

2023 & |
2024



**KERRVILLE
PUBLIC
UTILITY
BOARD**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Kerrville Public Utility Board,
a component unit of the
City of Kerrville, Texas



**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2024 & 2023**



KERRVILLE PUBLIC UTILITY BOARD

A COMPONENT UNIT OF THE CITY OF KERRVILLE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 and 2023

Prepared by the KPUB Finance Department
Amy Dozier, Assistant General Manager
Jill Cook, Supervisor of Accounting

**KERRVILLE PUBLIC UTILITY BOARD
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

TABLE OF CONTENTS

	<u>Statement Identification</u>	<u>Page No.</u>
<u>INTRODUCTORY SECTION (Unaudited)</u>		
Letter of Transmittal		1
GFOA Certificate of Achievement		5
Organizational Chart		6
KPUB Board of Trustees		7
Map of KPUB Service Area		8
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report		9
Management Discussion and Analysis		12
Basic Financial Statements:		
Statements of Net Position	Exhibit A	19
Statements of Revenues, Expenses, and Changes in Fund Net Position	Exhibit B	20
Statements of Cash Flows	Exhibit C	21
Notes to Financial Statements		22
Required Supplementary Information:		
Schedule of Changes in the Plan's Net Pension Liability and Related Ratios	RSI 1	48
Schedule of Employer Contributions	RSI 2	49
Schedule of Changes in the Total OPEB Liability and Related Ratios	RSI 3	50
Notes to Required Supplementary Information - Pension		51
<u>STATISTICAL SECTION</u>		
Financial Trends:		
Net Position by Component, Last Ten Fiscal Years		52
Changes in Net Position, Last Ten Fiscal Years		53
Revenue Capacity:		
Principal Customers, Current Year and Nine Years Ago		54
Revenue by Sources, Last Ten Fiscal Years		55
Expenses by Function, Last Ten Fiscal Years		56

**KERRVILLE PUBLIC UTILITY BOARD
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

TABLE OF CONTENTS (continued)

	<u>Statement Identification</u>	<u>Page No.</u>
<u>STATISTICAL SECTION (continued)</u>		
Debt Capacity:		
Pledged Revenue Coverage and Ratios, Last Ten Fiscal Years		57
Demographic and Economic Information:		
Demographic and Economic Statistics, Last Ten Fiscal Years		58
Principal Employers, Current Year and Nine Years Ago		59
Operating Information:		
Full-time Equivalent Employees by Function, Last Ten Fiscal Years		60
Operating Indicators by Function/Program, Last Ten Fiscal Years		61
Capital Assets by Function/Program, Last Ten Fiscal Years		62
Additions to Utility Plant, Last Ten Fiscal Years		63



INTRODUCTORY SECTION



Letter of Transmittal

December 16, 2024

Mr. Chairman, Members of the Board of Trustees and Citizens of Kerrville, Texas,

The Annual Comprehensive Financial Report of Kerrville Public Utility Board (KPUB) for the fiscal years ended September 30, 2024 and 2023, is hereby submitted. The purpose of the report is to provide the Board of Trustees, management, the public and other interested parties with information regarding KPUB's financial condition.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements. As management, we affirm that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Pursuant to the 2013 Utility System Revenue Bonds Ordinance, KPUB is required to have an annual audit of the books and accounts relating to the system and the pledged revenues of the system. The audit is to be performed by an independent certified public accountant or an independent firm of certified public accountants selected by the Board of Trustees. Accordingly, Bolinger, Segars, Gilbert & Moss, LLP, Certified Public Accountants has performed a financial audit and their report is included in this document.

Bolinger, Segars, Gilbert & Moss, LLP has issued unmodified opinions on the KPUB's financial statements for the years ended September 30, 2024 and 2023. The goal of the independent audit is to provide reasonable assurance that KPUB's financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinions on the KPUB's financial statements for the fiscal years ended September 30, 2024 and 2023, and that the financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Also included in the financial section is management's discussion and analysis (MD&A), which provides users of the basic financial statements a narrative introduction, overview and analysis to accompany the basic financial statements. The basic financial statements, including the accompanying notes, represent the core of the financial section. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Utility

The Kerrville Public Utility Board functions as an agent for the City of Kerrville (City) in operating the electric utility system. KPUB began operations on December 10, 1987, under a five-member Board of Trustees which is authorized to operate and maintain the electric system. This Board is organized pursuant to Article 1115, Revised Civil Statutes of Texas, repealed and now codified as Section 1502.070, as amended, Texas Government Code and was officially empowered through the action of the Kerrville City Council. Since KPUB operates autonomously from the City, all accounts, financial, and statistical information relating to the electric utility are included herein. KPUB, a component unit, is included in the City of Kerrville's Annual Comprehensive Financial Report.

KPUB services an area of approximately 146 square miles within Kerr County, Texas. The size of the system with respect to customers served and units of electricity sold has increased slowly but steadily since the system began operation in 1987. As of September 30, 2024, KPUB served 24,387 customer accounts, selling 508 million kilowatt hours of electricity in fiscal year 2024 (FY2024).

Winter Storm Uri

In February 2021, Winter Storm Uri brought snow, ice and sustained historically cold temperatures to Texas, resulting in ERCOT mandated power outages and system failures across the state's electrical grid. KPUB's customers, in addition to approximately 4.5 million other Texans, lost power for extended periods of time. Natural gas prices soared from \$3 per MMBtu to \$400 per MMBtu, causing significant and unexpected costs for KPUB.

Litigation regarding purchased power cost for February is ongoing as of the date of the attached audit report. KPUB estimated and recorded power cost for the event in FY2021. Any difference between the estimate and the actual final litigation outcome will impact KPUB's financial position. In order to lessen the impact on customers, KPUB has collected small amounts over time that should be sufficient to substantially pay any remaining balance. KPUB is committed to providing customers with competitively priced electricity and management is confident that KPUB can maintain competitive rates despite this unprecedented event.

Local Economy

KPUB serves the incorporated cities of Kerrville and Ingram, the unincorporated towns of Center Point and Hunt, and certain outlying regions in Kerr County, Texas. According the 2020 census, Kerrville's population is 24,278 and Kerr County has a population of 52,598. Both have shown slow growth of less than 1% per year since the 2010 census.

Kerr County supports a diverse economy. Major industry segments in the area include healthcare, tourism, retail, manufacturing, camps and retreats, education, building trades, retirement, ranching, and services. Kerrville is home to Schreiner University. With an enrollment of approximately 1,400 students, Schreiner continues to expand, recently adding programs in agriculture, aviation science and computer science plus creating a football program that will begin competing in 2026.

Healthcare is the largest employer in the area with thousands of jobs across three hospitals (Peterson Regional Medical Center, Kerrville State Hospital and the Kerrville Veteran's Administration Medical Center), plus numerous assisted and full care facilities, home health, physician offices and clinics. Peterson Health and the Kerrville State Hospital have both recently completed facility expansions that will employ more people and serve more patients.

The hospitality industry, including tourism, youth camps, retreat facilities, seasonal visitors and hunting, represents another major segment of the area's economy. The camping industry, dating back to 1921, is a year-round fixture in the area, but ramps up during the summer months when camps are in session. Additionally, tourists come to the Texas Hill Country for its outdoor beauty, hunting, fishing and other outdoor activities.

The area's moderate climate, comparatively low cost of living, excellent healthcare services, low crime rate and numerous arts and cultural opportunities have contributed to the ongoing migration of retirees to the area. The retirees provide a strong, stable economic base and active community involvement.

Kerr County's unemployment rate remains low at 3.6% as of September 2024.

Long-term Financial Planning

The KPUB Board of Trustees is committed to excellence in financial management. Accordingly, KPUB's long-term financial planning includes:

- Five Year Forecast – the annual budget process includes a five-year forecast for both operations and capital expenditures. This forecast is updated and reviewed by the Board each year during the budget process.
- Days Cash on Hand – In May 2012, the Board approved a minimum level of 120 days for this metric. The policy defined Days Cash on Hand as the unrestricted cash and investments being held by KPUB, divided by the operating expenses, less depreciation, times the number of days elapsed in the current fiscal year. The days cash on hand at September 30, 2024 was 423.
- Board designated funds – The Board has designated funds for interest and sinking and emergency, repair, replacement and contingency. Balances in each fund are reviewed by the Board monthly. Setting aside these funds helps to ensure future stability and protection from catastrophic events. The balance in these funds as of September 30, 2024 is as follows:
Interest and Sinking: \$ 435,293
Emergency, Repair, Replacement & Contingency: \$ 3,968,426

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kerrville Public Utility Board for its annual comprehensive financial report for the fiscal year ended September 30, 2023. This was the thirty-first consecutive year that KPUB has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual report continues to meet the Certificate of Achievement Program's requirements and plan to submit an award application to GFOA for consideration.

The preparation of this report could not be accomplished without the dedicated service of the entire staff of the Finance Department. We express appreciation to KPUB employees throughout the organization, especially those responsible for the maintenance of records, upon which this report is based. In addition, we acknowledge and appreciate the audit professionals from Bolinger, Sears, Gilbert & Moss, LLP, Certified Public Accountants, for their dedicated assistance and input into the preparation of this report.

Finally, we would like to thank the members of the Board of Trustees for their support and interest in planning and conducting the financial operations of KPUB in a responsible and progressive manner. The Board's consistent support and leadership serves the public well in guiding KPUB to its present state of fiscal and operational health.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mike Wittler".

Mike Wittler, PE
General Manager/CEO

A handwritten signature in black ink, appearing to read "Amy Dozier".

Amy Dozier, CPA
Assistant General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Kerrville Public Utility Board
Texas**

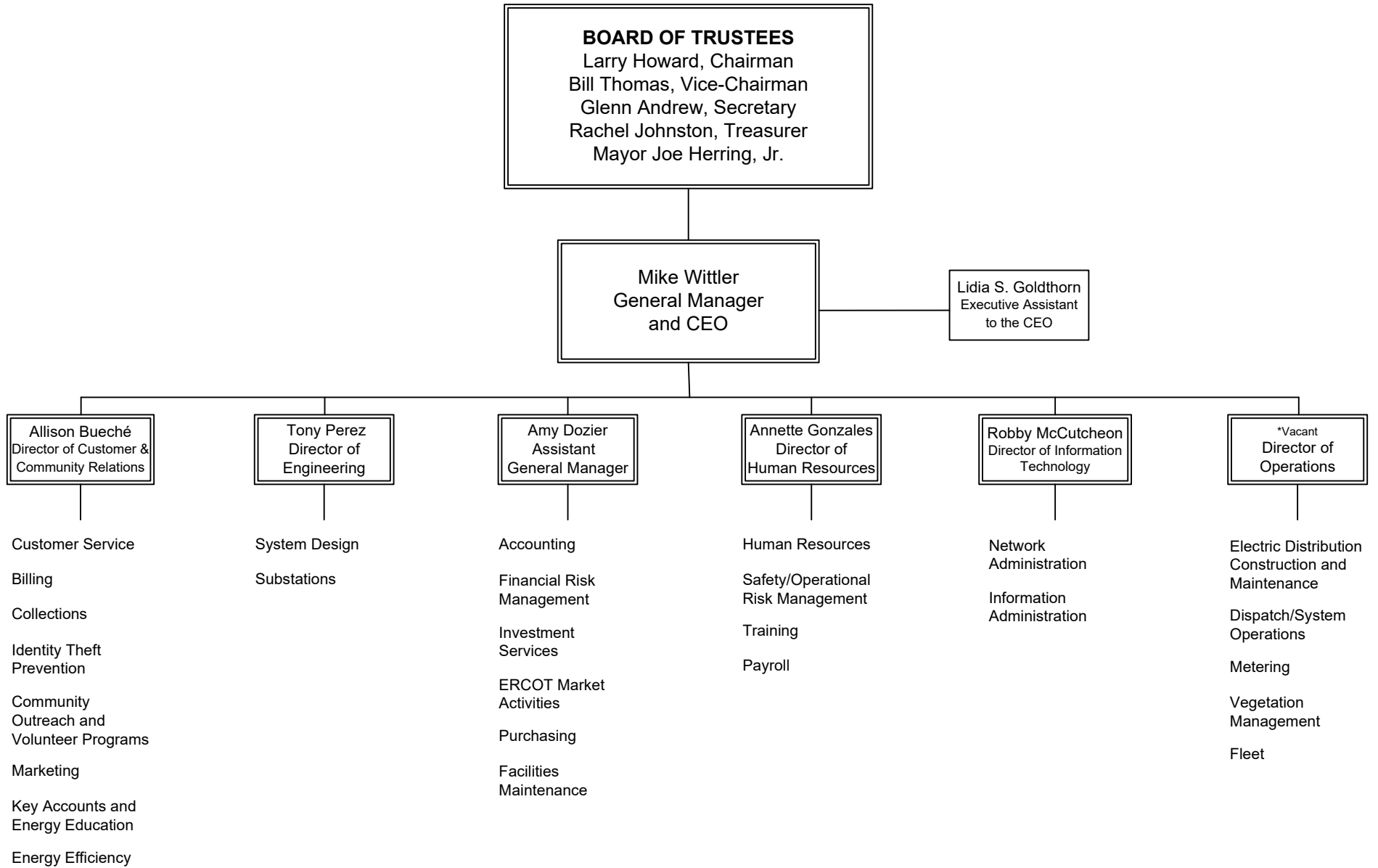
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2023

