

CITY OF SONORA, TEXAS
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2024

**CITY OF SONORA, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
And Members of the City Council
City of Sonora, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sonora, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Sonora, Texas' basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sonora, Texas, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Sonora Industrial Development Corporation, which represents 15 percent, 4 percent, and 8 percent, respectively, of the assets, net position, and revenues of the governmental activities as of September 30, 2024, and the respective changes in the financial position for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Sonora, Texas, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Sonora, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sonora, Texas' 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 (GAAS) and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- * Exercise professional judgement and maintain professional skepticism throughout the audit.
- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Sonora, Texas' internal controls. 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sonora, Texas' 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 and Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, Schedule of Changes in Net Pension Liability and Related Ratios for Texas Municipal Retirement System, Schedule of Contributions - Texas Municipal Retirement System, and Schedule of Changes in the Total OPEB Liability and Related Ratios - Texas Municipal Retirement System on pages 5-11 and 54-60 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 Government Accounting Standards Board (GASB) 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 an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sonora, Texas' basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2025, on our consideration of the City of Sonora, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Sonora, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sonora, Texas' internal control over financial reporting and compliance.

Coleman, Horton and Company, LLP

Uvalde, Texas
August 8, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of the City of Sonora, Texas (the City) is presented in four sections, Management's Discussion and Analysis (this part), Basic Financial Statements, Required Supplementary Information, and the Federal Section. This section of the City's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ending September 30, 2024. Please read it in conjunction with the City's financial section, which follows.

Overview of the Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the City:

- * The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- * The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in *more detail* than the government-wide statements.
 - * The *governmental funds* statement tells how *general government* services were financed in the *short-term* as well as what remains for future spending.
 - * *Proprietary fund* statements provide information about financial operations in which the City provides certain utility services for the benefit of its citizens.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

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

The Statement of Net Position includes all of the government's assets, deferred outflows, liabilities, and deferred inflows with the difference between the two reported as net position.

All the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The two government-wide statements report the City's net position and how they have changed.

- * Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- * To assess the overall health of the City, additional non-financial facts need to be considered, such as changes in the City's property tax base and the condition of the City's infrastructure, i.e. water system, street improvements, sewer lines, etc.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

The government-wide financial statements of the City are divided into three categories:

Governmental Activities - Most of the City's basic services are included here, such as police, parks, fire, senior center, street maintenance and administration. Property and sales taxes and charges for services finance most of these activities.

Business-type Activities - The City charges fees to customers to recover most of the costs of certain activities. The City's airport, sanitation, sewer, and water services are reported here.

Component Unit - The City has one separate legal entity - Sonora Industrial Development Corporation (SIDC). Although legally separated, this component unit is important because the City is financially accountable for it. The City Council approves the governing board and the budget of this entity. Current financial information of Sonora Industrial Development Corporation (SIDC) is included in this report. Financial statements of the component unit can be obtained from their administrative offices: SIDC, 120 N. Concho Avenue, P.O. Box 555, Sonora, Texas 76950.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- * Some funds are required by law and by bond covenants.
- * The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- * *Governmental funds* – Most of the City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.
- * *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

Financial Highlights

- * The City’s combined net position was \$8,831,987 at September 30, 2024, an increase of \$162,403.
- * During the year, the City’s revenue was \$6,191,410 as reflected below:

Governmental Activities			
	Current Year	Prior Year	Change
a) Taxes	\$ 2,214,905	\$ 2,242,546	\$ (27,641)
b) Charges for Services	455,185	391,539	63,646
c) Investment Earnings	66,071	10,932	55,139
d) Intergovernmental Revenue	512,975	654,159	(141,184)
e) Other	58,251	112,900	(54,649)
Sub-total	<u>\$ 3,307,387</u>	<u>\$ 3,412,076</u>	<u>\$ (104,689)</u>

