview of the Financial Statements

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

Government-wide Financial 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 financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference between assets and liabilities 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.

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, highway and streets. The business-type activities of the City include wastewater utility operation.

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government'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 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 maintains three 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 Fund, the Debt Service Fund, and the Capital Projects Fund which are considered to be major funds.

The City adopts an annual appropriated budget for its General Fund and its Debt Service Fund. A budgetary comparison statement has been provided for the General Fund and Debt Service Fund to demonstrate compliance with these budgets.

Proprietary Funds. The City has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its wastewater utility operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a city's functions. The City is not currently utilizing an internal service fund. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater utility, which is considered to be a major fund of the City.

Basis of Reporting. The government-wide statements and the fund-level proprietary statements are reported using the full accrual basis of accounting. The governmental funds are reported using the modified accrual basis of accounting.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 56-69 of this report.

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

DRAFT -
For Discussion
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Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$32,047,415 at the close of the most recent fiscal year.

**Condensed Statement of Net Position
As of September 30,**

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Current assets | \$ 19,828,445 | \$ 37,723,600 | \$ 5,261,555 | \$ 4,591,268 | \$ 25,090,000 | \$ 42,314,868 |
| Capital assets | 43,485,646 | 23,595,114 | 10,634,784 | 11,206,211 | 54,120,430 | 34,801,325 |
| Total assets | 63,314,091 | 61,318,714 | 15,896,339 | 15,797,479 | 79,210,430 | 77,116,193 |
| Deferred outflows of resources | 1,090,684 | 1,290,069 | - | - | 1,090,684 | 1,290,069 |
| Current liabilities | 4,647,575 | 5,912,512 | 1,958,341 | 620,118 | 6,605,916 | 6,532,630 |
| Noncurrent liabilities | 33,567,909 | 35,518,274 | 7,280,000 | 9,530,000 | 40,847,909 | 45,048,274 |
| Total liabilities | 38,215,484 | 41,430,786 | 9,238,341 | 10,150,118 | 47,453,825 | 51,580,904 |
| Deferred inflows of resources | 799,874 | 826,426 | - | - | 799,874 | 826,426 |
| Net position: | | | | | | |
| Net investment in capital assets | 10,329,991 | 7,080,468 | 2,219,784 | 1,676,211 | 12,549,775 | 8,756,679 |
| Restricted | 170,642 | 274,352 | - | - | 170,642 | 274,352 |
| Unrestricted | 14,888,784 | 12,996,751 | 4,438,214 | 3,971,150 | 19,326,998 | 16,967,901 |
| Total net position | \$ 25,389,417 | \$ 20,351,571 | \$ 6,657,998 | \$ 5,647,361 | \$ 32,047,415 | \$ 25,998,932 |

A large portion of the City's net position \$12,549,775, approximately 39%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The largest portion of the City's net position \$19,326,998, approximately 60% is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. The remaining balance of \$170,642, approximately 1% represents resources that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position increased by \$6,048,483 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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Governmental Activities. During the current fiscal year, net position for governmental activities increased \$5,037,846 from the prior fiscal year for an ending balance of \$25,389,417.

**Condensed Statement of Activities
For the Years Ended September 30,**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Program Revenues: | | | | | | |
| Charges for services | \$ 797,282 | \$ 1,012,935 | \$ 2,986,988 | \$ 2,698,507 | \$ 3,784,270 | \$ 3,711,442 |
| Operating grants & contributions | 559,976 | 4,092 | - | - | 559,976 | 4,092 |
| General Revenues: | | | | | | |
| Property taxes | 5,928,077 | 5,855,081 | - | - | 5,928,077 | 5,855,081 |
| Other taxes | 4,777,347 | 4,123,284 | - | - | 4,777,347 | 4,123,284 |
| Grants and contributions not restricted to specific programs | - | 447,164 | - | - | - | 447,164 |
| Other | 1,772,110 | 1,219,444 | 84,701 | 40,020 | 1,856,811 | 1,259,464 |
| Total revenue | 13,834,792 | 12,662,000 | 3,071,689 | 2,738,527 | 16,906,481 | 15,400,527 |
| Expenses: | | | | | | |
| General government | 2,830,602 | 1,521,617 | - | - | 2,830,602 | 1,521,617 |
| Public safety | 3,727,287 | 3,083,185 | - | - | 3,727,287 | 3,083,185 |
| Highways and streets | 474,346 | 2,351,725 | - | - | 474,346 | 2,351,725 |
| Interest on long-term debt | 1,038,939 | 1,074,486 | - | - | 1,038,939 | 1,074,486 |
| Wastewater Fund | - | - | 2,061,052 | 1,946,081 | 2,061,052 | 1,946,081 |
| Total expenses | 8,796,946 | 8,031,013 | 2,061,052 | 1,946,081 | 10,857,998 | 9,977,094 |
| Increase (decrease) in net position | 5,037,846 | 4,630,987 | 1,010,637 | 792,446 | 6,048,483 | 5,423,433 |
| Net position - beginning | 20,351,571 | 15,720,584 | 5,647,361 | 4,854,915 | 25,998,932 | 20,575,499 |
| Net position - ending | \$ 25,389,417 | \$ 20,351,571 | \$ 6,657,998 | \$ 5,647,361 | \$ 32,047,415 | \$ 25,998,932 |

Business-type Activities. For the City of West Lake Hills, Texas's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$6,657,998. The total increase in net position for business-type activities was \$1,010,637, approximately 18% from the prior fiscal year. The increase is primarily due to higher revenues from charges for services compared to last year, lower expenses and the lower depreciation expense compared to the higher principal payment, which is expensed when paid, but then is an amortized payment that is moved to the liability account at year end.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2025, the City's governmental funds reported combined fund balances of \$16,136,040, a decrease of \$15,768,631 in comparison with the prior year. Approximately 41% of this amount, \$6,577,393, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *restricted*, *committed*, or *assigned* to indicate that it is 1) restricted for particular purposes \$2,778,271; 2) committed for particular purposes \$6,457,704; or 3) assigned for particular purposes \$312,672.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,577,393, while total fund balance decreased to \$13,452,774, primarily due to a budgeted deficit of expenditures over revenues; however, the realization of greater than anticipated revenues reduced the amount of the originally anticipated deficit.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total noncapital general fund expenditures. Unassigned fund balance represents approximately 99% of total noncapital general fund expenditures, while total fund balance represents approximately 202% of that same amount.

The Debt Service Fund, a major fund, had an increase in fund balance during the current year of \$24,675 to bring the year end fund balance to \$46,901.

The Capital Projects fund, the remaining major governmental fund, had a \$14,797,439 decrease in fund balance during the current fiscal year which put the overall fund balance at \$2,636,365. The decrease in fund balance for the year is related to ongoing capital projects.

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

Unrestricted net position of the Wastewater Fund at the end of the year was \$4,438,214. The total growth in net position for the fund was \$1,010,637.

General Fund Budgetary Highlights

Original budget compared to final budget. Over the course of the year, the City Council generally revises the City's budget based on financial updates provided by management. These amendments involve moving funds from functions that did not need all the resources originally appropriated to them to functions with resource needs, or to budget for new revenues or new estimated costs. The budget amendments made to the Sales and mixed beverage, Investment earnings and Miscellaneous revenues, General government, Police, Highways and streets, and Capital outlay department expenditures during the year were considered significant.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to \$54,120,430 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the water treatment plant. The total increase in capital assets for the current fiscal year was approximately 56%.

Capital Assets, Net of Accumulated Depreciation

| | Governmental Activities 2025 | Governmental Activities 2024 | Change |
|-------------------------------------|------------------------------------|------------------------------------|----------------------|
| Land | \$ 6,722,075 | \$ 6,722,075 | \$ - |
| Construction in progress | 674,736 | 1,694,092 | (1,019,356) |
| Buildings | 21,873,752 | 13,436,120 | 8,437,632 |
| Furniture and equipment | 3,066,595 | 2,210,285 | 856,310 |
| Infrastructure | 17,321,663 | 4,818,858 | 12,502,805 |
| Total | <u>49,658,821</u> | <u>28,881,430</u> | <u>20,777,391</u> |
| Less accumulated depreciation | <u>(6,173,175)</u> | <u>(5,286,316)</u> | <u>(886,859)</u> |
| Capital assets, net of depreciation | <u>\$ 43,485,646</u> | <u>\$ 23,595,114</u> | <u>\$ 19,890,532</u> |

| | Business-Type Activities 2025 | Business-Type Activities 2024 | Change |
|-------------------------------------|-------------------------------------|-------------------------------------|---------------------|
| Land | \$ 420,000 | \$ 420,000 | \$ - |
| Machinery, equipment, and vehicles | 36,754 | 36,754 | - |
| Infrastructure | 18,111,925 | 18,059,980 | 51,945 |
| Total | <u>18,568,679</u> | <u>18,516,734</u> | <u>51,945</u> |
| Less accumulated depreciation | <u>(7,933,895)</u> | <u>(7,310,523)</u> | <u>(623,372)</u> |
| Capital assets, net of depreciation | <u>\$ 10,634,784</u> | <u>\$ 11,206,211</u> | <u>\$ (571,427)</u> |

Additional information on the City's capital assets can be found in Note III.D on pages 41-42 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$41,293,224. Of this, \$31,145,000 represents general obligation bonds for governmental activities, with \$1,733,224 in bond premiums. The remaining \$8,415,000 represents bonds payable in the Wastewater Fund for business-type activities. No new bonds were issued during the year.