Christopher P. Morill

Executive Director/CEO

Kerrville Public Utility Board
2024 Board Organization Chart

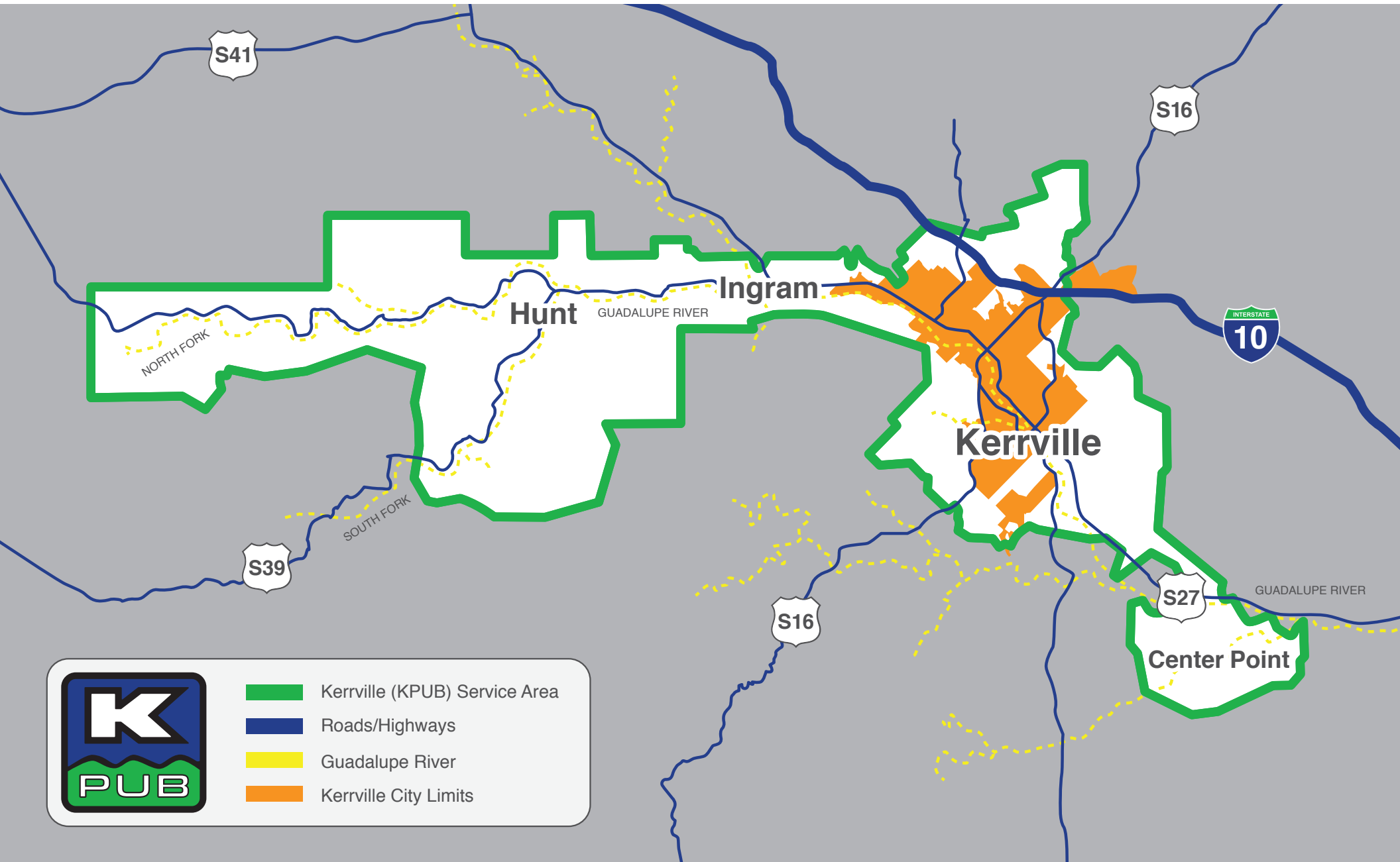


KERRVILLE PUBLIC UTILITY BOARD

BOARD OF TRUSTEES AS OF SEPTEMBER 30, 2024

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Larry Howard	Chairman	April 21, 2025
Bill Thomas	Vice-Chairman	April 21, 2026
Glenn Andrew	Secretary	April 21, 2027
Rachel Johnston	Treasurer	April 21, 2029
Joe Herring, Jr.	Mayor	May 2026

KERRVILLE PUBLIC UTILITY BOARD
SERVICE AREA





FINANCIAL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

C E R T I F I E D P U B L I C A C C O U N T A N T S

P H O N E : (8 0 6) 7 4 7 - 3 8 0 6

F A X : (8 0 6) 7 4 7 - 3 8 1 5

8 2 1 5 N A S H V I L L E A V E N U E

L U B B O C K , T E X A S 7 9 4 2 3 - 1 9 5 4

Independent Auditor's Report

The Board of Trustees
Kerrville Public Utility Board
Kerrville, Texas

Opinions

We have audited the accompanying financial statements of Kerrville Public Utility Board, a component unit of the City of Kerrville, Texas, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Kerrville Public Utility Board'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 Kerrville Public Utility Board, a component unit of the City of Kerrville, Texas, as of September 30, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Kerrville Public Utility Board (KBUB), 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 KPUB'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 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, 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 KPUB's, a component unit of the City of Kerrville, Texas, 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 KPUB'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, schedule of changes in net pension liability and related ratios, schedule of employer contributions, and schedule of changes in total OPEB liability 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 in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

December 16, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Kerrville Public Utility Board (KPUB), we offer readers of KPUB's financial statements this narrative overview and analysis of the financial activities of KPUB for the fiscal years ended September 30, 2024 (FY2024) and 2023 (FY2023). We encourage readers to consider the information presented herein in conjunction with additional information that we have furnished in our letter of transmittal and the accompanying basic financial statements and notes. This discussion and analysis is designed to focus on current activities and resulting changes in financial position.

Financial Highlights for FY2024

- KPUB's net position increased by \$2,258,580.
- Operating revenue increased by 4.1% due primarily to higher rates for the power supply pass through portion of the rate, caused by higher power supply costs in FY2024.
- Operating expense increased primarily due to higher costs to purchase power. Other significant increases relate to additional employees and the purchase of new communications equipment for Operations personnel.
- As of September 30, 2024, KPUB's total net position was \$80,592,721. The unrestricted net position increased \$615,873 to \$29,741,750. The unrestricted portion equates to 36.9% of total net position and 68.9% of operating expenses.
- KPUB's pension plan increased its funded ratio from 88.97% to 92.74%.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to KPUB's financial statements. This report includes financial statements, notes to financial statements and supplementary information intended to furnish additional detail and support.

Financial Statements. The *statement of net position* presents information on KPUB's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of KPUB is improving or deteriorating.

The net position is divided into the following three categories: 1) net investment in capital assets, 2) restricted and 3) unrestricted. Based upon the liquidity of each, assets are categorized as either current or noncurrent. Noncurrent assets include cash, cash equivalents and investments which have been legally restricted by contract, by bond resolutions or by action of KPUB's Board of Trustees. Other noncurrent assets include an advance to the City of Kerrville, and capital assets. Liabilities are categorized into current and noncurrent liabilities, with noncurrent liabilities including items such as long-term debt and KPUB's net pension liability.

The *statement of revenues, expenses and changes in fund net position* presents the revenue and expenses for the fiscal year. Operating revenues and expenses are reported separately from non-operating activities. Operating expenses are presented by major cost categories. Operating income is available to be used for payment of KPUB's debt service, system improvements, payments to the City of Kerrville and to assist in meeting unforeseen contingencies.

The *statement of cash flows* presents cash flow activity prepared using the direct method which reports cash receipts and payments and includes a reconciliation of operating income to net cash provided by operating activities. The cash activity is categorized into cash flows from operating activities, capital and related financial activities, noncapital financing activities and investing activities.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the financial statements. The notes to the financial statements can be found following Exhibit C in the Financial Section of this report.

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning KPUB's progress in funding its obligations to provide pension and other post-employment benefits (OPEB) to its employees. Required supplementary information can be found immediately after the notes to the financial statements in the Financial Section of this report.

Major Transactions and Events

Power Generation Project. Market conditions, the end of KPUB's largest power purchase contract in 2026, low interest financing through the newly created Texas Energy Fund, an available site and an experienced collaborator combined in FY2024 to create the right timing to explore the construction of a power generation plant. The City of Kerrville formed the Kerrville Public Utility Board Public Facility Corporation (KPUB PFC) in July 2024. In August 2024, after an extensive application and review process, the Public Utility Commission of Texas selected KPUB PFC as one of 16 projects out of 72 applicants to move forward to the due diligence phase of the Texas Energy Fund In-ERCOT Loan Program, which would secure low-interest rate financing for over half of the project costs. This project is expected to continue moving forward in FY2025 with milestones including debt issuance, loan closing and issuance of a notice to proceed.

Winter Storm Uri. In February 2021, Winter Storm Uri brought snow, ice and sustained historically cold temperatures to Texas, resulting in ERCOT mandated load curtailments and system failures across the state's electrical grid. KPUB's customers, in addition to approximately 4.5 million other Texans, lost power for extended periods of time. Natural gas prices soared from \$3 per MMBtu to \$400 per MMBtu.

Litigation regarding purchased power cost for February 2021 is ongoing as of the date of the attached audit report. Accordingly, KPUB's FY2024 financial statements contain an estimate for power cost payable related to February 2021. Any difference between estimated and actual costs will be recorded in future periods pending the outcome of litigation.

Retail Rates and Future Adjustments. KPUB's billed rate was 10.25 cents per kWh (residential rate based on 1,000 kWh usage) from November 2022 through July 2024. In July 2024, the billed rate was reduced to 10.00 cents per kWh due to power costs that continued below the billed rate. This rate remains well below the state average of 14.58 cents per kWh and the national average of 16.29 cents per kWh.

Financial Analysis

The following is a summary of the statement of revenues, expenses and changes in fund net position to be used in conjunction with the comparative analysis below:

	SUMMARIZED SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED SEPTEMBER 30,		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
OPERATING REVENUES			
Sales of Electricity	\$ 43,244,283	\$ 41,509,033	\$ 45,505,227
Other	682,356	706,716	682,023
Total Operating Revenue	<u>\$ 43,926,639</u>	<u>\$ 42,215,749</u>	<u>\$ 46,187,250</u>
OPERATING EXPENSES			
Purchased Power	\$ 27,822,463	\$ 25,399,493	\$ 31,668,574
Distribution	4,478,445	3,562,279	3,659,205
Administration	6,449,610	5,826,993	4,515,607
Depreciation and Amortization	4,443,293	4,085,113	3,851,182
Total Operating Expenses	<u>\$ 43,193,811</u>	<u>\$ 38,873,878</u>	<u>\$ 43,694,568</u>
OPERATING INCOME	<u>\$ 732,828</u>	<u>\$ 3,341,871</u>	<u>\$ 2,492,682</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	\$ 2,653,421	\$ 1,748,337	\$ 481,427
Interest Expense	(137,425)	(127,298)	(123,812)
Payments in Lieu of Taxes	(1,433,103)	(1,362,174)	(1,428,744)
Other Revenue (Expense)	(127,606)	49,396	31,471
Total Non-Operating Revenues (Expenses)	<u>\$ 955,287</u>	<u>\$ 308,261</u>	<u>\$ (1,039,658)</u>
INCOME BEFORE CONTRIBUTIONS	<u>\$ 1,688,115</u>	<u>\$ 3,650,132</u>	<u>\$ 1,453,024</u>
Capital Contributions	<u>570,465</u>	<u>685,853</u>	<u>421,054</u>
CHANGE IN NET POSITION	<u>\$ 2,258,580</u>	<u>\$ 4,335,985</u>	<u>\$ 1,874,078</u>
NET POSITION, BEGINNING OF YEAR	\$ 78,334,141	\$ 73,973,703	\$ 72,124,078
PRIOR PERIOD ADJUSTMENT, SEE NOTES	-	24,453	-
NET POSITION, BEGINNING OF YEAR - RESTATED	<u>\$ 78,334,141</u>	<u>\$ 73,998,156</u>	<u>\$ 72,124,078</u>
NET POSITION, END OF YEAR	<u>\$ 80,592,721</u>	<u>\$ 78,334,141</u>	<u>\$ 73,998,156</u>

Revenues and Expenses Comparison of Fiscal Years 2024 and 2023. Operating revenues increased \$1,710,890 or 4.1% from the prior year due primarily to a higher rate for purchased power that is passed along to the customer through the variable portion of the utility rate.

Higher purchased power costs also caused operating expenses to increase compared to the prior year. The \$4,319,933 or 11.1% increase was driven by a \$2,422,970 increase in purchased power combined with smaller increase in all other categories. Distribution expense increased by \$916,166 due to multiple factors including the purchase of new communications equipment, additional staffing, higher material prices, additional tree trimming and additional pole inspections in comparison to the prior year. Administration expense increased by \$622,617 due to additional staffing, additional software purchases, additional outside engineering services and increased premiums for employee benefits.

Net non-operating revenue increased by \$647,026 from the prior year. The change was mostly due to interest income created by higher interest rates on a larger investment balance. The Federal Reserve's last rate increase occurred in August 2023. Interest rates remained over 5.0% until a Federal Reserve rate cut in September 2024.

These factors combined to result in an increase in net position of \$2,258,580 for FY2024, compared to \$4,335,985 for the prior period. Total net position as of September 30, 2024, was \$80,592,721 compared to \$78,334,141 as of September 30, 2023.

Revenues and Expenses Comparison of Fiscal Years 2023 and 2022. Operating revenues decreased \$3,971,501 or 8.6% from the prior year due primarily to a lower rate for purchased power that is passed along to the customer through the variable portion of the utility rate.

Lower purchased power costs also caused operating expenses to decreased compared to the prior year. The \$4,820,690 or 11.0% decrease was driven by a \$6,269,081 decrease in purchased power, offset by a \$1,311,386 increase in administration, and smaller changes in other categories. As previously discussed, purchased power expenses decreased due to changes in the natural gas market that kept prices low all year. A mild winter and logistical issues that limited natural gas exports led to increased supply and low prices. Ninety percent of the increase in administrative expenses related to a noncash adjustment to pension expense based on an actuarial valuation. The change in the actuarial valuation was driven by significantly lower investment returns in calendar year 2022 (recorded in FY2023) compared to investment returns in calendar year 2021 (recorded in FY2022).

Net non-operating items changed from a \$1,039,658 expense in FY2022 to a \$308,261 revenue in FY2023. The change was mostly due to interest income created by higher interest rates on a larger investment balance. The Federal Reserve began raising interest rates in March 2022 to combat inflation. Interest income in FY2023 benefited from an entire year of higher interest rates.

These factors combined to result in an increase in net position of \$4,335,985 for FY2023, compared to \$1,874,078 for the prior period. Total net position as of September 30, 2023, was \$78,334,141 compared to \$73,998,156 as of September 30, 2022.