Business-type Activities			
	Current Year	Prior Year	Change
f) Charges for Services	\$ 2,741,781	\$ 2,722,481	\$ 19,300
g) Investment Earnings	37,623	13,945	23,678
h) Grants and Other	104,619	1,270,325	(1,165,706)
Sub-total	<u>\$ 2,884,023</u>	<u>\$ 4,006,751</u>	<u>\$ (1,122,728)</u>
Total Revenue	<u><u>\$ 6,191,410</u></u>	<u><u>\$ 7,418,827</u></u>	<u><u>\$ (1,227,417)</u></u>

* During the year, the City's expenses were \$6,029,007 as reflected below:

Governmental Activities			
	Current Year	Prior Year	Change
a) Administration	\$ 397,863	\$ 419,481	\$ (21,618)
b) Street Department	276,532	326,729	(50,197)
c) Police Department	1,051,375	947,184	104,191
d) Municipal Court	103,294	105,887	(2,593)
e) Fire Department	113,616	116,760	(3,144)
f) Senior Center	307,091	325,646	(18,555)
g) Animal Control	70,455	74,701	(4,246)
h) Parks and Recreation	176,223	133,597	42,626
i) Economic Development	264,457	271,960	(7,503)
j) Code Enforcement	72,724	69,383	3,341
k) Swimming Pool	73,572	74,746	(1,174)
l) Interest on Debt	12,770	1,640	11,130
Sub-total	<u>\$ 2,919,972</u>	<u>\$ 2,867,714</u>	<u>\$ 52,258</u>

Business-type Activities			
	Current Year	Prior Year	Change
a) Water	\$ 1,157,383	\$ 1,149,108	\$ 8,275
b) Sewer	1,162,614	1,292,796	(130,182)
c) Sanitation	655,609	619,044	36,565
d) Airport	133,429	203,026	(69,597)
Sub-total	<u>\$ 3,109,035</u>	<u>\$ 3,263,974</u>	<u>\$ (154,939)</u>
Total Expenses	<u><u>\$ 6,029,007</u></u>	<u><u>\$ 6,131,688</u></u>	<u><u>\$ (102,681)</u></u>

* The General Fund reported a fund balance this year of \$2,067,538, an increase of \$317,255 from the prior year.

* General Fund revenues were \$76,943 above budget, and expenditures were \$77,083 below budget.

* The Street Maintenance Sales Tax fund balance increased \$98,008 to \$508,551.

* The Hotel Occupancy Tax fund balance decreased \$93,217 to \$51,752.

* The Capital Replacement fund balance did not change at \$336,280.

* The Forfeited Property fund balance did not change at \$628.

* The City's combined net position was \$8,831,987 at September 30, 2024, as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 3,828,611	\$ 3,633,789	\$ 194,822
Capital and non-current assets	1,275,852	1,175,114	100,738
Total Assets	\$ 5,104,463	\$ 4,808,903	\$ 295,560
Deferred outflow of resources	\$ 187,894	\$ 328,810	\$ (140,916)
Current liabilities	\$ 696,622	\$ 802,481	\$ (105,859)
Long-term liabilities	648,619	787,555	(138,936)
Total Liabilities	\$ 1,345,241	\$ 1,590,036	\$ (244,795)
Deferred inflow of resources	\$ 45,215	\$ 33,271	\$ 11,944
Net position:			
Net investment in capital assets	\$ 1,020,035	\$ 926,075	\$ 93,960
Restricted	2,325,155	2,376,016	(50,861)
Unrestricted	556,711	212,395	344,316
Total Net Position	\$ 3,901,901	\$ 3,514,486	\$ 387,415
	Business-type Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ (195,475)	\$ 647,090	\$ (842,565)
Capital and non-current assets	12,941,112	13,556,449	(615,337)
Total Assets	\$ 12,745,637	\$ 14,203,539	\$ (1,457,902)
Deferred outflow of resources	\$ 125,804	\$ 202,982	\$ (77,178)
Current liabilities	\$ 268,920	\$ 273,215	\$ (4,295)
Long-term liabilities	7,645,487	8,957,801	(1,312,314)
Total Liabilities	\$ 7,914,407	\$ 9,231,016	\$ (1,316,609)
Deferred inflow of resources	\$ 26,948	\$ 20,407	\$ 6,541
Net position:			
Net investment in capital assets	\$ 5,501,754	\$ 5,525,059	\$ (23,305)
Restricted	574,389	537,712	36,677
Unrestricted	(1,146,057)	(907,673)	(238,384)
Total Net Position	\$ 4,930,086	\$ 5,155,098	\$ (225,012)
Combined Total Net Position	\$ 8,831,987	\$ 8,669,584	\$ 162,403