Outstanding Debt

| | Governmental Activities 2025 | Governmental Activities 2024 | Change |
|--------------------------|-------------------------------------|-------------------------------------|----------------|
| General obligation bonds | \$ 31,145,000 | \$ 31,985,000 | \$ (840,000) |
| Premium on bonds | 1,733,224 | 1,811,137 | (77,913) |
| Total | \$ 32,878,224 | \$ 33,796,137 | \$ (917,913) |
| | | | |
| | Business-Type Activities 2025 | Business-Type Activities 2024 | Change |
| Revenue Bonds | \$ 8,415,000 | \$ 9,530,000 | \$ (1,115,000) |
| Total | \$ 8,415,000 | \$ 9,530,000 | \$ (1,115,000) |

The City's governmental debt decreased by \$917,913 and its revenue bonds decreased by \$1,115,000 during the year, both due to regularly scheduled principal payments.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2025-2026 budget. The City's General Fund budget for fiscal year 2025-2026 includes expenditures of \$8,649,807 which is an increase of approximately \$205,000 from fiscal year 2024-2025 total amended expenditures. The city decreased the tax rate for 2025-2026 to \$0.119084 for the General Fund and to \$0.057699 for the Debt Service Fund. The overall total tax rate decreased to \$0.176783 per \$100 valuation.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those interested in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Director at the City of West Lake Hills, 4010 Bee Cave Road, West Lake Hills, Texas 78746-4599 or by calling (512) 327-3628. Financial information is also available on the City's website at www.westlakehills.org.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

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| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 17,655,000 | \$ 6,232,319 | \$ 23,887,319 |
| Taxes receivable, delinquent | 131,091 | - | 131,091 |
| Allowance for uncollectible taxes | (65,550) | - | (65,550) |
| Accounts receivable, net | 167,250 | 250,413 | 417,663 |
| Intergovernmental receivable | 719,477 | - | 719,477 |
| Internal balances | 1,221,177 | (1,221,177) | - |
| Capital assets, not being depreciated: | | | |
| Land | 6,722,075 | 420,000 | 7,142,075 |
| Construction in progress | 674,736 | - | 674,736 |
| Capital assets, being depreciated: | | | |
| Buildings and improvements | 21,873,752 | - | 21,873,752 |
| Furniture and equipment | 3,066,595 | 36,754 | 3,103,349 |
| Infrastructure | 17,321,663 | 18,111,925 | 35,433,588 |
| Accumulated depreciation | (6,173,175) | (7,933,895) | (14,107,070) |
| Total assets | <u>63,314,091</u> | <u>15,896,339</u> | <u>79,210,430</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows NPL | 1,074,337 | - | 1,074,337 |
| Deferred outflows OPEB | 16,347 | - | 16,347 |
| Total deferred outflows of resources | <u>1,090,684</u> | <u>-</u> | <u>1,090,684</u> |
| LIABILITIES | | | |
| Accounts payable | 1,185,851 | 134,174 | 1,320,025 |
| Accrued payroll and benefits | 80,290 | 302 | 80,592 |
| Retainage payable | 861,972 | - | 861,972 |
| Accrued interest payable | 140,711 | 12,405 | 153,116 |
| Bonds and other long-term payables, current | 880,000 | 1,135,000 | 2,015,000 |
| Other current liabilities | 1,498,751 | - | 1,498,751 |
| Customer deposits | - | 676,460 | 676,460 |
| Noncurrent liabilities: | | | |
| Bonds and other long-term payables, noncurrent | 31,998,224 | 7,280,000 | 39,278,224 |
| Compensated absences, noncurrent | 301,859 | - | 301,859 |
| Net pension liability | 1,145,771 | - | 1,145,771 |
| Other post-employment benefits | 122,055 | - | 122,055 |
| Total liabilities | <u>38,215,484</u> | <u>9,238,341</u> | <u>47,453,825</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows NPL | 771,033 | - | 771,033 |
| Deferred inflows OPEB | 28,841 | - | 28,841 |
| Total deferred inflows of resources | <u>799,874</u> | <u>-</u> | <u>799,874</u> |
| NET POSITION | | | |
| Net investment in capital assets | 10,329,991 | 2,219,784 | 12,549,775 |
| Restricted for court security | 45,318 | - | 45,318 |
| Restricted for court technology | 7,879 | - | 7,879 |
| Restricted for child safety | 10,322 | - | 10,322 |
| Restricted for LEOSE | 41,486 | - | 41,486 |
| Restricted for debt service | 65,637 | - | 65,637 |
| Unrestricted | 14,888,784 | 4,438,214 | 19,326,998 |
| Total net position | <u>\$ 25,389,417</u> | <u>\$ 6,657,998</u> | <u>\$ 32,047,415</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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| Functions/Programs: | Expenses | Program Revenues | | |
|---------------------------------|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,830,602 | \$ 638,041 | \$ - | \$ - |
| Public safety | 3,727,287 | 159,241 | 559,976 | - |
| Highways and streets | 474,346 | - | - | - |
| Sanitation | 658,124 | - | - | - |
| Culture and recreation | 67,648 | - | - | - |
| Interest and bank fees | 1,038,939 | - | - | - |
| Total governmental activities: | <u>8,796,946</u> | <u>797,282</u> | <u>559,976</u> | <u>-</u> |
| Business-type activities: | | | | |
| Wastewater Fund | 2,061,052 | 2,986,988 | - | - |
| Total business-type activities: | <u>2,061,052</u> | <u>2,986,988</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 10,857,998</u> | <u>\$ 3,784,270</u> | <u>\$ 559,976</u> | <u>\$ -</u> |

General revenues:
 Property taxes
 Sales taxes
 Franchise taxes
 Investment earnings
 Gain (Loss) on sale of capital assets
 Miscellaneous
 Total general revenues
 Change in net position
Net position - beginning
Net position - ending

The notes to the financial statements are an integral part of this statement.

| Net (Expense) Revenue and Changes in Net Position | | |
|---|-----------------------------|----------------------|
| Primary Government | | |
| Governmental Activities | Business-Type Activities | Total |
| \$ (2,192,561) | \$ - | \$ (2,192,561) |
| (3,008,070) | - | (3,008,070) |
| (474,346) | - | (474,346) |
| (658,124) | - | (658,124) |
| (67,648) | - | (67,648) |
| (1,038,939) | - | (1,038,939) |
| <u>(7,439,688)</u> | <u>-</u> | <u>(7,439,688)</u> |
| - | 925,936 | 925,936 |
| - | 925,936 | 925,936 |
| <u>(7,439,688)</u> | <u>925,936</u> | <u>(6,513,752)</u> |
| 5,928,077 | - | 5,928,077 |
| 4,331,899 | - | 4,331,899 |
| 445,448 | - | 445,448 |
| 1,088,611 | 77,272 | 1,165,883 |
| 70,711 | - | 70,711 |
| 612,788 | 7,429 | 620,217 |
| <u>12,477,534</u> | <u>84,701</u> | <u>12,562,235</u> |
| 5,037,846 | 1,010,637 | 6,048,483 |
| 20,351,571 | 5,647,361 | 25,998,932 |
| <u>\$ 25,389,417</u> | <u>\$ 6,657,998</u> | <u>\$ 32,047,415</u> |

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FUND BASIS FINANCIAL STATEMENTS