The following is a summary of the statement of net position to be used in conjunction with the comparative analysis below:

	SUMMARY SCHEDULES OF NET POSITION		
	September 30,		
	2024	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets	\$ 53,057,204	\$ 44,693,938	\$ 33,788,201
Noncurrent Assets			
Capital, Right to Use and Subscription Assets - net	\$ 53,970,123	\$ 52,633,277	\$ 49,547,087
Net Pension Asset	-	-	677,020
Other Noncurrent Assets	9,227,249	10,071,632	11,983,042
Total Noncurrent Assets	\$ 63,197,372	\$ 62,704,909	\$ 62,207,149
Total Assets	\$ 116,254,576	\$ 107,398,847	\$ 95,995,350
Deferred Outflows of Resources	1,822,175	2,918,000	901,771
Total Assets and Deferred Outflows of Resources	<u>\$ 118,076,751</u>	<u>\$ 110,316,847</u>	<u>\$ 96,897,121</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current Liabilities	\$ 30,976,533	\$ 24,004,189	\$ 16,639,362
Net Pension Liability	2,715,291	3,877,307	-
Other Noncurrent Liabilities	3,565,781	3,968,510	4,215,459
Total Liabilities	\$ 37,257,605	\$ 31,850,006	\$ 20,854,821
Deferred Inflows of Resources	226,425	132,700	2,044,144
Total Liabilities and Deferred Inflows of Resources	<u>\$ 37,484,030</u>	<u>\$ 31,982,706</u>	<u>\$ 22,898,965</u>
NET POSITION			
Net investment in Capital Assets	\$ 50,453,138	\$ 48,810,431	\$ 45,621,884
Restricted	397,833	397,833	1,063,853
Unrestricted	29,741,750	29,125,877	27,312,419
Total Net Position	<u>\$ 80,592,721</u>	<u>\$ 78,334,141</u>	<u>\$ 73,998,156</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 118,076,751</u>	<u>\$ 110,316,847</u>	<u>\$ 96,897,121</u>

Statement of Net Position Comparison of Fiscal Years 2024 and 2023. Total assets and deferred outflows of resources increased by \$7,759,904 from the previous year. Current assets increased by \$8,363,266 due to an increase in cash and investments held as KPUB awaits the outcome of pending litigation related Winter Storm Uri. Noncurrent assets increased by \$492,463 due to a \$1,336,846 increase in capital and right to use assets offset by a \$844,383 decrease in other noncurrent assets as the City of Kerrville continued to pay down its advance from KPUB.

Total liabilities and deferred inflows of resources increased \$5,501,324 from the previous year. Current liabilities increased by \$6,972,344 driven by increases in the over collection of power cost adjustment account. The increase was offset by a decrease of \$1,162,016 in KPUB's net pension liability following a year of returns that exceeded the actuarial expectation.

Statement of Net Position Comparison of Fiscal Years 2023 and 2022. Total assets and deferred outflows of resources increased by \$13,419,726 from the previous year. Current assets increased by \$10,905,737 due to an increase in cash and investments held as KPUB awaits the outcome of pending litigation related Winter Storm Uri. In addition, KPUB has a note receivable from the City of Kerrville that was structured with interest only payments for several years. Now that principal payments are due, the current portion of this note has increased by \$1,071,428. Noncurrent assets increased by \$497,760 due to a \$3,086,190 increase in capital and right to use assets offset by a pension asset of \$677,020 that swung to a liability in FY2023 and a decrease in other noncurrent assets related to the City of Kerrville note described above.

Total liabilities and deferred inflows of resources increased \$9,083,741 from the previous year. Current liabilities increased by \$7,364,827 driven by increases in the over collection of power cost adjustment account. In addition, a pension asset in FY2022 swung to a pension liability of \$3,877,307 in FY2023 due primarily to investment performance.

Capital Assets and Long-Term Obligations

Capital Assets. In FY2024, KPUB's net investment in capital assets increased from \$52,633,277 to \$53,970,123 as of September 30, 2024. Major capital expenditures and construction projects in FY2024 included:

- Backordered transformers that were delivered in FY2024
- Customer extensions and system improvements
- Bucket truck purchase
- Partial payment for large substation transformer

In FY2023, KPUB's net investment in capital assets increased from \$49,547,088 to \$52,633,277 as of September 30, 2023. Major capital expenditures and construction projects in FY2023 included:

- Accounting change that requires capitalization of certain subscription-based information technology agreements
- Pole inspections and replacements
- Warehouse remodel
- Bucket truck purchase
- Radio system upgrade
- Customer extensions and system improvements

See **Note 3. Capital, Right to Use and Subscription Assets** for more detailed information.

SUMMARY OF CAPITAL ASSETS NET OF DEPRECIATION

	September 30,		
	2024	2023	2022
Land	\$ 252,885	\$ 252,885	\$ 252,885
Construction in Progress	1,467,567	1,574,033	1,834,762
Distribution System	42,776,822	41,925,248	40,005,530
Buildings and Equipment	3,609,036	3,687,891	2,578,349
Right to Use - Equipment	-	31,377	135,359
Subscription Assets	1,221,889	953,542	557,549
Right to Use - Transportation Equipment	61,318	77,670	-
Transportation Equipment	2,292,097	2,307,496	2,245,159
Other	2,288,509	1,823,135	1,937,495
Capital Assets-Net of Depreciation	<u>\$ 53,970,123</u>	<u>\$ 52,633,277</u>	<u>\$ 49,547,088</u>

Long-Term Obligations. KPUB made revenue bond debt service payments of \$530,584 in FY2024, which included a principal payments of \$434,000 and interest payments of \$96,584. Debt service coverage, calculated per the bond ordinance, was 7.54 times and 11.27 times for fiscal years 2024 and 2023, respectively. Each year well exceeds the minimum required coverage of 1.10 times. On January 2, 2014, KPUB closed on a Series 2013 Utility System Revenue Bonds (Bonds) issuance totaling \$6.3 million with the final maturity scheduled for November 1, 2028. The Bonds were issued at a net interest cost of 3.16% and a require minimum coverage factor of 1.10 times. Since the Bonds were sold to a local bank, the series was not rated by the rating services. More detailed information on long-term debt can be found in **Note 4. Long-Term Obligations.**

Considerations for FY2025

KPUB anticipates the following environment and events in FY2025 and has prepared its budget accordingly:

- Moving forward with a plan to build a natural gas-fired reciprocating internal combustion engine power generation plant funded with debt from the Texas Energy Fund In-ERCOT loan program and contract revenue bonds issued by KPUB Public Facility Corporation
- Resolution to pending litigation related to Winter Storm Uri
- Substation improvements including transformer upgrades
- Continued line construction including completion of an underbuild, single to three phase conversion, and an express feed for redundancy
- Ongoing pole inspection, maintenance and replacement

Request for Additional Information

This financial report is designed to provide a general overview of Kerrville Public Utility Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Assistant General Manager
Kerrville Public Utility Board
2250 Memorial Blvd.
Kerrville, Texas, 78028



BASIC FINANCIAL STATEMENTS

KERRVILLE PUBLIC UTILITY BOARD

Exhibit A

**STATEMENTS OF NET POSITION
SEPTEMBER 30, 2024 AND 2023**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	September 30,	
	2024	2023
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 44,887,811	\$ 36,607,060
Accounts Receivable, Net of Allowances of \$22,165 and \$38,972 for 2024 and 2023, Respectively	2,232,727	2,574,253
Unbilled Revenue	2,244,875	2,319,589
Materials and Supplies, at Average Cost	1,203,624	1,233,153
Deposits with Other Entities	1,395,310	862,368
Other Current and Accrued Assets	21,429	26,087
Current Portion of Advance to City of Kerrville	1,071,428	1,071,428
TOTAL CURRENT ASSETS	\$ 53,057,204	\$ 44,693,938
NONCURRENT ASSETS		
Restricted and Board Designated Cash and Cash Equivalents	\$ 4,941,534	\$ 4,714,489
Advance to City of Kerrville	4,285,715	5,357,143
Capital, Right to Use, and Subscription Assets, Net of Accumulated Depreciation and Amortization		
Capital Assets, Net of Accumulated Depreciation	52,686,916	51,570,688
Right to Use Assets, Net of Accumulated Amortization	61,318	109,047
Subscription Assets, Net of Accumulated Amortization	1,221,889	953,542
TOTAL NONCURRENT ASSETS	\$ 63,197,372	\$ 62,704,909
TOTAL ASSETS	\$ 116,254,576	\$ 107,398,847
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow - Pension Plan	\$ 1,800,792	\$ 2,887,290
Deferred Outflow - OPEB Plan	21,383	30,710
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 1,822,175	\$ 2,918,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 118,076,751	\$ 110,316,847

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 770,063	\$ 633,226
Accounts Payable - Net Purchased Power	1,996,142	1,478,825
Accounts Payable - Estimate of Purchased Power	7,947,970	7,947,970
Accounts Payable and Accrued Liabilities	1,396,696	1,427,823
Power Cost Adjustment - Over Collected	18,865,662	12,516,345
TOTAL CURRENT LIABILITIES	\$ 30,976,533	\$ 24,004,189
NONCURRENT LIABILITIES		
Bonds Payable	\$ 1,965,000	\$ 2,413,000
Leases Payable	48,042	84,352
Subscriptions Payable	733,880	692,268
Consumer Deposits and Prepayments	537,816	518,082
Net Pension Liability	2,715,291	3,877,307
Total OPEB Liability	281,043	260,808
TOTAL NONCURRENT LIABILITIES	\$ 6,281,072	\$ 7,845,817
TOTAL LIABILITIES	\$ 37,257,605	\$ 31,850,006
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension Plan	\$ 161,508	\$ 32,437
Deferred Inflows - OPEB Plan	64,917	100,263
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 226,425	\$ 132,700
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 37,484,030	\$ 31,982,706

NET POSITION

NET POSITION		
Net Investment in Capital Assets	\$ 50,453,138	\$ 48,810,431
Restricted for:		
Debt Service	397,833	397,833
Unrestricted	29,741,750	29,125,877
TOTAL NET POSITION	\$ 80,592,721	\$ 78,334,141
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 118,076,751	\$ 110,316,847

See accompanying notes to the financial statements.

KERRVILLE PUBLIC UTILITY BOARD

Exhibit B

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	September 30,	
	2024	2023
OPERATING REVENUES		
Sales of Electricity	\$ 43,244,283	\$ 41,509,033
Other	682,356	706,716
Total Operating Revenues	<u>\$ 43,926,639</u>	<u>\$ 42,215,749</u>
OPERATING EXPENSES		
Purchased Power	\$ 27,822,463	\$ 25,399,493
Distribution	4,478,445	3,562,279
Administration	6,449,610	5,826,993
Depreciation and Amortization	4,443,293	4,085,113
Total Operating Expenses	<u>\$ 43,193,811</u>	<u>\$ 38,873,878</u>
OPERATING INCOME	<u>\$ 732,828</u>	<u>\$ 3,341,871</u>
NON-OPERATING REVENUES AND (EXPENSES)		
Interest Income	\$ 2,653,421	\$ 1,748,337
Interest Expense	(137,425)	(127,298)
Payments in Lieu of Taxes	(1,433,103)	(1,362,174)
Other	(127,606)	49,396
Total Non-Operating Revenues and (Expenses)	<u>\$ 955,287</u>	<u>\$ 308,261</u>
INCOME BEFORE CONTRIBUTIONS	<u>\$ 1,688,115</u>	<u>\$ 3,650,132</u>
Capital Contributions	<u>570,465</u>	<u>685,853</u>
CHANGE IN NET POSITION	<u>\$ 2,258,580</u>	<u>\$ 4,335,985</u>
NET POSITION, BEGINNING OF YEAR	<u>78,334,141</u>	<u>73,998,156</u>
NET POSITION, END OF YEAR	<u><u>\$ 80,592,721</u></u>	<u><u>\$ 78,334,141</u></u>

See accompanying notes to the financial statements.

KERRVILLE PUBLIC UTILITY BOARD

Exhibit C

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

	September 30,	
	2024	2023
OPERATING ACTIVITIES		
Cash Received From Customers and Others	\$ 50,584,324	\$ 50,149,627
Cash Payments to Suppliers for Goods and Services	(35,513,141)	(32,560,500)
Cash Payments to Employees for Services	(3,199,319)	(3,200,643)
Net Change in Cash From Operating Activities	\$ 11,871,864	\$ 14,388,484
NON-CAPITAL FINANCING ACTIVITIES		
Interest Received From City of Kerrville	\$ 147,858	\$ 173,572
Payments from City of Kerrville	1,071,428	1,071,429
Payments in Lieu of Taxes	(1,433,103)	(1,362,174)
Net Change in Cash From Non-Capital Financing Activities	\$ (213,817)	\$ (117,173)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Additions Including Capitalized Payroll, Benefits, and Overhead	\$ (5,251,797)	\$ (6,591,551)
Interest Payments	(140,279)	(120,914)
Principal Payments	(834,203)	(682,109)
Contributions in Aid of Construction	570,465	685,853
Net Change in Cash From Capital and Related Financing Activities	\$ (5,655,814)	\$ (6,708,721)
INVESTING ACTIVITIES		
Interest Income	\$ 2,505,563	\$ 1,574,765
Net Change in Cash From Investing Activities	\$ 2,505,563	\$ 1,574,765
CHANGE IN CASH AND CASH EQUIVALENTS	\$ 8,507,796	\$ 9,137,355
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	41,321,549	32,184,194
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 49,829,345	\$ 41,321,549
Reconciliation of Operating Income to Net Cash		
From Operating Activities:		
Operating Income	\$ 732,828	\$ 3,341,871
Depreciation Expense	\$ 4,082,901	\$ 3,875,045
Amortization Expense	360,392	210,068
Other Revenue (Expense)	(127,606)	49,396
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables and Unbilled Revenue	416,240	(838,210)
(Increase) Decrease in Power Cost Adjustment	6,349,317	8,670,196
(Increase) Decrease in Materials and Supplies	29,529	(97,403)
(Increase) Decrease in Other Current and Accrued Assets	(528,284)	7,212
(Increase) Decrease in Deferred Outflows of Resources	1,095,825	(2,016,229)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	489,044	(1,387,030)
Increase (Decrease) in Customer Deposits	19,734	52,496
Increase (Decrease) in Net Pension	(1,162,016)	4,554,327
Increase (Decrease) in Total OPEB Liability	20,235	(121,811)
Increase (Decrease) in Deferred Inflows of Resources	93,725	(1,911,444)
Total Adjustments	\$ 11,139,036	\$ 11,046,613
Net Cash From Operating Activities	\$ 11,871,864	\$ 14,388,484

See accompanying notes to the financial statements.