Capital Assets and Debt Administration

Capital Assets

Capital assets for the City at fiscal year-end September 30, 2024 amounted to \$14,216,963. It is the City's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land, improvements, buildings, and equipment as reflected below:

City's Capital Assets				
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
	Current Year		Prior Year	
Land	\$ 63,600	\$ 27,201	\$ 63,600	\$ 7,201
Building	584,442	89,013	510,942	89,013
Improvements	646,577	23,064,387	652,098	23,064,387
Equipment	2,694,990	2,952,106	2,596,096	2,952,106
Right-to-use lease assets - equipment	58,750	-	58,750	-
Right-to-use lease assets - vehicles	438,143	42,912	341,999	-
Totals at historical cost	\$ 4,486,502	\$ 26,175,619	\$ 4,223,485	\$ 26,112,707
Total accumulated depreciation	\$ (3,210,650)	\$ (13,234,508)	\$ (3,048,371)	\$ (12,556,257)
Net capital assets	<u>\$ 1,275,852</u>	<u>\$ 12,941,111</u>	<u>\$ 1,175,114</u>	<u>\$ 13,556,450</u>

Long-term Debt

The City has the following long-term debt at year end:

City's Long-Term Debt				
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
	Current Year		Prior Year	
Right-to-use lease liabilities	\$ 255,817	\$ 32,912	\$ 249,039	\$ -
Notes payable	-	337,419	-	1,023,610
Accrued vacation and leave	111,427	92,095	114,656	83,094
Certificates of obligations	-	6,985,000	-	7,575,000
Totals	<u>\$ 367,244</u>	<u>\$ 7,447,426</u>	<u>\$ 363,695</u>	<u>\$ 8,681,704</u>

The City retired \$590,000 of certificates of obligations, \$686,191 of notes payable, and \$94,866 of capital leases payable during the year.

Contacting the City's Financial Management

The financial report is designed for the City Council, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report, including the component units, or need additional financial information, contact:

City Manager
City of Sonora
201 E. Main
Sonora, Texas 76950
(325) 387-2558

BASIC FINANCIAL STATEMENTS

CITY OF SONORA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental	Business -	Total	SIDC
	Activities	Type Activities		
ASSETS				
Cash and Cash Equivalents	\$ 1,774,908	\$ (1,044,236)	\$ 730,672	\$ 652,999
Taxes Receivable, Net	112,469	-	112,469	42,475
Accounts Receivable, Net	32,108	232,902	265,010	-
Due from Other Governments	106,189	-	106,189	-
Due from Others	4,070	-	4,070	-
Inventories	-	41,471	41,471	-
Prepaid Items	34,643	-	34,643	450
Temporarily Restricted Asset - Cash	1,764,224	574,388	2,338,612	-
Capital Assets:				
Land Purchase and Improvements	63,600	27,201	90,801	180,206
Buildings, Net	129,306	18,572	147,878	4,367
Improvements other than Buildings, Net	257	12,298,503	12,298,760	-
Furniture and Equipment, Net	779,872	560,360	1,340,232	-
Right-to-Use Lease Assets, Net	302,817	36,476	339,293	-
Total Assets	5,104,463	12,745,637	17,850,100	880,497
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow Related to Pension Plan	180,774	120,278	301,052	-
Deferred Outflow Related to OPEB	7,120	5,526	12,646	-
Total Deferred Outflows of Resources	187,894	125,804	313,698	-
LIABILITIES				
Accounts Payable	98,460	82,325	180,785	739
Wages and Salaries Payable	7,334	6,752	14,086	2,934
Accrued Interest Payable	10,824	84,027	94,851	-
Unearned Revenues	580,004	-	580,004	-
Liabilities Payable from Restricted Assets	-	95,816	95,816	-
Noncurrent Liabilities:				
Due Within One Year	208,452	835,171	1,043,623	100,000
Due in More than One Year:				
Bonds Payable - Noncurrent	-	6,375,000	6,375,000	-
Loans Payable - Noncurrent	-	214,401	214,401	923,990
Right-to-Use Lease Liabilities - Noncurrent	158,792	22,854	181,646	-
Net Pension Liability	190,585	142,509	333,094	-
Net OPEB Liability	90,790	55,552	146,342	-
Total Liabilities	1,345,241	7,914,407	9,259,648	1,027,663
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow Related to Pension Plan	24,207	13,257	37,464	-
Deferred Inflow Related to OPEB	21,008	13,691	34,699	-
Total Deferred Inflows of Resources	45,215	26,948	72,163	-
NET POSITION				
Net Investment in Capital Assets & Lease Assets	1,020,035	5,501,754	6,521,789	184,573
Restricted:				
Restricted for Forfeited Property	628	-	628	-
Restricted for Street Maintenance	508,551	-	508,551	-
Restricted for Hotel Occupancy Tax	51,752	-	51,752	-
Restricted for City Resolution	1,184,220	-	1,184,220	-
Restricted for Federal Funds Grant Restriction	580,004	-	580,004	-
Restricted for Debt Service	-	430,741	430,741	-
Restricted for Capital Acquisition	-	47,832	47,832	-
Restricted for Meter Deposits	-	95,816	95,816	-
Restricted for Other Purposes	-	-	-	692,251
Unrestricted	556,711	(1,146,057)	(589,346)	(1,023,990)
Total Net Position	\$ 3,901,901	\$ 4,930,086	\$ 8,831,987	\$ (147,166)

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

CITY OF SONORA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

		Program Revenues
	Expenses	Charges for Services
Primary Government:		
GOVERNMENTAL ACTIVITIES:		
General Government	\$ 397,863	\$ -
Street Department	276,532	-
Police Department	1,051,375	-
Municipal Court	103,294	29,527
Fire Department	113,616	-
Senior Center	307,091	345,845
Animal Control	70,455	675
Parks Department	176,223	16,787
Economic Development	264,457	42,781
Code Enforcement	72,724	9,918
Swimming Pool	73,572	9,652
Interest on Debt	12,770	-
Total Governmental Activities	<u>2,919,972</u>	<u>455,185</u>
BUSINESS-TYPE ACTIVITIES:		
Water Fund	1,157,383	1,027,398
Sewer Fund	1,162,614	995,617
Sanitation Fund	655,609	678,600
Airport Fund	133,429	40,166
Total Business-Type Activities	<u>3,109,035</u>	<u>2,741,781</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 6,029,007</u>	<u>\$ 3,196,966</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

General Sales and Use Taxes

Hotel Occupancy Tax

Franchise Tax

Grants and Contributions

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	SIDC
\$ (397,863)	\$ -	\$ (397,863)	\$ -
(276,532)	-	(276,532)	-
(1,051,375)	-	(1,051,375)	-
(73,767)	-	(73,767)	-
(113,616)	-	(113,616)	-
38,754	-	38,754	-
(69,780)	-	(69,780)	-
(159,436)	-	(159,436)	-
(221,676)	-	(221,676)	(118,598)
(62,806)	-	(62,806)	-
(63,920)	-	(63,920)	-
(12,770)	-	(12,770)	-
(2,464,787)	-	(2,464,787)	(118,598)
-	(129,985)	(129,985)	-
-	(166,997)	(166,997)	-
-	22,991	22,991	-
-	(93,263)	(93,263)	-
-	(367,254)	(367,254)	-
(2,464,787)	(367,254)	(2,832,041)	(118,598)
1,039,964	-	1,039,964	-
775,179	-	775,179	257,994
170,704	-	170,704	-
229,058	-	229,058	-
512,975	100,000	612,975	-
58,251	4,619	62,870	-
66,071	37,623	103,694	24,012
2,852,202	142,242	2,994,444	282,006
387,415	(225,012)	162,403	163,408
3,514,486	5,155,098	8,669,584	(310,574)
\$ 3,901,901	\$ 4,930,086	\$ 8,831,987	\$ (147,166)