CITY OF WEST LAKE HILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

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| | General Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|--|----------------------|-------------------------|-----------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 12,057,938 | \$ 46,901 | \$ 5,550,161 | \$ 17,655,000 |
| Taxes receivable, delinquent | 93,617 | 37,474 | - | 131,091 |
| Allowance for uncollectible delinquent taxes | (46,812) | (18,738) | - | (65,550) |
| Accounts receivable | 167,250 | - | - | 167,250 |
| Intergovernmental receivable | 719,477 | - | - | 719,477 |
| Due from other funds | 1,221,177 | - | - | 1,221,177 |
| Total assets | <u>\$ 14,212,647</u> | <u>\$ 65,637</u> | <u>\$ 5,550,161</u> | <u>\$ 19,828,445</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 367,925 | \$ - | \$ 817,926 | \$ 1,185,851 |
| Accrued payroll and benefits | 80,290 | - | - | 80,290 |
| Retainage payable | - | - | 861,972 | 861,972 |
| Other current liabilities | 264,853 | - | 1,233,898 | 1,498,751 |
| Total liabilities | <u>713,068</u> | <u>-</u> | <u>2,913,796</u> | <u>3,626,864</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | 46,805 | 18,736 | - | 65,541 |
| Total deferred inflows of resources | <u>46,805</u> | <u>18,736</u> | <u>-</u> | <u>65,541</u> |
| FUND BALANCES | | | | |
| Restricted: | | | | |
| Fund balance - restricted for court security | 45,318 | - | - | 45,318 |
| Fund balance - restricted for court technology | 7,879 | - | - | 7,879 |
| Fund balance - restricted for child safety | 10,322 | - | - | 10,322 |
| Fund balance - restricted for LEOSE | 41,486 | - | - | 41,486 |
| Fund balance - restricted for debt service | - | 46,901 | - | 46,901 |
| Fund balance - restricted for capital projects | - | - | 2,636,365 | 2,636,365 |
| Committed: | | | | |
| Committed for stabilization | 3,250,000 | - | - | 3,250,000 |
| Committed for legal reserve | 300,000 | - | - | 300,000 |
| Committed for contingency | 500,000 | - | - | 500,000 |
| Committed for brush pickup | 200,000 | - | - | 200,000 |
| Committed for street maintenance | 2,207,704 | - | - | 2,207,704 |
| Assigned: | | | | |
| Assigned for Tree Fund | 312,672 | - | - | 312,672 |
| Unassigned | 6,577,393 | - | - | 6,577,393 |
| Total fund balances | <u>13,452,774</u> | <u>46,901</u> | <u>2,636,365</u> | <u>16,136,040</u> |
| Total liabilities, deferred inflows, and fund balances | <u>\$ 14,212,647</u> | <u>\$ 65,637</u> | <u>\$ 5,550,161</u> | <u>\$ 19,828,445</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF WEST LAKE HILLS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

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

| | |
|--|----------------------|
| Total fund balance of all governmental funds | \$ 16,136,040 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 43,485,646 |
| Other long-term assets, such as uncollected property taxes, are not available to pay for and, therefore, are reported as unavailable revenue in the funds. | 65,541 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (33,320,794) |
| Additional long-term liabilities related to the recognition of the net pension liability and the net OPEB liability are not reported in the funds. | (977,016) |
| Net position of governmental activities | <u>\$ 25,389,417</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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| | General Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|---------------------------------------|----------------------|-------------------------|-----------------------------|--------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 3,903,188 | \$ 1,974,222 | \$ - | \$ 5,877,410 |
| Sales taxes | 4,331,899 | - | - | 4,331,899 |
| Franchise taxes | 445,448 | - | - | 445,448 |
| Penalties and interest on taxes | 24,984 | 12,637 | - | 37,621 |
| Licenses and permits | 413,356 | - | - | 413,356 |
| Intergovernmental revenues | 559,976 | - | - | 559,976 |
| Charges for services | 143,219 | - | - | 143,219 |
| Fines | 159,241 | - | - | 159,241 |
| Investment earnings | 752,049 | 935 | 335,627 | 1,088,611 |
| Rents and royalties | 81,466 | - | - | 81,466 |
| Miscellaneous revenue | 575,129 | - | 37,659 | 612,788 |
| Total revenues | <u>11,389,955</u> | <u>1,987,794</u> | <u>373,286</u> | <u>13,751,035</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,289,945 | 900 | 16,536 | 1,307,381 |
| Planning and development | 1,130,492 | - | - | 1,130,492 |
| Public safety | | | | |
| Police | 2,810,560 | - | - | 2,810,560 |
| Municipal court | 393,421 | - | - | 393,421 |
| Highways and streets | 406,387 | - | - | 406,387 |
| Sanitation | 567,493 | - | - | 567,493 |
| Culture and recreation | | | | |
| Facilities, maintenance & operations | 58,332 | - | - | 58,332 |
| Debt service: | | | | |
| Bond principal | - | 840,000 | - | 840,000 |
| Interest - bonds | - | 1,122,219 | - | 1,122,219 |
| Capital outlay | 1,898,044 | - | 19,056,048 | 20,954,092 |
| Total expenditures | <u>8,554,674</u> | <u>1,963,119</u> | <u>19,072,584</u> | <u>29,590,377</u> |
| Excess (deficiency) of revenues over | <u>2,835,281</u> | <u>24,675</u> | <u>(18,699,298)</u> | <u>(15,839,342)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 3,901,859 | 3,901,859 |
| Transfers out | (3,901,859) | - | - | (3,901,859) |
| Sale of general capital assets | 70,711 | - | - | 70,711 |
| Total other financing sources (uses) | <u>(3,831,148)</u> | <u>-</u> | <u>3,901,859</u> | <u>70,711</u> |
| Net change in fund balance | (995,867) | 24,675 | (14,797,439) | (15,768,631) |
| Fund balance - beginning | 14,448,641 | 22,226 | 17,433,804 | 31,904,671 |
| Fund balance - ending | <u>\$ 13,452,774</u> | <u>\$ 46,901</u> | <u>\$ 2,636,365</u> | <u>\$ 16,136,040</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF WEST LAKE HILLS, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

DRAFT -
 For Discussion
 Purposes Only

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

| | | |
|--|---|--------------|
| Net change in fund balances for total governmental funds | \$ (15,768,631) | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. | 19,890,532 | |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 13,046 | |
| The issuance of long-term debt (e.g., bonds, leases) 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 premiums, discounts, and similar items when debt is 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. | 877,038 | |
| The net effect of various transactions involving the net pension liability and the net OPEB liability is to decrease net position. | 25,861 | |
| Change in net position for governmental activities | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 5,037,846</td> </tr> </table> | \$ 5,037,846 |
| \$ 5,037,846 | | |

The notes to the financial statements are an integral part of this statement.

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CITY OF WEST LAKE HILLS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

DRAFT -
For Discussion
Purposes Only

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|--|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 3,920,000 | \$ 3,903,188 | \$ 3,903,188 | \$ - |
| Sales and mixed beverage taxes | 3,998,000 | 4,281,472 | 4,331,899 | 50,427 |
| Franchise taxes | 470,000 | 445,448 | 445,448 | - |
| Penalties and interest on taxes | 25,000 | 24,984 | 24,984 | - |
| Permits | 332,000 | 414,831 | 413,356 | (1,475) |
| Grants | - | 5,082 | 559,976 | 554,894 |
| Fees | 98,000 | 124,488 | 143,219 | 18,731 |
| Fines | 178,200 | 186,749 | 159,241 | (27,508) |
| Investment earnings | 550,000 | 752,049 | 752,049 | - |
| Leases | 81,885 | 81,466 | 81,466 | - |
| Miscellaneous revenue | 25,200 | 567,049 | 575,129 | 8,080 |
| Total revenues | <u>9,678,285</u> | <u>10,786,806</u> | <u>11,389,955</u> | <u>603,149</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,414,117 | 1,287,380 | 1,289,945 | (2,565) |
| Planning and development | 1,079,761 | 1,040,733 | 1,130,492 | (89,759) |
| Public safety | | | | |
| Police | 3,137,695 | 2,801,210 | 2,810,560 | (9,350) |
| Municipal court | 380,412 | 383,512 | 393,421 | (9,909) |
| Highways and streets | 665,671 | 404,022 | 406,387 | (2,365) |
| Sanitation | 567,000 | 567,000 | 567,493 | (493) |
| Culture and recreation | | | | |
| Facilities, maintenance and operations | 38,750 | 54,901 | 58,332 | (3,431) |
| Capital outlay | 1,553,104 | 1,905,706 | 1,898,044 | 7,662 |
| Total Expenditures | <u>8,836,510</u> | <u>8,444,464</u> | <u>8,554,674</u> | <u>(110,210)</u> |
| Excess (deficiency) of revenues over expenditures | <u>841,775</u> | <u>2,342,342</u> | <u>2,835,281</u> | <u>492,939</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (3,000,000) | (3,350,000) | (3,901,859) | (551,859) |
| Sale of general capital assets | - | 60,438 | 70,711 | 10,273 |
| Total other financing sources (uses) | <u>(3,000,000)</u> | <u>(3,289,562)</u> | <u>(3,831,148)</u> | <u>(541,586)</u> |
| Net change in fund balances | (2,158,225) | (947,220) | (995,867) | (48,647) |
| Fund balance - beginning | 14,448,641 | 14,448,641 | 14,448,641 | - |
| Fund balance - ending | <u>\$ 12,290,416</u> | <u>\$ 13,501,421</u> | <u>\$ 13,452,774</u> | <u>\$ (48,647)</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

DRAFT -
For Discussion
Purposes Only

| | Business-Type Activities |
|--|-----------------------------|
| | Wastewater Fund |
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 6,232,319 |
| Accounts receivable, net | 250,413 |
| Total current assets | 6,482,732 |
| Noncurrent Assets: | |
| Land | 420,000 |
| Infrastructure | 18111925 |
| Furnishings and equipment | 36754 |
| Accumulated depreciation | (7,933,895) |
| Total noncurrent assets | 10,634,784 |
| Total assets | 17,117,516 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 134,174 |
| Compensated absences payable | 302 |
| Due to other funds | 1,221,177 |
| Accrued interest payable | 12,405 |
| Bonds and other long-term payables, current | 1,135,000 |
| Customer deposits | 676,460 |
| Total current liabilities | 3,179,518 |
| Noncurrent Liabilities: | |
| Bonds and other long-term payables, noncurrent | 7,280,000 |
| Total noncurrent liabilities | 7,280,000 |
| Total liabilities | 10,459,518 |
| NET POSITION | |
| Net investment in capital assets | 2,219,784 |
| Unrestricted | 4,438,214 |
| Total net position | \$ 6,657,998 |

The notes to the financial statements are an integral part of this statement.

CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

DRAFT -
For Discussion
Purposes Only

| | Business-Type Activities |
|--|-----------------------------|
| | Wastewater Fund |
| REVENUES | |
| Operating revenues: | |
| Charges for services: | |
| Wastewater/sewer | \$ 2,956,241 |
| Other charges | 30,747 |
| Miscellaneous revenue | 7,429 |
| Total operating revenues | 2,994,417 |
| EXPENSES | |
| Operating expenses: | |
| Salaries and wages | 10,401 |
| Purchased services | 546,161 |
| Purchased property services | 474,911 |
| Other purchased services | 64,241 |
| Other operating expenses | 174,447 |
| Depreciation | 623,372 |
| Total operating expenses | 1,893,533 |
| Operating income (loss) | 1,100,884 |
| Nonoperating revenues (expenses) | |
| Investment earnings | 77,272 |
| Interest expense | (167,519) |
| Total nonoperating revenues (expenses) | (90,247) |
| Change in net position | 1,010,637 |
| Net position-beginning | 5,647,361 |
| Net position-ending | \$ 6,657,998 |

The notes to the financial statements are an integral part of this statement.

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CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

DRAFT -
For Discussion
Purposes Only

| | Business-Type Activities |
|---|-----------------------------|
| | Wastewater Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 3,012,500 |
| Receipts from interfund charges for services | 168,418 |
| Receipt (return) of customer deposits | 7,429 |
| Payments to suppliers and service providers | (1,403,778) |
| Payments to employees for salaries and benefits | (10,401) |
| Net cash provided by (used for) operating activities | 1,774,168 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and construction of capital assets | (51,945) |
| Principal paid on capital debt | (1,115,000) |
| Interest paid on capital debt | (167,519) |
| Net cash provided by (used for) capital and related financing activities | (1,334,464) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | 77,272 |
| Net cash provided by investing activities | 77,272 |
| Net increase (decrease) in cash and cash equivalents | 516,976 |
| Cash and cash equivalents-beginning | 5,715,343 |
| Cash and cash equivalents-ending | \$ 6,232,319 |
| Reconciliation of operating income (loss) to net cash provided (used for) operating activities: | |
| Operating income (loss) | \$ 1,100,884 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation expense | 623,372 |
| (Increase) decrease in accounts receivable | 25,512 |
| (Decrease) increase in deposits payable | 168,418 |
| (Decrease) increase in accounts payable | 41,685 |
| (Decrease) increase in accrued liabilities | (6,880) |
| (Decrease) increase in due to other funds | (178,823) |
| Total adjustments | 673,284 |
| Net cash provided by (used for) operating activities | \$ 1,774,168 |

The notes to the financial statements are an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

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I. Summary of Significant Accounting Policies

This section describes the significant accounting and reporting guidelines of the City.

A. Reporting Entity

The City of West Lake Hills, Texas (the “City”) was founded and incorporated as a village on September 9, 1953. The City Council (the “Council”), a six member group, has governance responsibilities over all activities related to the City. The Council is elected by the public and has the exclusive power and duty to govern and oversee the management of the City. The City receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities.

The City’s primary activities include police protection, court and general administrative services, public works, and wastewater service.

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 the considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. No other entities have been included in the City’s 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.

B. Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

C. Fund Financial Statements

The fund financial statements provide information about the government’s funds, including its fiduciary funds and blended component units. 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:

The General Fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Capital Projects Fund accounts for the acquisition and construction of the government’s major capital facilities, other than those financed by proprietary funds.

The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The government reports the following major enterprise funds:

The Wastewater Fund accounts for the revenues, expenses, and residual equity related to the operation of the City’s wastewater services.

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 or 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.

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, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital 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.

Proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Custodial funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

E. Budgetary Information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Proprietary fund. Currently, the City does not utilize any other funds which are not aggregated with the General Fund, Debt Service Fund, Capital Projects Fund or the Wastewater Funds for reporting purposes.

The appropriated budget is prepared by fund and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. Excess of expenditures over appropriations

For the year ended September 30, 2025, expenditures exceeded appropriations in the City's General Fund budget in the General government, Public safety and Culture and recreation departments by 4% (\$92,324), 1%, (\$19,259) and 6% (\$3,431), respectively.

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

1. Cash and cash equivalents

The government'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.

2. Investments

Investments for the government are reported at fair value (generally based on quoted market prices) except for positions in Local Government Investment Pools (LoneStar and LOGIC) when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and prepaid items

The City does not report inventories of supplies or consumable items due to the unused amount of these items on hand at any given time being immaterial. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. 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 column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life of more than one year.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives.

| <u>Capital asset classes</u> | <u>Lives</u> |
|------------------------------|--------------|
| Buildings | 10-50 |
| Machinery and equipment | 5-20 |
| Vehicles | 5-10 |
| Improvements | 10-20 |
| Infrastructure | 75-100 |
| Water distribution system | 75-100 |

5. 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. The government currently does not have any financial transactions that qualify for reporting in this category. 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 applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government currently has only one type of item, which arises only under a modified accrual basis of accounting, that 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 special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. 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. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. 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.

8. 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 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.

G. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2024, upon which the levy for the 2024-2025 fiscal year was based, was \$3,329,519,524. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2025, to finance General Fund and Debt Service Fund operations were \$0.1196 and \$0.0590, respectively, for a total tax rate of \$0.1786 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2024-2025 fiscal year was \$5,946,522. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2025, were approximately 99% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

3. *Compensated absences*

The City maintains formal programs for vacation, holiday and sick leave. The City's personnel policy provides employees with annual vacation, holiday and sick leave after satisfactory completion of their six month probationary period. Temporary employees, after six months of employment, also receive paid vacation time in proportion to hours worked (based on a 40 hour workweek). Paid vacations are earned as follows: one to ten years of service receive 96 hours with a maximum accrual of 208 hours, 11 to 20 years of service receive 120 hours with a maximum accrual of 256 hours, and 21 or more years of service receive 144 hours with maximum accrual of 304 hours. On September 1, all unused vacation time in excess of maximum accruals will be cancelled. Sick leave for permanent employees is earned at the rate of one working day for each full month of continuous service. Sick leave may be accumulated to a maximum of 288 hours. On September 1 of each fiscal year all accumulated sick leave in excess of maximum accrual will be cancelled. Paid holidays are determined by the City, and currently may be accrued if the employee is required to work on said holiday.

Upon termination, the City will pay the employee for properly accrued vacation, comp and holiday hours as well as one half of accrued sick leave. As a result, the City has accrued a liability for compensated absences in the amount of \$301,859 as a long-term obligation.

The changes in compensated absence liability in a fiscal year is recognized as an expense and reported as an adjustment in accordance with Governmental Accounting Standards Board Statement No. 101 – Compensated Absences. This adjustment represents the net change which includes additions and deletions to the City's compensated absence liability. Additions include days awarded to existing employees annually. Deletions to the compensated absence liability include days that are used during the fiscal year.

4. *Proprietary funds operating and nonoperating revenues and expenses*

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

II. Stewardship, Compliance and Accountability

A. Violations of Legal or Contractual Provisions

No violations of legal or contractual provisions were noted during the current year.

B. Deficit Fund Equity

For the year ended September 30, 2025 there were no funds reported with deficit fund equity.

III. Detailed Notes on All Activities and Funds

A. Cash Deposits with Financial Institution

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2025, the government's bank balance was \$2,519,808 and \$0 of that amount was exposed to custodial credit risk because the City's bank deposits at September 30, 2025 and during the year then ended were entirely covered by the Federal Deposit Insurance Corporation (FDIC) insurance or by pledged collateral held by the City's agent bank in the City's name.

B. Investments

The State Treasurer’s Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, *Investments*, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer’s Investment Pool.

As of September 30, 2025, the government had the following investments:

| Investment Type | Maturity Time in Years |
|-----------------------------------|------------------------|
| | Less than 1 |
| Local government investment pools | |
| First Public | \$ 14,145,956 |
| Logic | 7,269,407 |
| Total investments | \$ 21,415,363 |

Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government’s policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2025, the government’s investment in the First Public and Logic investment pools were rated AAA by Standard & Poor’s and Aaa by Moody’s Investors Service.