KERRVILLE PUBLIC UTILITY BOARD NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Reporting Entity

On February 10, 1987, the City Council of Kerrville, Texas approved Resolution No. 87-106, naming a five-member board of trustees, pursuant to Article 1115 Revised Civil Statutes of Texas and calling for an election for approval of issuance of bonds for the purpose of acquiring the Kerrville District Electric Distribution System (the System) from the Lower Colorado River Authority (LCRA). Voter approval was obtained on March 17, 1987, and the City Council approved Bond Ordinance 87-45 on November 24, 1987, officially establishing and empowering the Kerrville Public Utility Board (KPUB) for the purpose of controlling, managing and operating the System, as well as authorizing the issuance of \$29.5 million of City of Kerrville, Texas, Electric System Revenue Bonds for acquisition, extension and improvement of the System. KPUB is legally separate from the City of Kerrville (the City). A purchase agreement, a Wholesale Power Agreement, and an operating agreement between KPUB and LCRA were signed, and KPUB officially started operating the System on December 11, 1987, with LCRA as the operating agent.

The City reports KPUB as a proprietary component unit discretely presented in its Annual Comprehensive Financial Report (ACFR). KPUB operates under one industry segment with all operations in the Kerrville, Texas area. KPUB, as part of the City, is not subject to federal income taxes.

Purchase Power Agreements

KPUB does not generate its own electricity. Instead, it purchases electricity from several different suppliers with terms and pricing negotiated through purchased power agreements (PPAs). KPUB has the following PPAs currently in place:

1. CPS Energy – KPUB currently receives most of its electric energy and capacity from CPS Energy under an agreement which became effective on June 25, 2016, and expires on December 31, 2026. Under this contract, KPUB receives 10 MW of base load energy and its entire load following energy from CPS Energy.
2. NextEra – KPUB receives 20 MW of base load energy pursuant to a PPA with NextEra Energy Power Marketing, LLC which became effective June 25, 2016, and expires on December 31, 2033.
3. City of Garland – KPUB has PPAs with the City of Garland, Texas, for wind power from the Salt Fork Wind Project in Gray County, Texas and from the Albercas Wind Project in Webb County, Texas. These agreements expire in 2030 and 2036. The wind PPAs diversify KPUB's energy sources and help to stabilize the price of KPUB's overall power supply portfolio.
4. DG Solar – On June 20, 2018 KPUB executed six twenty-year PPAs for community solar systems with Renewable Energy Systems Americas (RES). RES sold the PPAs to DG Southwest Solar, a subsidiary of NextEra. The six systems have a combined capacity of 5.25 MW and are installed and interconnected with KPUB's distribution system at four locations across KPUB's service area. The systems reduce ERCOT four coincident peak (4CP) transmission costs for KPUB and provide access to solar energy for the non-profit customers hosting the systems.
5. Engie – KPUB executed a PPA with Engie on November 20, 2018 for 25 MW of capacity from their Long Draw Solar Project, in Borden County, Texas. The PPA has a 15-year term. The solar PPA diversifies KPUB's energy sources and helps to stabilize the price of KPUB's overall power supply portfolio.

KERRVILLE PUBLIC UTILITY BOARD NOTES TO FINANCIAL STATEMENTS

6. Concho Bluff – KPUB executed a PPA with Concho Bluff LLC on December 12, 2018 for 50 MW of capacity from their Greasewood Solar Project in Pecos County, Texas. The PPA has a 20-year term. The solar PPA diversifies KPUB's energy sources and helps to stabilize the price of KPUB's overall power supply portfolio.

Utility Rate Regulation

KPUB is not subject to regulation by the Public Utility Commission of Texas (PUC) with regard to its operation or rates charged for electric service to customers within the boundaries of the System. The City has exclusive original jurisdiction over the rates charged to ratepayers who reside outside the City's boundaries. Texas courts have held that the PUC has appellate jurisdiction to determine retail municipal electric rates outside the City limits if a qualified petition is filed.

Basis of Accounting

The financial statements of KPUB have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. KPUB uses the economic resources measurement focus and the full accrual method of accounting and follows the Uniform System of Accounts (USOA) prescribed for public utilities and licensees, as issued by the Federal Energy Regulatory Commission. KPUB departs from the USOA by following GASB's treatment of contributions in aid of construction which are recorded as revenue instead of as a reduction of plant.

Electric Revenue and Purchased Power Expense

Revenue from sales of electricity is recognized as billed on a cycle basis, with recognition of unbilled revenues at September 30, 2024 and 2023, based upon the meter reading dates for the unbilled portion of each cycle. Rate schedules include power cost adjustment clauses that permit recovery of purchased power costs not included in base rates in the month after such costs are incurred. KPUB charges to expense the cost of purchased power in the period of purchase.

Budgets and Budgetary Accounting

KPUB is not legally required to adopt a budget; therefore, comparative statements of actual expenses to budgeted expenses are not included as required supplementary information.

Capital, Right to Use, and Subscription Assets

Utility plant additions are recorded at cost or acquisition value at the date of donation if acquired by gift. Cost includes the costs of contracted services, direct materials, labor, overhead and an allowance for borrowed funds used during construction (AFUDC). KPUB computes AFUDC using rates representing the cost of borrowed funds on all projects. AFUDC totaled \$0 and \$0 for the years ended September 30, 2024 and 2023, respectively. Retirements of utility plant, together with removal costs, less salvage, are charged to accumulated depreciation.

To depreciate these investments, KPUB uses a depreciation rate by asset class. The rates for each major asset category ranged from:

Intangible Plant	1.8% to 5.5%
Distribution Plant	2.6% to 20.0%
General Plant	8.4%
Other	3.3% to 8.0%

KERRVILLE PUBLIC UTILITY BOARD

NOTES TO FINANCIAL STATEMENTS

Right to use and subscription assets are originally measured at the initial amount of the lease or subscription payable, adjusted for payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the right to use or subscription asset is amortized on a straight-line basis over its useful life.

Restricted and Governing Board Designated Assets

The Reserve Fund and Interest and Sinking Fund were established in accordance with the City ordinance creating KPUB, as well as provisions of the trust indenture executed in conjunction with the issuance of the 2001 revenue bonds.

The Reserve Fund is to be used solely to retire the last of any outstanding bonds or to pay principal and interest on any bonds to the extent the amounts in the Interest and Sinking Fund are insufficient for such purposes. For fiscal years 2024 and 2023, the amounts in the Interest and Sinking Fund have been sufficient and, therefore, no balance is maintained in the Reserve Fund.

The Interest and Sinking Fund is to be used for the payment of bond principal and interest on all outstanding bonds as those payments come due.

The Emergency Repair, Replacement, and Contingency Fund is for funding unforeseen capital infrastructure projects in excess of \$100,000, in order to lessen the impact on electric tariffs.

Customer deposits are also classified as restricted.

The following table is a breakdown of restricted and board designated cash and cash equivalents as of September 30, 2024 and 2023:

	September 30,	
	2024	2023
Restricted and Board Designated Cash and Cash Equivalents:		
Customer Deposits	\$ 537,815	\$ 512,924
Interest and Sinking Fund	435,293	440,861
Emergency Repair, Replacement, and Contineny Fund	3,968,426	3,760,704
Total Restricted and Board Designated Cash and Cash Equivalents	<u>\$ 4,941,534</u>	<u>\$ 4,714,489</u>

Bond Issuance Costs

Bond issuance costs are expensed in the year of issuance.

Cash Equivalents

For purposes of the statement of cash flows, KPUB considers money market accounts, congestion revenue rights, and certificates of deposit with original maturities of three months or less from the date of acquisition to be cash equivalents.

KERRVILLE PUBLIC UTILITY BOARD NOTES TO FINANCIAL STATEMENTS

The following table is a reconciliation of cash and cash equivalents for the Statement of Cash Flows as of September 30, 2024 and 2023:

	September 30,	
	2024	2023
Cash and Cash Equivalents	\$ 44,887,811	\$ 36,607,060
Restricted and Board Designated Cash and Cash Equivalents	4,941,534	4,714,489
Total Cash and Cash Equivalents Reconciled on the Statement of Cash Flows:	\$ 49,829,345	\$ 41,321,549

Investments

KPUB invests funds in accordance with its policy, bond indentures and the Texas Public Funds Investment Act. Investments in investment pools are carried at net asset value (NAV) or amortized cost; non-negotiable certificates of deposit are carried at amortized cost. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Deposits with Other Entities

KPUB has placed cash on hand with the Electric Reliability Council of Texas (ERCOT) and Garland Power and Light (GPL) as assurances for certain agreements.

Inventories

Materials and supplies inventories are valued at average unit cost.

Accounts Receivable

KPUB provides an allowance for doubtful accounts to recognize receivables considered uncollectible. KPUB adjusts the allowance account monthly based on the aging of accounts receivable.

Contingent Liabilities

KPUB provides for contingent liabilities when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. At September 30, 2024 and 2023, no such liabilities existed.

Risk Management

KPUB is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property damage to KPUB assets, errors and omissions, and personal risks which relate to workers compensation. KPUB participates in the Texas Municipal League Intergovernmental Risk Pool. As an insured, KPUB is not obligated to reimburse the pool for losses. Any losses reported but unsettled or incurred and not reported are believed to be insignificant to KPUB's financial statements.

KERRVILLE PUBLIC UTILITY BOARD NOTES TO FINANCIAL STATEMENTS

Classification of Operating and Non-Operating Revenues and Expenses

KPUB defines operating revenues and expenses as those revenues and expenses generated by a specified program offering either a good or service. This definition is consistent with Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, noncapital financing or investing activities. Operating expenses include personnel services, contractual services, commodities, other expenses (such as insurance) and depreciation. Revenues and expenses not fitting the above definitions are considered non-operating.

Leases and Subscriptions Payable

KPUB is a lessee for non-cancellable leases and subscriptions. KPUB recognizes a lease or subscription payable and an intangible right-to-use or subscription asset in the Statement of Net Position. KPUB recognizes leases and subscriptions payable, with an initial, individual value of \$15,000 or more. At the commencement of a lease or subscription, KPUB initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease or subscription payable is reduced by the principal portion of lease payments made.

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

Pension

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

Other Post-Employment Benefits

KPUB has an agent-multiple employer defined benefit other post-employment benefit (OPEB) plan (Plan) through TMRS. The Plan does not have a qualifying trust and is therefore referred to as "Total OPEB Liability" throughout this report. For purposes of measuring the Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods.

KERRVILLE PUBLIC UTILITY BOARD NOTES TO FINANCIAL STATEMENTS

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred inflows and outflows of resources and liabilities and disclosure of contingent assets and liabilities as of the date of the statements of net position and reported revenues and expenses for the period. Actual results could differ significantly from those estimates.

Due to ongoing litigation related to Winter Storm Uri, KPUB has not received a final invoice for power purchased from CPS Energy in February 2021. Accordingly, KPUB has estimated costs for February 2021 based on historical averages. The outcome of pending litigation could result in a cost that is materially different than the estimate. There were no changes to this estimate in 2024.

Application of Restricted and Unrestricted Net Position

KPUB may receive funding from an organization whose expenditure is restricted to certain allowable costs. In situations where both restricted and unrestricted net position is available to cover allowable expenses, KPUB will first expend the restricted net position and cover additional costs with unrestricted net position. KPUB reserves the right to selectively defer the use of restricted assets.

Pledged Revenues

Net revenues of KPUB have been pledged for the payment of its debt obligations. Net revenues are defined as gross revenues, less maintenance and operation expenses.

2. Cash, Cash Equivalents, and Investments

Cash

KPUB's bank balances totaled approximately \$11,688,000 as of September 30, 2024, and approximately \$22,053,000 as of September 30, 2023. All bank balances were either fully insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by third-party financial institutions and listing KPUB as pledgee.

Investments

KPUB's investment policy, in accordance with the Public Funds Investment Act, allows the following types of investments:

- (a) Obligations of the United States or its agencies and instrumentalities excluding mortgage-backed securities
- (b) Depository certificates of deposit issued by a depository institution that has its main office or a branch office in the State of Texas which are fully FDIC insured or collateralized
- (c) Fully NCUSIF insured share certificates from credit unions domiciled in the State of Texas
- (d) Repurchase agreements collateralized only by cash and obligations of the United States or its agencies

**KERRVILLE PUBLIC UTILITY BOARD
NOTES TO FINANCIAL STATEMENTS**

- (e) Local government investment pools rated not less than AAA, or an equivalent rating by at least one nationally recognized rating service which strive to maintain a \$1 net asset value.
- (f) Fully insured brokered certificate of deposit securities from any US state, delivered versus payment to KPUB safekeeping
- (g) Fully FDIC or NCUSIF insured or collateralized interest-bearing accounts of any bank or credit union doing business in Texas
- (h) A1/P1 or equivalent rated domestic commercial paper with a maximum maturity of 270 days

KPUB has investments in three local government investment pools: TexPool, LOGIC and Texas CLASS.

TexPool is the largest and oldest local government investment pool in the State of Texas. TexPool seeks to preserve principal, liquidity and yield of capital investment consistent with the Texas Public Funds Investment Act. The Texas Comptroller of Public Accounts administers TexPool with investment management, servicing and custodial services provided by Federated Hermes. An Advisory Board, composed both of TexPool participants and of other persons who do not have a business relationship with TexPool, review the investment policy and management fee structure. TexPool is rated AAAm by Standard & Poor's.

Local Government Investment Cooperative (LOGIC) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds' investment pool under the Public Funds Investment Act. The Board of Trustees is LOGIC's governing body and is comprised of employees, officers or elected officials of participant government entities. The investment activities of LOGIC are administered by Hilltop Securities and JPMorgan Chase. LOGIC is rated AAAm by Standard & Poor's.

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) was created as a local government investment pool pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code (PFIA). Texas CLASS seeks to preserve principal, maintain the liquidity of the funds, and prioritize yield. Texas CLASS is administered by Public Trust Advisors, LLC with UMB Bank, N.A. as the Custodian and is supervised by a Board of Trustees who are elected by the participants. Texas CLASS is rated AAAm by Standard & Poor's.

Investment Objectives

The primary objectives of KPUB's investment activity are the preservation and safety of principal and liquidity of the overall portfolio. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they are from securities defaults or erosion of fair value. KPUB's investment portfolio will remain sufficiently liquid to meet operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing the securities with active secondary markets.

Investments shall be made with exercise of judgment and due care under prevailing circumstances, prudence, discretion and intelligence. Investments shall not be speculative, but will consider the probable safety of their capital, as well as the probable income to be derived.