Concentration of credit risk. The government’s investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the government’s total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is a detail of receivables for the major and nonmajor funds of both the governmental and proprietary funds of the government, including the applicable allowances for uncollectible accounts:

Governmental Funds:

| Receivables | General Fund | Debt Service Fund | Total Governmental Funds |
|------------------------------------|--------------|-------------------|--------------------------|
| Property taxes | \$ 93,617 | \$ 37,474 | \$ 131,091 |
| Accounts receivable | 167,250 | - | 167,250 |
| Sales taxes | 719,477 | - | 719,477 |
| Gross receivables | 980,344 | 37,474 | 1,017,818 |
| Less: Allowance for uncollectibles | (46,812) | (18,738) | (65,550) |
| Net receivables | \$ 933,532 | \$ 18,736 | \$ 952,268 |

Proprietary Funds:

| Receivables | Wastewater Fund |
|------------------------------------|-----------------|
| Accounts receivable | \$ 274,094 |
| Gross receivables | 274,094 |
| Less: Allowance for uncollectibles | (23,681) |
| Net receivables | \$ 250,413 |

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D. Capital Assets

Capital assets activity for the year ended September 30, 2025, was as follows:

Governmental Activities:

| | Balance 10/1/24 | Increases | Decreases | Balance 9/30/25 |
|---|----------------------|----------------------|---------------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 6,722,075 | \$ - | \$ - | \$ 6,722,075 |
| Construction in progress | 13,436,120 | 1,388 | (12,762,772) | 674,736 |
| Total capital assets, not being depreciated | <u>20,158,195</u> | <u>1,388</u> | <u>(12,762,772)</u> | <u>7,396,811</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,694,092 | 12,638,395 | 7,541,265 | 21,873,752 |
| Furniture and equipment | 2,210,285 | 1,062,464 | (206,154) | 3,066,595 |
| Infrastructure | 4,818,858 | 7,251,845 | 5,250,960 | 17,321,663 |
| Total capital assets, being depreciated | <u>8,723,235</u> | <u>20,952,704</u> | <u>12,586,071</u> | <u>42,262,010</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,271,512) | (23,283) | - | (1,294,795) |
| Furniture and equipment | (1,651,432) | (407,072) | 179,017 | (1,879,487) |
| Infrastructure | (2,363,372) | (635,521) | - | (2,998,893) |
| Total accumulated depreciation | <u>(5,286,316)</u> | <u>(1,065,876)</u> | <u>179,017</u> | <u>(6,173,175)</u> |
| Total capital assets being depreciated, net | 3,436,919 | 19,886,828 | 12,765,088 | 36,088,835 |
| Governmental activities capital assets, net | <u>\$ 23,595,114</u> | <u>\$ 19,888,216</u> | <u>\$ 2,316</u> | <u>\$ 43,485,646</u> |

Business-Type Activities:

| | Balance 10/1/24 | Increases | Decreases | Balance 9/30/25 |
|--|----------------------|---------------------|-------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 420,000 | \$ - | \$ - | \$ 420,000 |
| Total capital assets, not being depreciated | <u>420,000</u> | <u>-</u> | <u>-</u> | <u>420,000</u> |
| Capital assets, being depreciated: | | | | |
| Furniture and equipment | 36,754 | - | - | 36,754 |
| Infrastructure | 18,059,980 | 51,945 | - | 18,111,925 |
| Total capital assets, being depreciated | <u>18,096,734</u> | <u>51,945</u> | <u>-</u> | <u>18,148,679</u> |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | (775) | (27) | - | (802) |
| Infrastructure | (7,309,748) | (623,345) | - | (7,933,093) |
| Total accumulated depreciation | <u>(7,310,523)</u> | <u>(623,372)</u> | <u>-</u> | <u>(7,933,895)</u> |
| Total capital assets being depreciated, net | 10,786,211 | (571,427) | - | 10,214,784 |
| Business-type activities capital assets, net | <u>\$ 11,206,211</u> | <u>\$ (571,427)</u> | <u>\$ -</u> | <u>\$ 10,634,784</u> |

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

Governmental activities:

| | | |
|--|----|--------------|
| General government | \$ | 218,110 |
| Public safety | | 511,689 |
| Highways and streets | | 336,077 |
| Total depreciation expense - governmental activities | | \$ 1,065,876 |

E. Defined Benefit Pension Plan

Plan Description

The City participates as one of the over 940 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas.

TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

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 Member's benefit is calculated on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

| | | |
|--|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | | 36 |
| Inactive employees entitled to but not yet receiving benefits | | 40 |
| Active employees | | 27 |
| | | 103 |

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 18.27% and 18.27% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 and 2024 were \$508,678 and \$453,437 respectively, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.50% per year |
| Overall payroll growth | 2.75% per year, adjusted down for population declines, if any |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 the most recent Scale MP- 2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, 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 to satisfy the short-term and long-term funding needs of TMRS.

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The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the table on the next page:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|----------------------|--|
| Global Equity | 35.0% | 7.1% |
| Core Fixed Income | 6.0% | 5.0% |
| Non-Core Fixed Income | 6.0% | 6.8% |
| Hedge Funds | 5.0% | 6.4% |
| Private Equity | 13.0% | 8.5% |
| Private Debt | 13.0% | 8.2% |
| Real Estate | 12.0% | 6.7% |
| Infrastructure | 6.0% | 6.0% |
| Other Private Markets | 4.0% | 7.3% |
| Total | 100% | |

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 Member 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 Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

| | Increase (Decrease) | | |
|--|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balance at 12/31/2023 | \$ 12,148,145 | \$ 10,810,466 | \$ 1,337,679 |
| Changes for the year: | | | |
| Service cost | 556,273 | - | 556,273 |
| Interest | 821,948 | - | 821,948 |
| Difference between expected and actual experience | 213,633 | - | 213,633 |
| Contributions - employer | - | 482,352 | (482,352) |
| Contributions - employee | - | 184,808 | (184,808) |
| Net investment income | - | 1,123,975 | (1,123,975) |
| Benefit payments, including refunds of employee contr. | (498,546) | (498,546) | - |
| Administrative expense | - | (7,204) | 7,204 |
| Other changes | - | (169) | 169 |
| Net changes | 1,093,308 | 1,285,216 | (191,908) |
| Balance at 12/31/2024 | \$ 13,241,453 | \$ 12,095,682 | \$ 1,145,771 |

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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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

| | 1% Decrease in Discount Rate (5.75%) | Current Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|------------------------------|---|----------------------------------|---|
| City's net pension liability | \$ 3,077,517 | \$ 1,145,771 | \$ (418,101) |

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 tmrs.com.

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

For the year ended September 30, 2025, the City recognized pension expense of (\$16,977).

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between projected and actual investment earnings | \$ 581,870 | \$ 708,881 |
| Differences between expected and actual economic experience | 118,261 | 46,068 |
| Difference in assumption changes | - | 16,084 |
| Contributions subsequent to the measurement date | 374,206 | - |
| Total | \$ 1,074,337 | \$ 771,033 |

\$374,206 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 year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Measurement Year Ended Dec 31st: | Net Deferred Outflows (Inflows) of Resources |
|-------------------------------------|---|
| 2025 | \$ 37,516 |
| 2026 | 142,127 |
| 2027 | (171,693) |
| 2028 | (78,852) |
| 2029 | - |
| Thereafter | - |
| Total | \$ (70,902) |

F. Other Post-Employment Benefit (OPEB) Obligations

Benefits Provided

The City also participates in the cost sharing single-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 post-employment benefit, or OPEB.

Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|----|
| Inactive employees currently receiving benefits | 22 |
| Inactive employees entitled to but not yet receiving benefits | 11 |
| Active employees | 27 |
| | 60 |
| | 60 |

Contributions

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

The City’s contributions to the TMRS SDBF for the years September 30, 2025 and 2024 were \$12,545 and \$12,028 respectively, which equaled the required contributions each year.

Plan Assets

At the December 31, 2024 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

| | |
|----------------------------------|---|
| Inflation | 2.50% per year |
| Salary increases | 3.50%-11.85% including inflation per year |
| Discount rate | 4.08% |
| Retirees’ share of benefit costs | \$0 |

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All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68. Mortality rates for service retirees are calculated using the RP2019 Municipal Retirees of Texas Mortality Tables with male rates multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generation basis by the most recent Scale MP-2021 (with immediate convergence). Mortality rates for disable retirees are calculated using 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Schedule of Changes in the Total OPEB Liability

| | Increase (Decrease) | | |
|--|---------------------|----------------|------------|
| | Total OPEB | Plan Fiduciary | Net OPEB |
| | Liability | Net Position | Liability |
| | (a) | (b) | (a) - (b) |
| Balance at 12/31/2023 | \$ 128,841 | \$ - | \$ 128,841 |
| Changes for the year: | | | |
| Service cost | 5,016 | - | 5,016 |
| Interest | 4,827 | - | 4,827 |
| Difference between expected and actual experience | (3,236) | - | (3,236) |
| Changes of assumptions | (6,793) | - | (6,793) |
| Benefit payments, including refunds of employee contr. | (6,600) | - | (6,600) |
| Net changes | (6,786) | - | (6,786) |
| Balance at 12/31/2024 | \$ 122,055 | \$ - | \$ 122,055 |

Sensitivity of the OPEB liability to changes in the discount rate

The following presents the OPEB liability of the City, calculated using the discount rate of 4.08%, 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 3.08% or 1-percentage-point higher 5.08% than the current rate:

| | 1% Decrease in | Current | 1% Increase in |
|---------------------------|-----------------------|-----------------------|-----------------------|
| | Discount Rate (3.08%) | Discount Rate (4.08%) | Discount Rate (5.08%) |
| City's net OPEB liability | \$ 146,216 | \$ 122,055 | \$ 103,356 |

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the city recognized OPEB expense of (\$8,884).

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At September 30, 2025, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between projected and actual investment earnings | \$ 3,439 | \$ 3,040 |
| Difference in assumption changes | 3,896 | 25,801 |
| Contributions subsequent to the measurement date | 9,012 | - |
| Total | \$ 16,347 | \$ 28,841 |

\$9,012 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 OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

| Measurement Year Ended Dec 31st: | Net Deferred Outflows (Inflows) of Resources |
|-------------------------------------|---|
| 2025 | \$ (12,698) |
| 2026 | (6,988) |
| 2027 | (1,820) |
| 2028 | - |
| 2029 | - |
| Thereafter | - |
| Total | \$ (21,506) |

G. Risk Management

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year, the City purchased commercial insurance to cover general liabilities. There are no significant reductions in coverage in the past fiscal year and no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Long-Term Liabilities

General Obligation Bonds

The government issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both governmental and business-type activities. These long-term debt instruments are direct obligations and pledge the full faith and credit of the government. General obligation bonds and certificates of obligation generally are issued with repayment scheduled to occur as equal amounts of principal maturing each year with maturities that range from 5 to 20 years.

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Details of long-term debt obligations outstanding at September 30, 2025 are as follows:

Governmental Activities:

| Type | Sale Date | Original Borrowing | Interest Rates to Maturity | Final Maturity | Outstanding 9/30/25 |
|--|--------------|-----------------------|----------------------------------|-------------------|------------------------|
| General Obligation Bonds: | | | | | |
| General Obligation Bonds, Series 2022 | 2022 | \$ 23,825,000 | 2.25-5% | 2047 | \$ 22,345,000 |
| CoO Combination Tax and Revenue, Series 2023 | 2023 | 9,210,000 | 3.74% | 2048 | 8,800,000 |
| Total Bonds Payable | | | | | <u>\$ 31,145,000</u> |

Business-type Activities:

| Type | Sale Date | Original Borrowing | Interest Rates to Maturity | Final Maturity | Outstanding 9/30/25 |
|--------------------------------------|--------------|-----------------------|----------------------------------|-------------------|------------------------|
| General Obligation Bonds: | | | | | |
| Revenue Refunding Bonds, Series 2019 | 2019 | \$ 14,060,000 | 1.83% | 2032 | \$ 8,415,000 |
| Total General Obligation Bonds | | | | | <u>\$ 8,415,000</u> |

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2025 are as follows:

Governmental Activities:

| Description | Balance 10/1/24 | Additions | Deletions | Balance 9/30/25 | Due in One Year |
|---|----------------------|------------------|---------------------|----------------------|--------------------|
| Bonds Payable | | | | | |
| General Obligation Bonds, Series 2022 | \$ 22,980,000 | \$ - | \$ (635,000) | \$ 22,345,000 | \$ 665,000 |
| CoO Comb. Tax & Revenue, Series 2023 | 9,005,000 | - | (205,000) | 8,800,000 | 215,000 |
| Premium, Series 2022 | 1,352,082 | - | (58,786) | 1,293,296 | - |
| Premium, Series 2023 | 459,055 | - | (19,127) | 439,928 | - |
| Total bonds payable | <u>33,796,137</u> | <u>-</u> | <u>(917,913)</u> | <u>32,878,224</u> | <u>880,000</u> |
| Compensated absences* | 255,617 | 46,242 | - | 301,859 | - |
| Governmental activities long-term liabilities | <u>\$ 34,051,754</u> | <u>\$ 46,242</u> | <u>\$ (917,913)</u> | <u>\$ 33,180,083</u> | <u>\$ 880,000</u> |

*The change in compensated absences liability is presented as a net change.

Business-type Activities:

| Description | Balance 10/1/24 | Additions | Deletions | Balance 9/30/25 | Due in One Year |
|---|---------------------|-------------|-----------------------|---------------------|---------------------|
| Bonds Payable | | | | | |
| Revenue Refunding Bonds, Series 2019 | \$ 9,530,000 | \$ - | \$ (1,115,000) | \$ 8,415,000 | \$ 1,135,000 |
| Governmental activities long-term liabilities | <u>\$ 9,530,000</u> | <u>\$ -</u> | <u>\$ (1,115,000)</u> | <u>\$ 8,415,000</u> | <u>\$ 1,135,000</u> |

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The debt service requirements for the government’s bonds, loans, and notes are as follows:

Governmental Activities:

| Year Ended September 30, | Governmental Activities | |
|-----------------------------|-------------------------|---------------|
| | Bonds Payable | |
| | Principal | Interest |
| 2026 | \$ 880,000 | \$ 1,079,219 |
| 2027 | 930,000 | 1,033,969 |
| 2028 | 975,000 | 986,344 |
| 2029 | 1,025,000 | 936,344 |
| 2030 | 1,080,000 | 883,719 |
| 2031-2035 | 6,185,000 | 3,632,231 |
| 2036-2040 | 7,285,000 | 2,538,147 |
| 2041-2045 | 8,440,000 | 1,376,856 |
| 2046-2048 | 4,345,000 | 176,694 |
| Totals | \$ 31,145,000 | \$ 12,643,523 |

Business-type Activities:

| Year Ended September 30, | Business-Type Activities | |
|-----------------------------|--------------------------|------------|
| | Bonds Payable | |
| | Principal | Interest |
| 2026 | \$ 1,135,000 | \$ 153,995 |
| 2027 | 1,160,000 | 133,224 |
| 2028 | 1,180,000 | 111,996 |
| 2029 | 1,200,000 | 90,402 |
| 2030 | 1,225,000 | 68,442 |
| 2031-2032 | 2,515,000 | 69,266 |
| Totals | \$ 8,415,000 | \$ 627,325 |

I. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2025 is as follows:

Due to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|-----------------|-----------------|--------------|
| General Fund | Wastewater Fund | \$ 1,221,177 |
| Total | | \$ 1,221,177 |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several nonmajor governmental funds which the general fund expects to collect in the subsequent year.

J. Interfund Transfers

The composition of interfund transfers for the year ended is September 30, 2025 as follows:

| | Transfer in to: |
|---------------------------|--------------------------|
| | Governmental Funds |
| | Capital Projects Fund |
| Transfer out from: | |
| General Fund | \$ 3,901,859 |
| Total | \$ 3,901,859 |

During the year, recurring transfers are used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements, 2) move general fund resources to provide subsidies to other funds as needs arise, and 3) move resources from the wastewater funds to the general fund to subsidize governmental activities

Furthermore, during the year ended September 30, 2025 the government made the following transfers:

1. A transfer of \$3,901,859 from the general fund to the capital projects fund to fulfill the general fund’s commitment to provide supplemental financing needs.

K. Contingencies

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government’s compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

L. Disclosure of Accounting Changes and Error Corrections

GASB 100 defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

For the year ended September 30, 2025, the City did not have any changes in policy or circumstance that required a restatement.

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M. Implementation of New Governmental Accounting Standard

Governmental Accounting Standards Board Statement No. 101 – Compensated Absences (GASB 101) During the year the District implemented *Governmental Accounting Standards Board Statement No. 101 – Compensated Absences* (“GASB 101”). The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences that objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

In the year of implementation, GASB 101 typically requires a retroactive restatement of prior periods to reflect the effect on net position as if the standard had been in effect in prior year; however, no restatement was required as the City’s Compensated Absences amount as previously recorded remained unchanged.

Governmental Accounting Standards Board Statement No. 102 – Certain Risk Disclosures (GASB 102). This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

For the year ended September 30, 2025, no concentration or constraints were required to be disclosed by the city.