KERRVILLE PUBLIC UTILITY BOARD

NOTES TO FINANCIAL STATEMENTS

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in KPUB. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Interest Rate Risk

As a means of limiting its exposure to fair value losses that could occur from rising interest rates, KPUB's investment policy limits the maturities of investments and prohibits any investment for speculative gains. The maximum allowable stated maturity of any individual investment owned by KPUB is five years, extending to ten years for construction funds.

KPUB recognizes that investment risks can result from market price changes. Investment officers are expected to display prudence, discretion and intelligence in the selection of securities, as a way to minimize risk. Investments shall not be speculative, but will consider the probable safety of their capital.

The following is a list of Cash and Cash Equivalents including investments at year end:

	September 30,	
	2024	2023
Investments, Held at NAV		
TexPool	\$ 5,036,181	\$ 2,831,144
Texas CLASS	17,279,596	
LOGIC	15,826,043	16,437,459
Total Investment Pools	\$ 38,141,820	\$ 19,268,603
Cash in Bank and On Hand, Fully Collateralized	11,687,525	22,052,946
Total Cash and Cash Equivalents	\$ 49,829,345	\$ 41,321,549

Credit Risk

KPUB's exposure to credit risk is presented below by investment category as rated by Standard and Poor's:

	September 30,	
	2024	2023
Investments, Held at NAV		
TexPool	\$ 5,036,181	\$ 2,831,144
Texas CLASS	17,279,596	
LOGIC	15,826,043	16,437,459
Total Investment Pools	\$ 38,141,820	\$ 19,268,603
Ratings		
TexPool	AAAm	AAAm
Texas CLASS	AAAm	
LOGIC	AAAm	AAAm

KERRVILLE PUBLIC UTILITY BOARD

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk

KPUB's certificates of deposit with the depository bank were either fully insured by the FDIC or collateralized at 102% with securities held by third-party financial institutions and list KPUB as pledgee. All certificates of deposit are made in the name of KPUB. Any securities held by KPUB must be purchased with the delivery versus payment method and are recorded in KPUB's name on the Federal Reserve's book entry system and confirmed to KPUB via safekeeping receipt maintained on the books of the depository bank's safekeeping department.

Concentration of Credit Risk

Although KPUB's investment policy does not include an approved asset mix, the investment portfolio is diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities. Within the constraints of cash flow requirements, investment maturities are staggered in a way that avoids undue concentration of assets in a specific maturity sector. KPUB does not invest its portfolio in one investment pool. Funds are divided between two pools for diversification and security reasons.

As of September 30, 2024 and 2023, the following was the composition of KPUB's investment portfolio:

	September 30,	
	2024	2023
TexPool	13.20%	14.69%
Texas CLASS	45.30%	
LOGIC	41.50%	85.31%

Foreign Currency Risk

KPUB does not engage in any deposit or investment transactions involving foreign currency.

**KERRVILLE PUBLIC UTILITY BOARD
NOTES TO FINANCIAL STATEMENTS**

3. Capital, Right to Use, and Subscription Assets

Capital, Right to Use, and Subscription Assets comprising general plant and electric plant in service and are comprised of the following components:

	2024 Beginning Balances	Increases	Transfers	Decreases	2024 Ending Balances
Capital Assets, Not Being Depreciated					
Land	\$ 252,885	\$	\$	\$	\$ 252,885
Construction in Progress	1,574,033	5,912,214	(6,018,680)		1,467,567
Total Capital Assets, Not Being Depreciated	<u>\$ 1,826,918</u>	<u>\$ 5,912,214</u>	<u>\$ (6,018,680)</u>	<u>\$ 0</u>	<u>\$ 1,720,452</u>
Depreciable and Amortizable Assets					
Distribution System	\$ 83,095,269	\$	\$ 4,122,332	\$ 200,359	\$ 87,017,242
Buildings and Equipment	9,126,091		384,685	133,384	9,377,392
Right to Use - Equipment	73,651	(21,997)		51,654	
Subscription Assets	1,238,755	603,007		57,556	1,784,206
Right to Use - Transportation Equipment	83,120				83,120
Transportation Equipment	3,693,780		309,830	169,158	3,834,452
Other	2,613,247		775,567	274,498	3,114,316
Total Assets Being Depreciated and Amortized	<u>\$ 99,923,913</u>	<u>\$ 581,010</u>	<u>\$ 5,592,414</u>	<u>\$ 886,609</u>	<u>\$ 105,210,728</u>
Less Accumulated Depreciation and Amortization for:					
Distribution System	\$ 41,170,021	\$ 3,496,663	\$ (426,266)	\$	\$ 44,240,418
Buildings and Equipment	5,438,200	450,969		120,814	5,768,355
Right to Use - Equipment	42,274	9,380		51,654	
Subscription Assets	285,213	334,661		57,556	562,318
Right to Use - Transportation Equipment	5,450	16,352			21,802
Transportation Equipment	1,386,284	308,741		152,671	1,542,354
Other	790,112	135,269		99,571	825,810
Total Accumulated Depreciation and Amortization	<u>\$ 49,117,554</u>	<u>\$ 4,752,035</u>	<u>\$ (426,266)</u>	<u>\$ 482,266</u>	<u>\$ 52,961,057</u>
Total Being Depreciated and Amortized, Net	<u>\$ 50,806,359</u>	<u>\$ (4,171,025)</u>	<u>\$ 6,018,680</u>	<u>\$ 404,343</u>	<u>\$ 52,249,671</u>
Total Capital, Right to Use, and Subscription Assets, Net	<u>\$ 52,633,277</u>	<u>\$ 1,741,189</u>	<u>\$ 0</u>	<u>\$ 404,343</u>	<u>\$ 53,970,123</u>

KERRVILLE PUBLIC UTILITY BOARD NOTES TO FINANCIAL STATEMENTS

	2023 Beginning Balances	Increases	Transfers	Decreases	2023 Ending Balances
Capital Assets, Not Being Depreciated					
Land	\$ 252,885	\$	\$	\$	\$ 252,885
Construction in Progress	1,834,762	7,714,261	(7,974,990)		1,574,033
Total Capital Assets, Not Being Depreciated	<u>\$ 2,087,647</u>	<u>\$ 7,714,261</u>	<u>\$ (7,974,990)</u>	<u>\$ 0</u>	<u>\$ 1,826,918</u>
Depreciable and Amortizable Assets					
Distribution System	\$ 79,089,306	\$	\$ 4,508,188	\$ 502,225	\$ 83,095,269
Buildings and Equipment	8,036,906		1,758,598	669,413	9,126,091
Right to Use - Equipment	161,380			87,729	73,651
Subscription Assets	654,397		584,358		1,238,755
Right to Use - Transportation Equipment			83,120		83,120
Transportation Equipment	3,765,445		492,758	564,423	3,693,780
Other	2,676,765		(60,698)	2,820	2,613,247
Total Assets Being Depreciated and Amortized	<u>\$ 94,384,199</u>	<u>\$ 0</u>	<u>\$ 7,366,324</u>	<u>\$ 1,826,610</u>	<u>\$ 99,923,913</u>
Less Accumulated Depreciation and Amortization for:					
Distribution System	\$ 39,083,776	\$ 3,333,520	\$ (745,050)	\$ 502,225	\$ 41,170,021
Buildings and Equipment	5,458,558	427,627	135,442	583,427	5,438,200
Right to Use - Equipment	26,021	16,253			42,274
Subscription Assets	96,848	188,365			285,213
Right to Use - Transportation Equipment		5,450			5,450
Transportation Equipment	1,520,284	294,471	61,381	489,852	1,386,284
Other	739,271	113,898	(60,439)	2,618	790,112
Total Accumulated Depreciation and Amortization	<u>\$ 46,924,758</u>	<u>\$ 4,379,584</u>	<u>\$ (608,666)</u>	<u>\$ 1,578,122</u>	<u>\$ 49,117,554</u>
Total Being Depreciated and Amortized, Net	<u>\$ 47,459,441</u>	<u>\$ (4,379,584)</u>	<u>\$ 7,974,990</u>	<u>\$ 248,488</u>	<u>\$ 50,806,359</u>
Total Capital, Right to Use, and Subscription Assets, Net	<u>\$ 49,547,088</u>	<u>\$ 3,334,677</u>	<u>\$ 0</u>	<u>\$ 248,488</u>	<u>\$ 52,633,277</u>

4. Long-Term Obligations

Revenue bonds issued for the acquisition, extension, and improvement of the System are comprised of the following:

	September 30,	
	2024	2023
Series 2013, Utility System Revenue Bonds, Interest		
Rates from 1.01% to 4.13% - Semiannual	\$ 2,413,000	\$ 2,847,000
Less: Current Portion	448,000	434,000
Non-Current Portion	<u>\$ 1,965,000</u>	<u>\$ 2,413,000</u>

On January 2, 2014, KPUB closed on the City of Kerrville, Texas Utility System Revenue Bonds, Series 2013 (2013 Revenue Bonds) issuance totaling \$6.3 million with a final maturity scheduled for November 1, 2028. The 2013 Revenue Bonds were issued at a net interest cost of 3.16 percent and a required minimum net revenue coverage factor of 1.10x. A reserve fund is not required to be established unless the actual net revenue coverage factor is below 1.35x.

**KERRVILLE PUBLIC UTILITY BOARD
NOTES TO FINANCIAL STATEMENTS**

A schedule of bond maturities and interest as of September 30, 2024, is as follows:

Fiscal Year Ending	Principal	Interest	Total
2025	\$ 448,000	\$ 82,531	\$ 530,531
2026	464,000	67,041	531,041
2027	481,000	50,000	531,000
2028	500,000	31,276	531,276
2029	520,000	10,738	530,738
Total	<u>\$ 2,413,000</u>	<u>\$ 241,586</u>	<u>\$ 2,654,586</u>

The following is a summary of changes in long-term obligations for the year ended September 30, 2024 and 2023, with amounts due within one year:

	October 1, 2023	Increase	Decreases	September 30, 2024	Amounts Due Within One Year
Bonds Payable	\$ 2,847,000	\$	\$ (434,000)	\$ 2,413,000	\$ 448,000
Customer Deposits	515,361	347,819	(325,364)	537,816	
Total	<u>\$ 3,362,361</u>	<u>\$ 347,819</u>	<u>\$ (759,364)</u>	<u>\$ 2,950,816</u>	<u>\$ 448,000</u>

	October 1, 2022	Increase	Decreases	September 30, 2023	Amounts Due Within One Year
Bonds Payable	\$ 3,269,000	\$	\$ (422,000)	\$ 2,847,000	\$ 434,000
Customer Deposits	465,586	303,852	(254,077)	515,361	
Total	<u>\$ 3,734,586</u>	<u>\$ 303,852</u>	<u>\$ (676,077)</u>	<u>\$ 3,362,361</u>	<u>\$ 434,000</u>

5. Leases

KPUB has entered into various leases for the right to use equipment and transportation equipment. KPUB is required to make period principal and interest payments using either its incremental borrowing rate or the interest stated or implied in the lease contract. Some leases have an option to extend the term after completion of the contract. KPUB's leased assets and associated amortization are included in **Note 3. Capital, Right to Use and Subscription Assets**. During the year ended September 30, 2024, KPUB became aware that some of the expected terms on the leases would be changing due to operational changes within KPUB. The related leases were modified during the year based on those changes.

There were no payments recorded in the current period that were not included in the measurement of the lease liabilities, no commitments prior to the commencement, and no leased asset impairments as of September 30, 2024 and 2023.

KERRVILLE PUBLIC UTILITY BOARD NOTES TO FINANCIAL STATEMENTS

Lease agreements are summarized as follows for the years ended September 30, 2024 and 2023:

Leases	Interest Rates	Liability at Commencement	Lease Term in Months	September 30, 2024
Transportation Equipment	5.54%	\$ 83,120	61	\$ 63,516
Total		<u>\$ 83,120</u>		<u>\$ 63,516</u>

Leases	Interest Rates	Liability at Commencement	Lease Term in Months	September 30, 2023
Equipment	0.57%-0.97%	\$ 161,380	120	\$ 31,377
Transportation Equipment	5.54%	83,120	61	77,670
Total		<u>\$ 244,500</u>		<u>\$ 109,047</u>

Lease activity for the years ending September 30, 2024 and 2023 is summarized below:

Leases	September 30, 2023	Increases	Decreases	September 30, 2024
Equipment	\$ 31,377	\$	\$ 31,377	\$
Transportation Equipment	77,670		14,154	63,516
Total	<u>\$ 109,047</u>	<u>\$</u>	<u>\$ 45,531</u>	<u>\$ 63,516</u>

Leases	September 30, 2022	Increases	Decreases	September 30, 2023
Equipment	\$ 108,000	\$ 53,380	\$ 130,003	\$ 31,377
Transportation Equipment	-	83,120	5,450	77,670
Total	<u>\$ 108,000</u>	<u>\$ 136,500</u>	<u>\$ 135,453</u>	<u>\$ 109,047</u>

Estimated annual requirements to amortize the obligations and related interest are as follows:

Fiscal Year Ending	Principal	Interest	Total
2025	\$ 15,474	\$ 3,132	\$ 18,606
2026	16,354	2,252	18,606
2027	17,284	1,322	18,606
2028	14,404	349	14,753
	<u>\$ 63,516</u>	<u>\$ 7,055</u>	<u>\$ 70,571</u>

6. Subscription-Based Information Technology Arrangements

KPUB has entered into various subscription arrangements for the right to access various software and hardware. KPUB is required to make period principal and interest payments using either its incremental borrowing rate or the interest stated or implied in the subscription arrangements. Some arrangements have an option to extend the term after the initial agreed upon period. KPUB's subscription arrangements and associated amortization are included in in **Note 3. Capital, Right to Use and Subscription Assets**.

**KERRVILLE PUBLIC UTILITY BOARD
NOTES TO FINANCIAL STATEMENTS**

There were no payments recorded in the current period that were not included in the measurement of the arrangements.