N. Subsequent Events

As of January 30, 2026, there were no items noted requiring recording and/or disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEST LAKE HILLS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

DRAFT -
For Discussion
Purposes Only

| | Measurement Year 2024 | Measurement Year 2023 | Measurement Year 2022 | Measurement Year 2021 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| A. Total pension liability | | | | |
| 1. Service cost | \$ 556,273 | \$ 461,317 | \$ 400,353 | \$ 385,685 |
| 2. Interest (on the Total Pension Liability) | 821,948 | 786,395 | 729,304 | 684,701 |
| 3. Changes of benefit terms | - | - | - | - |
| 4. Difference between expected and actual experience | 213,633 | (210,600) | 165,223 | 58,473 |
| 5. Changes of assumptions | - | (73,532) | - | - |
| 6. Benefit payments, including refunds of employee contributions | (498,546) | (470,150) | (488,972) | (461,843) |
| 7. Net change in total pension liability | \$ 1,093,308 | \$ 493,430 | \$ 805,908 | \$ 667,016 |
| 8. Total pension liability - beginning | 12,148,145 | 11,654,715 | 10,848,807 | 10,181,791 |
| 9. Total pension liability - ending | <u>\$ 13,241,453</u> | <u>\$ 12,148,145</u> | <u>\$ 11,654,715</u> | <u>\$ 10,848,807</u> |
| B. Plan fiduciary net position | | | | |
| 1. Contributions - employer | \$ 482,352 | \$ 396,315 | \$ 347,520 | \$ 346,640 |
| 2. Contributions - employee | 184,808 | 172,525 | 151,567 | 147,934 |
| 3. Net investment income | 1,123,975 | 1,112,630 | (755,994) | 1,191,165 |
| 4. Benefit payments, including refunds of employee contributions | (498,546) | (470,150) | (488,972) | (461,843) |
| 5. Administrative expense | (7,204) | (7,073) | (6,538) | (5,509) |
| 6. Other changes | (168) | (49) | 7,802 | 38 |
| 7. Net change in plan fiduciary net position | \$ 1,285,216 | \$ 1,204,198 | \$ (744,615) | \$ 1,218,425 |
| 8. Plan fiduciary net position - beginning | 10,810,466 | 9,606,268 | 10,350,883 | 9,132,458 |
| 9. Plan fiduciary net position - ending | <u>\$ 12,095,682</u> | <u>\$ 10,810,466</u> | <u>\$ 9,606,268</u> | <u>\$ 10,350,883</u> |
| C. Net pension liability [A.9 - B.9] | <u>\$ 1,145,771</u> | <u>\$ 1,337,679</u> | <u>\$ 2,048,447</u> | <u>\$ 497,924</u> |
| D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9] | 91.35% | 88.99% | 82.42% | 95.41% |
| E. Covered-employee payroll | \$ 2,640,120 | \$ 2,313,525 | \$ 2,165,238 | \$ 2,113,345 |
| F. Net position as a percentage of covered employee payroll [C / E] | 43.40% | 57.82% | 94.61% | 23.56% |

| Measurement Year 2020 | Measurement Year 2019 | Measurement Year 2018 | Measurement Year 2017 | Measurement Year 2016 | Measurement Year 2015 |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| \$ 353,095 | \$ 354,293 | \$ 319,587 | \$ 359,177 | \$ 387,702 | \$ 366,088 |
| 650,121 | 613,357 | 574,103 | 559,813 | 517,647 | 515,199 |
| - | - | - | - | - | - |
| (25,286) | 20,066 | 95,886 | (259,027) | 121,309 | (215,000) |
| - | 20,532 | - | - | - | 48,707 |
| <u>(502,016)</u> | <u>(423,986)</u> | <u>(426,784)</u> | <u>(430,156)</u> | <u>(345,269)</u> | <u>(488,614)</u> |
| \$ 475,914 | \$ 584,262 | \$ 562,792 | \$ 229,807 | \$ 681,389 | \$ 226,380 |
| 9,705,877 | 9,121,615 | 8,558,823 | 8,329,016 | 7,647,627 | 7,421,247 |
| <u>\$ 10,181,791</u> | <u>\$ 9,705,877</u> | <u>\$ 9,121,615</u> | <u>\$ 8,558,823</u> | <u>\$ 8,329,016</u> | <u>\$ 7,647,627</u> |
| | | | | | |
| \$ 320,056 | \$ 304,272 | \$ 291,472 | \$ 310,165 | \$ 321,199 | \$ 320,175 |
| 136,632 | 133,264 | 118,554 | 128,016 | 139,731 | 135,302 |
| 648,094 | 1,142,280 | (228,812) | 929,376 | 417,428 | 9,156 |
| (502,016) | (423,986) | (426,784) | (430,156) | (345,269) | (488,614) |
| (4,192) | (6,451) | (4,420) | (4,814) | (4,713) | (5,576) |
| (164) | (194) | (232) | (244) | (254) | (275) |
| \$ 598,410 | \$ 1,149,185 | \$ (250,222) | \$ 932,343 | \$ 528,122 | \$ (29,832) |
| 8,534,048 | 7,384,863 | 7,635,085 | 6,702,742 | 6,174,620 | 6,204,453 |
| <u>\$ 9,132,458</u> | <u>\$ 8,534,048</u> | <u>\$ 7,384,863</u> | <u>\$ 7,635,085</u> | <u>\$ 6,702,742</u> | <u>\$ 6,174,621</u> |
| | | | | | |
| <u>\$ 1,049,333</u> | <u>\$ 1,171,829</u> | <u>\$ 1,736,752</u> | <u>\$ 923,738</u> | <u>\$ 1,626,274</u> | <u>\$ 1,473,006</u> |
| | | | | | |
| 89.69% | 87.93% | 80.96% | 89.21% | 80.47% | 80.74% |
| | | | | | |
| \$ 1,951,880 | \$ 1,903,776 | \$ 1,693,625 | \$ 1,828,801 | \$ 1,950,212 | \$ 1,932,885 |
| | | | | | |
| 53.76% | 61.55% | 102.55% | 50.51% | 83.39% | 76.21% |

CITY OF WEST LAKE HILLS, TEXAS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 NET PENSION LIABILITY
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

DRAFT -
 For Discussion
 Purposes Only

| | Fiscal Year | | | |
|--|------------------|------------------|------------------|------------------|
| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> |
| Actuarially Determined Contribution | \$ 508,678 | \$ 453,437 | \$ 366,540 | \$ 338,058 |
| Contributions in relation to the actuarially determined contribution | <u>(508,678)</u> | <u>(453,437)</u> | <u>(366,540)</u> | <u>(338,058)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 2,640,120 | \$ 2,313,525 | \$ 2,165,238 | \$ 2,113,345 |
| Contributions as a percentage of covered employee payroll | 19.27% | 19.60% | 16.93% | 16.00% |

| Fiscal Year | | | | | |
|------------------|------------------|------------------|------------------|------------------|------------------|
| <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| \$ 327,207 | \$ 310,206 | \$ 318,664 | \$ 289,489 | \$ 456,198 | \$ 340,749 |
| <u>(327,207)</u> | <u>(310,206)</u> | <u>(318,664)</u> | <u>(289,489)</u> | <u>(456,198)</u> | <u>(340,749)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,995,167 | \$ 1,901,601 | \$ 1,961,816 | \$ 1,687,657 | \$ 2,708,328 | \$ 2,141,822 |
| 16.40% | 16.31% | 16.24% | 17.15% | 16.84% | 15.91% |

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CITY OF WEST LAKE HILLS, TEXAS
NET PENSION LIABILITY
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

DRAFT -
For Discussion
Purposes Only

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 | 21 years (longest amortization ladder) |
| Asset valuation method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.50% per year |
| Salary increases | 3.60% to 11.85%, including inflation |
| Investment rate of return | 6.75% |
| Retirement age | Experience-based table of rates that vary with age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |

Other Information:

Notes There were no benefit changes during the year.

CITY OF WEST LAKE HILLS, TEXAS
 SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

DRAFT -
 For Discussion
 Purposes Only

| | Measurement Year 2024 | Measurement Year 2023 | Measurement Year 2022 | Measurement Year 2021 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| A. Total pension liability | | | | |
| 1. Service cost | \$ 5,016 | \$ 5,090 | \$ 6,712 | \$ 6,974 |
| 2. Interest on Total OPEB Liability | 4,827 | 4,696 | 3,070 | 3,381 |
| 3. Changes of benefit terms | - | - | - | - |
| 4. Difference between expected & actual experience | (3,236) | 1,603 | 7,652 | (10,167) |
| 5. Changes of assumptions | (6,793) | 6,716 | (61,205) | 5,656 |
| 6. Benefit payments | (6,600) | (5,321) | (7,362) | (8,453) |
| 7. Net changes | \$ (6,786) | \$ 12,784 | \$ (51,133) | \$ (2,609) |
| 8. Total OPEB Liability - beginning of the year | 128,841 | 116,057 | 167,190 | 169,799 |
| 9. Total OPEB Liability - end of the year | <u>\$ 122,055</u> | <u>\$ 128,841</u> | <u>\$ 116,057</u> | <u>\$ 167,190</u> |
| E. Covered-employee payroll | \$ 2,640,120 | \$ 2,313,525 | \$ 2,165,238 | \$ 2,113,345 |
| F. Total OPEB Liability as a Percentage of Covered Payroll | 4.62% | 5.57% | 5.36% | 7.91% |

| Measurement Year 2020 | Measurement Year 2019 | Measurement Year 2018 | Measurement Year 2017 |
|--------------------------|--------------------------|--------------------------|--------------------------|
| \$ 4,489 | \$ 3,236 | \$ 3,218 | \$ 3,109 |
| 4,042 | 4,765 | 4,528 | 4,582 |
| - | - | - | - |
| (5,290) | (9,559) | (5,142) | - |
| 23,279 | 22,362 | (8,510) | 9,759 |
| (2,928) | (2,856) | (2,032) | (1,829) |
| <u>\$ 23,592</u> | <u>\$ 17,948</u> | <u>\$ (7,938)</u> | <u>\$ 15,621</u> |
| <u>146,207</u> | <u>128,259</u> | <u>136,197</u> | <u>120,576</u> |
| <u><u>\$ 169,799</u></u> | <u><u>\$ 146,207</u></u> | <u><u>\$ 128,259</u></u> | <u><u>\$ 136,197</u></u> |
| | | | |
| \$ 1,951,880 | \$ 1,903,776 | \$ 1,693,625 | \$ 1,828,801 |
| | | | |
| 8.70% | 7.68% | 7.57% | 7.45% |