Subscription arrangements are summarized as follows for the years ended September 30, 2024 and 2023:

Subscription Arrangements	Interest Rates	Liability at Commencement	Arrangement Term in Months	September 30, 2024
Software/Hardware	0.81%-3.69%	\$ 1,618,166	24-84	\$ 1,040,469
Total		\$ 1,618,166		\$ 1,040,469

Subscription Arrangements	Interest Rates	Liability at Commencement	Arrangement Term in Months	September 30, 2023
Software/Hardware	0.81%-3.33%	\$ 1,133,291	24-84	\$ 865,327
Total		\$ 1,133,291		\$ 865,327

Subscription-Based Information Technology Arrangement activity for the years ending September 30, 2024 and 2023 is summarized below:

Subscription Arrangements	September 30, 2023	Increases	Decreases	September 30, 2024
Software/Hardware	\$ 865,327	\$ 365,438	\$ 190,296	\$ 1,040,469
Total	\$ 865,327	\$ 365,438	\$ 190,296	\$ 1,040,469

Subscription Arrangements	September 30, 2022	Increases	Decreases	September 30, 2023
Software/Hardware	\$ 533,095	\$ 453,073	\$ 120,841	\$ 865,327
Total	\$ 533,095	\$ 453,073	\$ 120,841	\$ 865,327

Estimated annual requirements to amortize the subscription arrangements and related interest are as follows:

Fiscal Year Ending	Principal	Interest	Total
2025	\$ 306,589	\$ 24,177	\$ 330,766
2026	292,608	16,871	309,479
2027	248,977	9,917	258,894
2028	184,312	4,305	188,617
2029	7,983	251	8,234
	\$ 1,040,469	\$ 55,522	\$ 1,095,991

KERRVILLE PUBLIC UTILITY BOARD NOTES TO FINANCIAL STATEMENTS

7. Related Party Transactions

Pursuant to the bond ordinance, KPUB pays the City 3.00% of gross revenues of the System on a monthly basis. Such City fees, which are recorded as non-operating expenses, totaled \$1,399,295 and \$1,320,404 paid for the years ended September 30, 2024 and 2023, respectively. At September 30, 2024 and 2023, amounts due to the City by KPUB totaled \$149,148 and \$53,663, respectively.

The KPUB Trustees and the Kerrville City Council approved a loan from KPUB to the City to support the construction of an effluent water retention pond project. The loan has a principal amount of \$7,500,000, a thirteen-year repayment term with the first six years being interest only payments, and a 2.40% stated interest rate. The maturity date is August 1, 2029 with principal payments beginning on February 1, 2024. Security for payment is the revenue of the City's water and wastewater systems with a perfected lien pursuant to Chapter 1208, as amended, Texas Government Code.

A schedule of the note maturities and future interest payments as of September 30, 2024, is as follows:

Fiscal Year Ending	Principal	Interest	Total
2025	\$ 1,071,428	\$ 122,143	\$ 1,193,571
2026	1,071,428	96,429	1,167,857
2027	1,071,429	70,714	1,142,143
2028	1,071,429	45,000	1,116,429
2029	1,071,429	19,286	1,090,715
Total	<u>\$ 5,357,143</u>	<u>\$ 353,572</u>	<u>\$ 5,710,715</u>

8. Net Pension Liability - TMRS

Plan Description

KPUB participates as one of 936 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 www.tmrs.com.

All eligible employees of KPUB 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 KPUB, within the options available in the state statutes governing TMRS.

KERRVILLE PUBLIC UTILITY BOARD

NOTES TO FINANCIAL STATEMENTS

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the entity-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75.00% of the member's deposits and interest.

Currently KPUB has adopted the following provisions related to the pension plan:

	<u>December 31, 2023 and 2022</u>
Employee Deposit Rate	7.00%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Requirement Eligibility (Expressed as Age / Years of Service)	60/5,0/25
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI Repeating

Employees Covered by Benefit Terms

At the December 31, 2023 and 2022 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	51	49
Inactive Employees Entitled to but not Yet Receiving Benefits	29	31
Active Employees	60	55
Total Plan Employees	<u>140</u>	<u>135</u>

Contributions

The contribution rates for employees in TMRS are either 5.00%, 6.00%, or 7.00% of employee gross earnings, and KPUB matching percentages are either 100.00%, 150.00%, or 200.00%, both as adopted by the governing body of KPUB. Under the state law governing TMRS, the contribution rate for each entity is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for KPUB were required to contribute 7.00% of their annual gross earnings during the fiscal year. The required contribution rates for KPUB were 12.29% and 11.61% in calendar years 2023 and 2022, respectively. KPUB's contributions to TMRS for the calendar year ended December 31, 2023 and 2022 were \$615,194 and \$527,043, and were equal to the required contribution rate.

KERRVILLE PUBLIC UTILITY BOARD NOTES TO FINANCIAL STATEMENTS

Net Pension Liability

KPUB's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Inflation	2.50% per year
Overall Payroll Growth	2.75% per year
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.

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 as December 31, 2023 and 2022 are summarized in the following tables:

December 31, 2023		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%

**KERRVILLE PUBLIC UTILITY BOARD
NOTES TO FINANCIAL STATEMENTS**

December 31, 2022

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75% for the years ended December 31, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance 12/31/2021	\$ 33,382,257	\$ 34,059,277	\$ (677,020)
Service Cost	724,512		724,512
Interest (on the Total Pension Liability)	2,238,796		2,238,796
Difference Between Expected and Actual Experience	(46,010)		(46,010)
Contributions - Employee		317,769	(317,769)
Contributions - Employer		527,043	(527,043)
Net Investment Income		(2,486,000)	2,486,000
Benefit Payments	(1,154,341)	(1,154,341)	
Administrative Expense		(21,514)	21,514
Other		25,673	(25,673)
Balance 12/31/2022	\$ 35,145,214	\$ 31,267,907	\$ 3,877,307
Service Cost	797,947		797,947
Interest (on the Total Pension Liability)	2,359,839		2,359,839
Difference Between Expected and Actual Experience	441,784		441,784
Changes of assumptions	(201,589)		(201,589)
Contributions - Employee		349,758	(349,758)
Contributions - Employer		615,194	(615,194)
Net Investment Income		3,618,230	(3,618,230)
Benefit Payments	(1,167,210)	(1,167,210)	
Administrative Expense		(23,023)	23,023
Other		(162)	162
Balance 12/31/2023	\$ 37,375,985	\$ 34,660,694	\$ 2,715,291

KERRVILLE PUBLIC UTILITY BOARD

NOTES TO FINANCIAL STATEMENTS

Changes of assumptions reflects a change in the mortality tables and salary increase percentages used in actuarial study for 2023.

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

The following presents the net pension liability (asset) of KPUB, calculated using the discount rate of 6.75%, as well as what KPUB'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:

2023		
1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
\$ 7,868,212	\$ 2,715,291	\$ (1,547,027)
2022		
1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
\$ 8,796,532	\$ 3,877,307	\$ (171,411)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2024 and 2023, the KPUB recognized pension expense (income) of \$744,451 and \$1,098,916, respectively, and calculated as shown below:

	2024	2023
Total Service Cost	\$ 797,947	\$ 724,512
Interest on the Total Pension Liability	2,359,839	2,238,796
Employee Contributions (Reduction of Expense)	(349,758)	(317,769)
Projected Earnings on Plan Investments (Reduction of Expense)	(2,110,584)	(2,299,001)
Administrative Expense	23,023	21,514
Other Changes in Fiduciary Net Position	161	(25,673)
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	232,284	158,979
Recognition of Current Year Outflow (Inflow) of Resources-Assets	(208,461)	597,558
Total Pension Expense	<u>\$ 744,451</u>	<u>\$ 1,098,916</u>

**KERRVILLE PUBLIC UTILITY BOARD
NOTES TO FINANCIAL STATEMENTS**

At September 30, 2024, KPUB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 412,245	\$ 18,864
Change of assumptions		142,644
Differences between projected and actual investment earnings	851,911	
Contributions subsequent to the measurement date through year-end	<u>536,636</u>	
Total	<u>\$ 1,800,792</u>	<u>\$ 161,508</u>

Deferred outflows of resources in the amount of \$536,636 and \$460,927 related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the years ending September 30, 2025 and 2024.

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

Plan Year	Net Deferred Outflows / (Inflows) of Resources
2024	\$ 381,306
2025	337,903
2026	684,966
2027	<u>(301,527)</u>
Total	<u>\$ 1,102,648</u>

9. Other Post-Employment Benefits - TMRS

Plan Description

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

KERRVILLE PUBLIC UTILITY BOARD NOTES TO FINANCIAL STATEMENTS

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

Benefits Provided

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

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

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

Employees Covered by Benefit Terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

	2023	2022
Inactive Employees or Beneficiaries Currently Receiving Benefits	44	43
Inactive Employees Entitled to but not Yet Receiving Benefits	17	18
Active Employees	60	55
Total Plan Employees	121	116

Total OPEB Liability

KPUB's total OPEB liability of \$281,043 and \$260,808 was measured as of December 31, 2023 and 2022, and was determined by an actuarial valuation as of those dates.

KERRVILLE PUBLIC UTILITY BOARD

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate	4.05% for 2022 and 3.77% for 2023
Retirees' Share of Benefit-Related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
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.

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.77% based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

**KERRVILLE PUBLIC UTILITY BOARD
NOTES TO FINANCIAL STATEMENTS**

Changes in the Total OPEB Liability

Balance as of December 31, 2021	\$ 382,619
Changes for the year:	
Service Cost	11,349
Interest on Total OPEB Liability	7,086
Effect of Economic/Demographic Experience	(11,916)
Effect of Assumptions Changes or Inputs	(121,975)
Benefit Payments	<u>(6,355)</u>
Balance as of December 31, 2022	\$ 260,808
Changes for the year:	
Service Cost	5,496
Interest on Total OPEB Liability	10,502
Effect of Economic/Demographic Experience	3,993
Effect of Assumptions Changes or Inputs	8,738
Benefit Payments	<u>(8,494)</u>
Balance as of December 31, 2023	<u>\$ 281,043</u>

Changes of assumptions or other inputs reflect a change in the discount rate, changes in the mortality tables, and salary increase percentages used in actuarial study for 2023.

There were no changes of benefit terms that affected measurement during the measurement period.

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

The following presents the total OPEB liability of KPUB, calculated using the discount rate of 4.05% and 3.77%, 2022 and 2023, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.05% and 2.77%) or 1 percentage point higher (5.05% and 4.77%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

2023			
	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
Total OPEB Liability	\$ 328,280	\$ 281,043	\$ 242,650
2022			
	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB Liability	\$ 308,227	\$ 260,808	\$ 223,212

KERRVILLE PUBLIC UTILITY BOARD

NOTES TO FINANCIAL STATEMENTS

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

For the years ended September 30, 2024 and 2023, KPUB recognized OPEB expense of \$3,170 and \$7,344. At September 30, 2024, KPUB 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 expected and actual experience	\$ 4,343	\$ 5,816
Change of assumptions	10,204	59,101
Contributions subsequent to the measurement date through year-end	6,836	
Total	<u>\$ 21,383</u>	<u>\$ 64,917</u>

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

Plan Year	Net Deferred Outflows / (Inflows) of Resources
2023	\$ (26,655)
2024	(26,846)
2025	3,131
Total	<u>\$ (50,370)</u>

Deferred Outflows of Resources related to employer contributions subsequent to the measurement date in the amount of \$6,836 will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2025.

10. Disclosures about the Fair Value of Assets

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

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

KPUB categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

KERRVILLE PUBLIC UTILITY BOARD

NOTES TO FINANCIAL STATEMENTS

KPUB has the following recurring fair value measurements as of September 30, 2024 and 2023:

Investments in LOGIC, Texas CLASS, and TexPool of \$15,826,043, \$17,279,596 and \$5,036,181, and \$16,437,459, \$0 and \$2,831,144 as of September 30, 2024 and 2023, respectively.

The valuation method for investments measured at NAV per share (or its equivalent) is presented below.

<u>Fair Value Notice</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Period</u>
September 30, 2024 LOGIC \$15,826,043	None	Daily	Daily
September 30, 2023 LOGIC \$16,437,459	None	Daily	Daily
September 30, 2024 Texas CLASS \$17,279,596	None	Daily	Daily
September 30, 2023 Texas CLASS \$0	None	Daily	Daily
September 30, 2024 TexPool \$5,036,181	None	Daily	Daily
September 30, 2023 TexPool \$2,831,144	None	Daily	Daily

11. Deferred Compensation Plan

KPUB offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. KPUB's Deferred Compensation Plan is administered by a trustee. KPUB does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustee. Accordingly, KPUB has not presented the assets and liabilities from the Deferred Compensation Plan in these basic financial statements. KPUB's Deferred Compensation Plan investments are chosen by the individual (employee) participant and include mutual funds whose focus is on stocks, bonds, treasury securities, money market-type investments or a combination of these. KPUB's Deferred Compensation Plan, available to all permanent employees, permits them to defer until future years up to \$23,000. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**KERRVILLE PUBLIC UTILITY BOARD
NOTES TO FINANCIAL STATEMENTS**

12. Litigation and Commitments

There is no litigation pending against or involving KPUB, which would have a material impact on the financial statements.

During the year ended September 30, 2021 a substantial winter storm (Winter Storm Uri) impacted KPUB's system. There were no major damages to KPUB's system, however the effects of the storm were recognized in the form of power supply instability in the ERCOT market. The instability in the market caused ERCOT to raise generation prices to maximum allowable rates in order for power producers to go online. This resulted in increased power costs throughout the ERCOT market and at the moment has been absorbed by KPUB's main power supplier until litigation is settled between the power supplier and third parties. KPUB is aware that additional costs will be billed and has estimated the remaining power bill related to the winter storm to be \$7,947,970. This estimate is based on historical activity and is subject to change as final bills and litigation are settled.