CITY OF WEST LAKE HILLS, TEXAS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 OPEB LIABILITY
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

DRAFT -
 For Discussion
 Purposes Only

| | Fiscal Year | | | |
|--|--------------|--------------|--------------|--------------|
| | 2025 | 2024 | 2023 | 2022 |
| Actuarially Determined Contribution | \$ 12,545 | \$ 12,028 | \$ 10,035 | \$ 9,500 |
| Contributions in relation to the actuarially determined contribution | (12,545) | (12,028) | (10,035) | (9,500) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - |
| Covered employee payroll | \$ 2,640,120 | \$ 2,313,525 | \$ 2,165,238 | \$ 2,113,345 |
| Contributions as a percentage of covered employee payroll | 0.48% | 0.52% | 0.46% | 0.45% |

| Fiscal Year | | | | |
|----------------|----------------|----------------|----------------|----------------|
| 2021 | 2020 | 2019 | 2018 | 2017 |
| \$ 8,777 | \$ 4,043 | \$ 4,042 | \$ 4,234 | \$ 5,700 |
| <u>(8,777)</u> | <u>(4,043)</u> | <u>(4,042)</u> | <u>(4,234)</u> | <u>(5,700)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,995,167 | \$ 1,901,601 | \$ 1,961,816 | \$ 1,687,657 | \$ 2,708,328 |
| 0.44% | 0.21% | 0.21% | 0.25% | 0.21% |

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CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
 OPEB LIABILITY
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

DRAFT -
 For Discussion
 Purposes Only

Summary of Actuarial Assumptions:

| | |
|--|---|
| Inflation | 2.50% |
| Salary increases | 3.60% to 11.85%; including inflation |
| Discount rate* | 4.08% |
| Retirees' share of benefit-related costs | \$0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68 |
| Mortality rates - service retirees | 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |
| Mortality rates - disabled retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor. |

Other Information:

Notes

* The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

The Actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

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CITY OF WEST LAKE HILLS, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

DRAFT -
 For Discussion
 Purposes Only

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|---------------------------------|-------------------|-------------------|------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 1,962,219 | \$ 1,974,222 | \$ 1,974,222 | \$ - |
| Penalties and interest on taxes | - | 12,637 | 12,637 | - |
| Investment earnings | 201,000 | 70,497 | 935 | (69,562) |
| Total revenues | <u>2,163,219</u> | <u>2,057,356</u> | <u>1,987,794</u> | <u>(69,562)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 850 | 900 | 900 | - |
| Debt service: | | | | |
| Bond principal | 840,000 | 840,000 | 840,000 | - |
| Interest - bonds | 1,122,219 | 1,122,219 | 1,122,219 | - |
| Total Expenditures | <u>1,963,069</u> | <u>1,963,119</u> | <u>1,963,119</u> | <u>-</u> |
| Net Change in Fund Balances | 200,150 | 94,237 | 24,675 | (69,562) |
| Fund balance - beginning | 22,226 | 22,226 | 22,226 | - |
| Fund balance - ending | <u>\$ 222,376</u> | <u>\$ 116,463</u> | <u>\$ 46,901</u> | <u>\$ (69,562)</u> |

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OTHER REPORTING

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor, Members of the City Council and Citizens of
the City of West Lake Hills, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of West Lake Hills, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 30, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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Purpose of This Report

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

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

January 30, 2026

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SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

| | | |
|--|------------------------------|---|
| Type of auditor’s report issued: | Unmodified | |
| Internal control over financial reporting: | | |
| • Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None reported |
| Noncompliance material to financial statements noted? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended September 30, 2025 and 2024.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.



City of West Lake Hills
City Council

AGENDA REPORT

| | | | |
|----------------------|---|-------------------------|------------|
| Meeting Date: | <u>March 25, 2026</u> | Item Number: | <u>6</u> |
| Department: | <u>Administration</u> <u>Trey Fletcher, City</u> | | |
| Prepared By: | <u>Administrator</u> | Cost / Budget: | <u>n/a</u> |
| Exhibits: | <u></u> | Source of Funds: | <u>n/a</u> |

Subject

Discuss and consider wastewater capacity report and related land use assumptions.

Recommendation

Discuss and take appropriate action.

Discussion

This is a continuance of discussion from the previous two City Council meetings (2/25/2026 & 3/11/2026). For the last several months, the HR Green team has been evaluating and modeling the city of West Lake Hills wastewater collection system and points of discharge into the City of Austin's wastewater system. The results of these efforts were presented to City Council on February 25. In order to be responsive to the City of Austin's request for wastewater projections from West Lake Hills, future needs rely on forecasting future demand based on land use assumptions.

While the focus of these efforts has been to develop the means and capacity to assure the economic viability of the Bee Cave Road corridor, staff receive inquiries for transitioning from septic to conventional wastewater service frequently, sometimes from beyond the currently defined wastewater service areas.

Staff will present land use assumption scenarios (low, medium, high) to develop wastewater projections for the next 30 years in 5-year intervals and present the results to the City of Austin by the end of March. A capital improvement program will be anticipated to support any additional capacity that is gained and may include cost participation to relieve bottlenecks downstream if specific benefit can be derived by the West Lake Hills system.

Council direction to staff on March 11 was to include Councilmember Harmon and ZAPCO Commissioner Julia Webber in future land use assumption discussions and they met with staff and HR Green on March 17. In summary:

- **Near-term (0-5 years) priorities** are to maximize capacities necessary to serve unmet needs based on current land use patterns within the existing service areas and identify operational and physical improvements that may be required. Such improvements may be within the service area boundaries or downstream within Austin's system.
- **Mid-term (5-15 years) priorities** – secure capacity commitments and related improvements for the Sanderling, Capital of Texas, Hull Circle, and Redbud wastewater service areas to support redevelopment opportunities and conversions from septic to conventional wastewater that rely on the certainty established and improvements constructed by public or private entities. Evaluate opportunities for wastewater flow re-routing where downstream capacity is available and feasible
- **Long-term (15-30 years) priorities** – secure capacity commitments and related improvements for remaining service areas along Bee Cave Road and Loop 360 to support redevelopment opportunities, capacity for expanded residential service areas. Consider the opportunity to serve residential uses beyond the defined service areas within the city limits should be considered for future capacity commitments and related improvements as development activity occurs and existing septic (OSSF) systems age out.

Aged septic systems and expanded systems represent challenges to sometimes competing city objectives which generally are to maintain water quality, community character and density, and account better for competing issues on the site such as drain fields, tree preservation and protection, irregular lot conditions and steep slopes, water quality and stormwater management practices in addition to enhancing community resiliency, specifically fire prevention.

Long term security of wastewater collection and treatment capacity from the City of Austin or otherwise supports the long-term economic resiliency of the community, especially the Bee Cave Road corridor. This also offers opportunities to accommodate potential for denser developments where feasible, and higher intensity uses along Loop 360 benefiting from the highway access and continuity of similarly situated structures.



City of West Lake Hills
City Council

AGENDA REPORT

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|----------------------|-----------------------------------|-------------------------|-------------|
| Meeting Date: | <u>March 25, 2026</u> | Item Number: | <u>7</u> |
| Department: | <u>Building & Development</u> | | |
| | <u>Jennifer C. Bills, BDS</u> | | |
| Prepared By: | <u>Director</u> | Cost / Budget: | <u>None</u> |
| Exhibits: | <u>N/A</u> | Source of Funds: | <u>N/A</u> |

Subject

Receive an update and consider possible action regarding City of West Lake Hills v. Jaffe – 1405 Wildcat Hollow.

Discussion

The building permit for the site and structure were issued on January 26, 2026. The contractor has installed/updated the erosion and sediment control and tree protection. A pre-construction meeting between the contractor and the city inspection team was held on February 26 and a follow-up site visit was conducted with the OSSF installer on March 5.