REQUIRED SUPPLEMENTARY
INFORMATION

**KERRVILLE PUBLIC UTILITY BOARD
DEFINED BENEFIT RETIREMENT PLAN**

RSI 1

**SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

REQUIRED SUPPLEMENTARY INFORMATION

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability
Service Cost	\$ 553,679	\$ 673,011	\$ 647,310	\$ 638,277	\$ 615,347	\$ 635,605	\$ 662,672	\$ 688,378	\$ 724,512	\$ 797,947
Interest	1,474,035	1,588,966	1,643,216	1,711,786	1,805,527	1,888,697	1,986,779	2,088,014	2,238,796	2,359,839
Benefit Payments	(526,824)	(745,186)	(981,761)	(827,347)	(1,027,706)	(1,031,788)	(1,119,784)	(1,215,094)	(1,154,341)	(1,167,210)
Experience Differences	190,503	119,729	(365,600)	(22,320)	(169,108)	(6,158)	4,905	624,065	(46,010)	441,784
Changes in Assumptions		139,038				(2,821)				(201,589)
Net Change	\$ 1,691,393	\$ 1,775,558	\$ 943,165	\$ 1,500,396	\$ 1,224,060	\$ 1,483,535	\$ 1,534,572	\$ 2,185,363	\$ 1,762,957	\$ 2,230,771
Beginning Balance	21,044,215	22,735,608	24,511,166	25,454,331	26,954,727	28,178,787	29,662,322	31,196,894	33,382,257	35,145,214
Ending Balance	\$ 22,735,608	\$ 24,511,166	\$ 25,454,331	\$ 26,954,727	\$ 28,178,787	\$ 29,662,322	\$ 31,196,894	\$ 33,382,257	\$ 35,145,214	\$ 37,375,985
	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position
Employer Contributions	\$ 437,344	\$ 513,580	\$ 473,838	\$ 512,666	\$ 542,527	\$ 558,073	\$ 581,151	\$ 602,987	\$ 527,043	\$ 615,194
Employee Contributions	270,204	304,924	281,090	279,946	272,968	282,671	294,147	306,530	317,769	349,758
Net Investment Income	1,153,226	31,695	1,457,035	3,157,178	(775,398)	3,846,678	2,164,329	3,965,717	(2,486,000)	3,618,230
Benefit Payments	(526,824)	(745,186)	(981,761)	(827,347)	(1,027,706)	(1,031,788)	(1,119,784)	(1,215,094)	(1,154,341)	(1,167,210)
Administration Expenses	(12,040)	(19,305)	(16,459)	(16,360)	(14,984)	(21,733)	(14,004)	(18,347)	(21,514)	(23,023)
Other	(990)	(953)	(887)	(829)	(783)	(653)	(546)	125	25,673	(162)
Net Change	\$ 1,320,920	\$ 84,755	\$ 1,212,856	\$ 3,105,254	\$ (1,003,376)	\$ 3,633,248	\$ 1,905,293	\$ 3,641,918	\$ (2,791,370)	\$ 3,392,787
Beginning Balance	20,158,409	21,479,329	21,564,084	22,776,940	25,882,194	24,878,818	28,512,066	30,417,359	34,059,277	31,267,907
Ending Balance	\$ 21,479,329	\$ 21,564,084	\$ 22,776,940	\$ 25,882,194	\$ 24,878,818	\$ 28,512,066	\$ 30,417,359	\$ 34,059,277	\$ 31,267,907	\$ 34,660,694
Net Pension Liability	\$ 1,256,279	\$ 2,947,082	\$ 2,677,391	\$ 1,072,533	\$ 3,299,969	\$ 1,150,256	\$ 779,535	\$ (677,020)	\$ 3,877,307	\$ 2,715,291
Fiduciary Net Position as a Percentage of Total Pension Liability	94.47%	87.98%	89.48%	96.02%	88.29%	96.12%	97.50%	102.03%	88.97%	92.74%
Covered Payroll	\$ 3,860,050	\$ 4,356,061	\$ 4,015,570	\$ 3,999,227	\$ 3,899,540	\$ 4,038,153	\$ 4,202,103	\$ 4,378,995	\$ 4,539,552	\$ 4,996,539
Net Pension Liability as a Percentage of Covered Payroll	32.55%	67.65%	66.68%	26.82%	84.62%	28.48%	18.55%	-15.46%	85.41%	54.34%

**KERRVILLE PUBLIC UTILITY BOARD
DEFINED BENEFIT RETIREMENT PLAN**

RSI 2

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

REQUIRED SUPPLEMENTARY INFORMATION

	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2021</u>	<u>9/30/2022</u>	<u>9/30/2023</u>	<u>9/30/2024</u>
Actuarially Determined Contribution	\$ 486,427	\$ 478,030	\$ 496,124	\$ 537,357	\$ 558,424	\$ 509,068	\$ 515,755	\$ 538,098	\$ 593,440	\$ 710,221
Actual Contributions	486,427	478,030	496,124	537,357	558,424	583,931	593,188	559,832	593,440	710,221
Excess Contribution	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (74,863)</u>	<u>\$ (77,433)</u>	<u>\$ (21,734)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 4,165,019	\$ 4,052,120	\$ 4,020,268	\$ 3,919,181	\$ 4,012,557	\$ 4,223,025	\$ 4,302,930	\$ 4,598,586	\$ 4,891,795	\$ 5,518,715
Contributions as a Percentage of Covered Payroll	11.68%	11.80%	12.34%	13.71%	13.92%	13.83%	13.79%	12.17%	12.13%	12.87%

**KERRVILLE PUBLIC UTILITY BOARD
SUPPLEMENTAL DEATH BENEFIT FUND**

RSI 3

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/2017</u> Total OPEB Liability	<u>12/31/2018</u> Total OPEB Liability	<u>12/31/2019</u> Total OPEB Liability	<u>12/31/2020</u> Total OPEB Liability	<u>12/31/2021</u> Total OPEB Liability	<u>12/31/2022</u> Total OPEB Liability	<u>12/31/2023</u> Total OPEB Liability
Service Cost	\$ 5,999	\$ 6,629	\$ 6,057	\$ 8,824	\$ 11,385	\$ 11,349	\$ 5,496
Interest	7,837	7,918	8,786	8,217	7,125	7,086	10,502
Benefit Payments	(1,200)	(1,170)	(1,615)	(1,681)	(5,693)	(6,355)	(8,494)
Experience Differences		1,880	(1,294)	(2,968)	5,122	(11,916)	3,993
Changes in Assumptions	<u>18,923</u>	<u>(17,158)</u>	<u>48,695</u>	<u>45,789</u>	<u>11,280</u>	<u>(121,975)</u>	<u>8,738</u>
Net Change	\$ 31,559	\$ (1,901)	\$ 60,629	\$ 58,181	\$ 29,219	\$ (121,811)	\$ 20,235
Beginning Balance	<u>204,932</u>	<u>236,491</u>	<u>234,590</u>	<u>295,219</u>	<u>353,400</u>	<u>382,619</u>	<u>260,808</u>
Ending Balance	\$ <u>236,491</u>	\$ <u>234,590</u>	\$ <u>295,219</u>	\$ <u>353,400</u>	\$ <u>382,619</u>	\$ <u>260,808</u>	\$ <u>281,043</u>
Net OPEB Liability	\$ <u>236,491</u>	\$ <u>234,590</u>	\$ <u>295,219</u>	\$ <u>353,400</u>	\$ <u>382,619</u>	\$ <u>260,808</u>	\$ <u>281,043</u>
Covered Payroll	\$ 3,999,227	\$ 3,899,540	\$ 4,038,153	\$ 4,202,102	\$ 4,378,995	\$ 4,539,552	\$ 4,996,539
Total OPEB Liability as a Percentage of Covered Payroll	5.91%	6.02%	7.31%	8.41%	8.74%	5.75%	5.62%

Note: Only seven years of GASB 75 Data Available as of 12/31/2023. The remaining three years of data will be built on a go forward basis.

KERRVILLE PUBLIC UTILITY BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE YEAR ENDED SEPTEMBER 30, 2024

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	22 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by 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.

Other Information:

Benefits Changes: There were no benefit changes during the year.



STATISTICAL SECTION

STATISTICAL SECTION

This part of KPUB's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the utility's overall financial health.

Table of Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how KPUB's financial performance and well-being have changed over time.	52
Revenue Capacity This schedule contains information to help the reader assess KPUB's most significant revenue source, the sale of electricity.	54
Debt Capacity This schedule presents information to help the reader assess the affordability of the KPUB's current levels of outstanding debt and the utility's ability to issue additional debt in the future.	57
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the utility's financial activities take place.	58
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the utility's financial report relates to the services the utility provides and the activities it performs.	60



FINANCIAL TRENDS

**KERRVILLE PUBLIC UTILITY BOARD
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Net Investment in capital assets	\$ 50,453,138	\$ 48,810,431	\$ 45,621,884	\$ 44,310,555	\$ 43,551,243	\$ 41,739,262	\$ 38,090,844	\$ 33,576,572	\$ 33,245,222	\$ 31,325,395
Restricted:										
Debt Service	397,833	397,833	386,833	376,696	367,619	384,108	398,560	360,116	350,824	343,223
Bond Resolution	-	-	-	-	-	-	-	-	593,313	1,746,853
Pension	-	-	677,020	-	-	-	-	-	-	-
Unrestricted	\$ 29,741,750	\$ 29,125,877	\$ 27,312,419	\$ 27,436,827	\$ 25,924,232	\$ 25,826,412	\$ 26,458,292	\$ 29,866,787	\$ 21,817,081	\$ 21,330,958
Total fund net position	<u>\$ 80,592,721</u>	<u>\$ 78,334,141</u>	<u>\$ 73,998,156</u>	<u>\$ 72,124,078</u>	<u>\$ 69,843,094</u>	<u>\$ 67,949,782</u>	<u>\$ 64,947,696</u>	<u>\$ 63,803,475</u>	<u>\$ 56,006,440</u>	<u>\$ 54,746,429</u>

Source: KPUB audited financial statements

**KERRVILLE PUBLIC UTILITY BOARD
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Operating Expenses										
Purchased Power	\$ 27,822,463	\$ 25,399,493	\$ 31,668,574	\$ 28,344,931	\$ 27,568,854	\$ 27,433,339	\$ 28,918,468	\$ 26,751,838	\$ 21,936,659	\$ 29,138,645
Distribution	4,478,445	3,562,279	3,659,205	3,019,635	3,334,014	3,005,119	2,568,044	2,570,826	2,614,566	2,739,419
Administration	6,449,610	5,826,993	4,515,607	4,546,610	4,784,427	4,803,257	4,734,209	4,597,147	4,448,495	5,716,106
Depreciation and Amortization	4,443,293	4,085,113	3,851,182	3,556,200	3,432,186	3,241,013	3,991,485	2,824,812	2,801,802	2,209,345
Total Operating Expenses	\$ 43,193,811	\$ 38,873,878	\$ 43,694,568	\$ 39,467,376	\$ 39,119,481	\$ 38,482,728	\$ 40,212,206	\$ 36,744,623	\$ 31,801,522	\$ 39,803,515
Operating Revenues										
Sales of Electricity	\$ 43,244,283	\$ 41,509,033	\$ 45,505,227	\$ 42,062,193	\$ 41,282,893	\$ 41,285,231	\$ 41,555,188	\$ 45,487,389	\$ 33,405,363	\$ 41,882,448
Other	682,356	706,716	682,023	640,139	390,085	669,617	612,214	707,823	555,901	580,950
Total Operating Revenues	\$ 43,926,639	\$ 42,215,749	\$ 46,187,250	\$ 42,702,332	\$ 41,672,978	\$ 41,954,848	\$ 42,167,402	\$ 46,195,212	\$ 33,961,264	\$ 42,463,398
Net (Expense) Revenue	\$ 732,828	\$ 3,341,871	\$ 2,492,682	\$ 3,234,956	\$ 2,553,497	\$ 3,472,120	\$ 1,955,196	\$ 9,450,589	\$ 2,159,742	\$ 2,659,883
Non-operating Expenses and Revenues										
Non-operating Expenses										
Interest Expense	\$ 137,425	\$ 127,298	\$ 123,812	\$ 121,087	\$ 103,015	\$ 112,979	\$ 136,781	\$ 149,789	\$ 156,724	\$ 157,755
Payments in Lieu of Taxes	1,433,103	1,362,174	1,428,744	1,301,895	1,305,091	1,397,097	1,376,638	1,232,841	1,122,252	1,512,134
Non-operating revenues:										
Interest Income	2,653,421	1,748,337	481,427	264,205	463,863	654,509	550,293	397,246	164,052	29,760
Assignment of Wholesale Power Agreement Rights										6,250,000
Other	(127,606)	49,396	31,471	(19,179)	4,576	30,870	40,825	27,537	53,395	6,765
Total Non-operating (Expense) Revenue	\$ 955,287	\$ 308,261	\$ (1,039,658)	\$ (1,177,956)	\$ (939,667)	\$ (824,697)	\$ (922,301)	\$ (957,847)	\$ (1,061,529)	\$ 4,616,636
Income Before Contributions	\$ 1,688,115	\$ 3,650,132	\$ 1,453,024	\$ 2,057,000	\$ 1,613,830	\$ 2,647,423	\$ 1,032,895	\$ 8,492,742	\$ 1,098,213	\$ 7,276,519
Capital Contributions	570,465	685,853	421,054	215,638	279,482	354,663	111,326	59,184	161,798	107,618
Change in Net Position	\$ 2,258,580	\$ 4,335,985	\$ 1,874,078	\$ 2,272,638	\$ 1,893,312	\$ 3,002,086	\$ 1,144,221	\$ 8,551,926	\$ 1,260,011	\$ 7,384,137
Prior Period Adjustments*	-	24,453	-	8,346	-	-	-	-	-	-
Change in Net Position and Prior Period Adjustments	\$ 2,258,580	\$ 4,360,438	\$ 1,874,078	\$ 2,280,984	\$ 1,893,312	\$ 3,002,086	\$ 1,144,221	\$ 8,551,926	\$ 1,260,011	\$ 7,384,137

Source: KPUB audited financial statements

* Prior Period Adjustments relate to the implementation of GASB 87 and GASB 96



REVENUE CAPACITY

**KERRVILLE PUBLIC UTILITY BOARD
PRINCIPAL CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO**

Customer	2024				2015			
	kWh Sold	Total Revenue	Rank	% of Revenue Base	kWh Sold	Total Revenue	Rank	% of Revenue Base
Peterson Regional Medical Center	12,113,609	\$ 945,780	1	2.19%	10,155,005	\$ 645,624	1	1.54%
City of Kerrville	10,671,634	1,191,856	2	2.76%	8,584,042	947,921	5	2.26%
Kerrville Independent School District	10,607,659	964,775	3	2.23%	9,970,688	822,203	2	1.96%
Schreiner University	8,446,123	767,439	4	1.77%	8,598,985	648,201	4	1.55%
Kerrville VA Medical Center	8,247,494	571,011	5	1.32%	8,875,994	545,691	3	1.30%
Kerrville State Hospital	7,057,912	524,631	6	1.21%	5,556,000	109,096	7	0.26%
H-E-B	6,849,871	509,494	7	1.18%	7,153,649	463,362	6	1.11%
All-Plastics (formerly Atek Plastics Inc)	6,037,440	450,484	8	1.04%	4,201,440	263,161	9	0.63%
Wal-Mart	3,941,919	300,840	9	0.70%	4,771,675	296,735	8	0.71%
Kerr County	3,854,350	365,791	10	0.85%	3,209,773	238,080	10	0.57%
Total	77,828,011	\$ 6,592,101		15.24%	71,077,251	\$ 4,980,074		11.89%

Source: KPUB customer billing register

**KERRVILLE PUBLIC UTILITY BOARD
REVENUE BY SOURCES
LAST TEN FISCAL YEARS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

Description	2024	2023	2022	2021	2020	2019	2018	2017	2016*	2015
Sales of Electricity	\$ 43,244,283	\$ 41,509,033	\$ 45,505,227	\$ 42,062,193	\$ 41,282,893	\$ 41,285,231	\$ 41,555,188	\$ 45,487,389	\$ 33,405,363	\$ 41,882,448
Other Operating Revenue	682,356	706,716	682,023	640,139	390,085	669,617	612,214	707,823	555,901	580,950
Interest Income	2,653,421	1,748,337	481,427	264,205	463,863	654,509	550,293	397,247	164,052	29,760
Capital Contributions	570,465	685,853	421,054	215,638	279,482	354,663	111,326	59,184	161,798	107,618
Other Revenue (Expense)	(127,606)	49,396	31,471	(19,179)	4,576	30,870	40,825	27,537	53,395	6,765
Total Revenue	\$ 47,022,919	\$ 44,699,335	\$ 47,121,202	\$ 43,162,996	\$ 42,420,899	\$ 42,994,890	\$ 42,869,846	\$ 46,679,181	\$ 34,340,509	\$ 42,607,541
 Total Revenue per kWh Sold	 \$ 0.0925	 \$ 0.0877	 \$ 0.0904	 \$ 0.0879	 \$ 0.0854	 \$ 0.0851	 \$ 0.0857	 \$ 0.1000	 \$ 0.0716	 \$ 0.0859

Source: KPUB audited financial statements

* Does not include Assignment of Wholesale Power Agreement Rights

**KERRVILLE PUBLIC UTILITY BOARD
EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

Description	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Purchased Power	\$ 27,822,463	\$ 25,399,493	\$ 31,668,574	\$ 28,344,931	\$ 27,568,854	\$ 27,433,339	\$ 28,918,468	\$ 26,751,838	\$ 21,936,659	\$ 29,138,645
Distribution Expense	4,478,445	3,562,279	3,659,205	3,019,635	3,334,014	3,005,119	2,568,044	2,570,837	2,614,566	2,739,419
Administration Expense	6,449,610	5,826,993	4,515,607	4,546,610	4,784,427	4,803,257	4,734,209	4,597,147	4,448,495	5,716,106
Depreciation & Amortization Expense	4,443,293	4,085,113	3,851,182	3,556,200	3,432,186	3,241,013	3,991,485	2,824,812	2,801,802	2,209,345
Interest Expense	137,425	127,298	123,812	121,087	103,015	112,979	136,781	149,789	156,724	157,755
Payments in Lieu of Taxes	1,433,103	1,362,174	1,428,744	1,301,895	1,305,091	139,710	1,376,638	1,232,841	1,122,252	1,512,134
Total Expense	\$ 44,764,339	\$ 40,363,350	\$ 45,247,124	\$ 40,890,358	\$ 40,527,587	\$ 38,735,417	\$ 41,725,625	\$ 38,127,264	\$ 33,080,498	\$ 41,473,404
Total Cost per kWh Sold	\$ 0.0881	\$ 0.0792	\$ 0.0868	\$ 0.0833	\$ 0.0779	\$ 0.0767	\$ 0.0834	\$ 0.0817	\$ 0.0689	\$ 0.0836

Source: KPUB audited financial statements



DEBT CAPACITY

**KERRVILLE PUBLIC UTILITY BOARD
 PLEDGED REVENUE COVERAGE AND RATIOS
 LAST TEN FISCAL YEARS
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

Description	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Change in Net Position	\$ 2,258,580	\$ 4,335,985	\$ 1,874,078	\$ 2,272,638	\$ 1,893,312	\$ 3,002,086	\$ 1,144,221	\$ 8,551,926	\$ 1,260,011	\$ 7,384,137
Prior Period Adjustments*	-	24,456	-	8,346	-	-	-	-	-	-
Interest Expense	137,425	127,298	123,812	121,087	103,015	112,979	137,453	149,789	156,724	157,755
Depreciation and Amortization	4,443,293	4,085,113	3,851,182	3,556,200	3,432,186	3,241,013	3,970,388	2,865,880	2,868,362	2,280,063
Available for Debt Service	\$ 6,839,298	\$ 8,572,852	\$ 5,849,072	\$ 5,958,271	\$ 5,428,513	\$ 6,356,078	\$ 5,252,062	\$ 11,567,595	\$ 4,285,097	\$ 9,821,955
Debt Service	\$ 907,488	\$ 760,524	\$ 540,579	\$ 531,254	\$ 491,651	\$ 504,395	\$ 521,953	\$ 524,789	\$ 528,724	\$ 473,755
Actual Debt Service Coverage Ratio	7.54	11.27	10.82	11.22	11.04	12.60	10.06	22.04	8.10	20.73
Required Debt Service Coverage Ra	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Total Revenue Bond Debt Outstanding (Including current maturities)	\$ 2,413,000	\$ 2,847,000	\$ 3,269,000	\$ 3,680,000	\$ 4,081,000	\$ 4,473,000	\$ 4,858,000	\$ 5,237,000	\$ 5,612,000	\$ 5,984,000
Outstanding Debt per Capita	\$ 99	\$ 118	\$ 137	\$ 155	\$ 176	\$ 195	\$ 212	\$ 231	\$ 248	\$ 269
Outstanding Debt as a % of Personal Income	0.06%	0.07%	0.09%	0.11%	0.12%	0.15%	0.17%	0.20%	0.22%	0.25%

Source: KPUB audited financial statements

* Prior Period Adjustments relate to the implementation of GASB 87 and GASB 96



DEMOGRAPHIC AND ECONOMIC INFORMATION

**KERRVILLE PUBLIC UTILITY BOARD
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population Estimate		Personal Income (000s)		Per Capita Personal Income		Median Age		Public School Enrollment		Unemployment Rate (unadjusted)	
2024	54,310	(a)	\$ 3,940,026	(a)	\$ 72,037	(a)	48.6	(a)	6,758	(a)	3.6%	(1)
2023	53,915	(1)	3,722,208	(1)	69,038	(1)	48.6	(1)	6,758	(3)	3.6%	(1)
2022	53,784	(1)	3,437,471	(1)	63,913	(1)	48.2	(1)	6,906	(3)	3.4%	(1)
2021	53,175	(1)	3,277,561	(1)	61,637	(1)	47.6	(1)	6,763	(3)	4.4%	(1)
2020	52,598	(2)	3,038,045	(1)	57,656	(1)	48.0	(1)	6,623	(3)	5.4%	(1)
2019	52,422	(1)	2,800,498	(1)	53,600	(1)	47.4	(1)	6,804	(3)	2.9%	(1)
2018	52,359	(1)	2,671,808	(1)	51,178	(1)	47.7	(1)	6,919	(3)	3.3%	(1)
2017	51,883	(1)	2,560,587	(1)	49,479	(1)	47.8	(1)	6,912	(3)	3.4%	(1)
2016	51,442	(1)	2,372,244	(1)	46,216	(1)	48.0	(1)	6,867	(3)	3.9%	(1)
2015	50,869	(1)	2,367,823	(1)	46,632	(1)	47.9	(1)	6,849	(3)	3.7%	(1)

Note: (a) Data not yet available. Estimated based on historical trends. Will be updated with actual numbers when available.

Sources: (1) St. Louis Federal Reserve Economic Data (FRED)
(2) Census.gov
(3) Texas Education Agency

**KERRVILLE PUBLIC UTILITY BOARD
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2024			2015		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Peterson Regional Medical Center	1,354	1	5.73%	868	1	3.88%
James Avery Craftsman, Inc	775	2	3.28%	325	6	1.45%
Kerrville State Hospital	730	3	3.09%	535	3	2.39%
Kerrville Independent School District	661	4	2.79%	705	2	3.15%
H-E-B	650	5	2.75%	353	5	1.58%
Schreiner University	556	6	2.35%	n/a	n/a	n/a
Kerrville VA Medical Center	475	7	2.01%	380	4	1.70%
City of Kerrville	342	8	1.45%	315	7	1.41%
Kerr County	338	9	1.43%	299	9	1.34%
Wal-Mart	309	10	1.31%	312	8	1.40%
Sava Senior Center				281	10	1.24%

Source: Kerrville Economic Development Corporation



OPERATING INFORMATION

**KERRVILLE PUBLIC UTILITY BOARD
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Administrative & General	21	21	19	21	21	26	22	26	22	24
Engineering	9	9	9	8	7	9	8	10	12	9
Operations	29	30	27	23	24	20	21	20	26	28
Total	59	60	55	52	52	55	51	56	60	61

Source: KPUB personnel records

KERRVILLE PUBLIC UTILITY BOARD
OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Purchased electric energy:										
Purchases (kWh)	546,938,149	545,299,860	548,583,112	535,214,862	520,199,443	530,542,081	530,832,591	501,525,275	503,332,952	528,997,459
Purchased Power Cost per kWh	\$ 0.0509	\$ 0.0466	\$ 0.0577	\$ 0.0530	\$ 0.0528	\$ 0.0517	\$ 0.0545	\$ 0.0533	\$ 0.0436	\$ 0.0551
Line loss percentage	4.8% *	4.3% *	4.0% *	8.3%	4.5%	4.8%	5.8%	7.0%	4.7%	6.3%
Energy sales:										
Residential										
kWh sales	285,925,280	288,924,767	294,876,808	277,808,248	282,945,332	278,703,036	272,787,300	245,964,874	255,942,839	269,571,423
Average kWh/customer	14,100	14,396	14,814	14,073	14,553	14,606	14,327	13,044	13,639	14,765
Average energy revenue per kWh	\$ 0.0871	\$ 0.0830	\$ 0.0893	\$ 0.0861	\$ 0.0847	\$ 0.0837	\$ 0.0865	\$ 0.0871	\$ 0.0722	\$ 0.0878
Average annual billing/customer	\$ 1,228	\$ 1,195	\$ 1,323	\$ 1,212	\$ 1,233	\$ 1,223	\$ 1,240	\$ 1,136	\$ 984	\$ 1,296
Customers, end of year	20,278	20,070	19,905	19,741	19,443	19,081	19,040	18,856	18,765	18,258
Customer increase (decrease) net	208	165	164	298	362	41	184	91	507	(25)
Commercial										
kWh sales	222,390,495	220,801,781	226,215,537	213,054,009	213,949,575	226,236,092	227,276,419	220,700,398	223,974,693	226,314,150
Average kWh/customer	54,123	54,722	56,245	53,370	55,384	57,817	57,861	57,699	58,449	60,463
Average energy revenue per kWh	\$ 0.0825	\$ 0.0794	\$ 0.0847	\$ 0.0851	\$ 0.0811	\$ 0.0781	\$ 0.0782	\$ 0.0785	\$ 0.6667	\$ 0.0805
Customers, end of year	4,109	4,035	4,022	3,992	3,863	3,913	3,928	3,825	3,832	3,743
Customer increase (decrease) net	74	13	30	129	(50)	(15)	103	(7)	89	(7)
Total										
kWh sales	508,315,775	509,726,548	521,092,345	490,862,257	496,894,907	504,939,128	500,063,719	466,665,272	479,917,532	495,885,573
Average energy revenue per kWh	\$ 0.0851	\$ 0.0814	\$ 0.0873	\$ 0.0857	\$ 0.0832	\$ 0.0812	\$ 0.0827	\$ 0.0830	\$ 0.0696	\$ 0.0845
Customers, end of year	24,387	24,105	23,927	23,733	23,306	22,994	22,968	22,681	22,597	22,207
Annual load factor	34.19%	34.98%	40.63%	34.61%	46.10%	47.01%	41.45%	37.11%	47.91%	47.43%
Peak demand (MW)	172.804	170.866	148.439	165.519	129.400	124.351	143.340	139.893	119.476	124.347

Source: KPUB audited financial statements, billing registers, power supply invoices, Engineering department metrics

* In FY2024, new reporting became available through KPUB's metering system enabling line loss to be calculated with calendar month sales data that matches up to calendar month purchase data. Previously, line loss was calculated using billing cycle sales data compared to calendar month purchase data. The new data is available back to 2022. Accordingly, 2024, 2023 and 2022 have been calculated and restated using the improved data.

**KERRVILLE PUBLIC UTILITY BOARD
CAPITAL ASSETS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Electric Distribution:										
Number of Substations	9	9	9	9	9	9	9	9	9	9
Miles of Distribution Lines	686	688	687	683	678	671	667	664	662	660
System Capacity	282,800 kVA	281,300 kVA	279,300 kVA	279,300 kVA	279,300 kVA	279,300 kVA	279,300 kVA	279,300 kVA	279,300 kVA	267,400 kVA

Source: KPUB engineering records

**KERRVILLE PUBLIC UTILITY BOARD
ADDITIONS TO UTILITY PLANT
LAST TEN FISCAL YEARS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Distribution Plant	\$ 4,122,332	\$ 4,508,188	\$ 3,458,402	\$ 5,082,280	\$ 3,611,072	\$ 7,498,073	\$ 2,516,849	\$ 3,757,757	\$ 4,266,446	\$ 3,425,626
General Plant	1,470,082	2,858,136	1,762,093	1,372,183	1,024,694	1,720,832	1,074,407	1,181,113	703,935	616,656
Total Additions	<u>\$ 5,592,414</u>	<u>\$ 7,366,324</u>	<u>\$ 5,220,495</u>	<u>\$ 6,454,463</u>	<u>\$ 4,635,766</u>	<u>\$ 9,218,905</u>	<u>\$ 3,591,256</u>	<u>\$ 4,938,870</u>	<u>\$ 4,970,381</u>	<u>\$ 4,042,282</u>

Note: KPUB funds Construction Work in Progress with currently generated funds on a monthly basis and transfers costs to permanent fixed asset accounts when individual work orders are closed. The timing of construction and subsequent closing of work orders is such that a given work order may be transferred to the fixed asset accounts in a fiscal year subsequent to the year in which the funds were spent for construction. The Statement of Cash Flows reflects additions to Construction Work in Progress annually. This schedule reflects additions to the fixed asset accounts as work orders are closed and capitalized.

Source: KPUB fixed asset ledger