CITY OF SONORA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	General Fund	Street MTCE Sales Tax Fund	Hotel Occupancy Tax Fund
ASSETS			
Cash and Cash Equivalents	\$ 898,569	\$ 488,278	\$ 51,153
Taxes Receivable	86,908	21,238	13,014
Allowance for Uncollectible Taxes (credit)	(8,691)	-	-
Accounts Receivable, Net	32,108	-	-
Due from Other Governments	106,189	-	-
Due from Other Funds	-	-	13,508
Due from Others	4,070	-	-
Prepaid Items	34,643	-	-
Restricted Cash and Cash Equivalents	1,764,224	-	-
Total Assets	<u>\$ 2,918,020</u>	<u>\$ 509,516</u>	<u>\$ 77,675</u>
LIABILITIES			
Accounts Payable	\$ 71,572	\$ 965	\$ 25,923
Wages and Salaries Payable	7,334	-	-
Compensated Absences Payable	111,427	-	-
Due to Other Funds	13,508	-	-
Unearned Revenues	580,004	-	-
Total Liabilities	<u>783,845</u>	<u>965</u>	<u>25,923</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	66,637	-	-
Total Deferred Inflows of Resources	<u>66,637</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
Federal or State Funds Grant Restriction	580,004	-	-
Restricted for Forfeited Property	-	-	-
Restricted for Street Maintenance	-	508,551	-
Restricted for Hotel Occupancy Tax	-	-	51,752
Restricted by City Resolution	1,184,220	-	-
Committed Fund Balance:			
Capital Expenditures for Equipment	-	-	-
Unassigned Fund Balance	303,314	-	-
Total Fund Balances	<u>2,067,538</u>	<u>508,551</u>	<u>51,752</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,918,020</u>	<u>\$ 509,516</u>	<u>\$ 77,675</u>

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

Capital Replacement Fund	Forfeited Property Fund	Total Governmental Funds
\$ 336,280	\$ 628	\$ 1,774,908
-	-	121,160
-	-	(8,691)
-	-	32,108
-	-	106,189
-	-	13,508
-	-	4,070
-	-	34,643
-	-	1,764,224
<u>\$ 336,280</u>	<u>\$ 628</u>	<u>\$ 3,842,119</u>
\$ -	\$ -	\$ 98,460
-	-	7,334
-	-	111,427
-	-	13,508
-	-	580,004
<u>-</u>	<u>-</u>	<u>810,733</u>
-	-	66,637
<u>-</u>	<u>-</u>	<u>66,637</u>
-	-	580,004
-	628	628
-	-	508,551
-	-	51,752
-	-	1,184,220
336,280	-	336,280
-	-	303,314
<u>336,280</u>	<u>628</u>	<u>2,964,749</u>
<u>\$ 336,280</u>	<u>\$ 628</u>	<u>\$ 3,842,119</u>

CITY OF SONORA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

Total Fund Balances - Governmental Funds	\$ 2,964,749
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$4,223,485 and the accumulated depreciation was \$(3,048,371). In addition, long term liabilities, including right-to-use lease liabilities of \$(249,039), are not due and payable in the current period, and, therefore are not reported as liabilities of the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	926,075
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2024 capital outlays of \$301,416 and debt principal payments of \$84,866 is to increase net position.	386,282
The 2024 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(200,678)
Included in the items related to debt is the recognition of the City's proportionate share of the pension liability required by GASB 68 in the amount of \$(190,585), a deferred resource outflow of \$180,774, and a deferred resource inflow of \$(24,207). These items decrease net position.	(34,018)
Included in the items related to debt is the recognition of the City's proportionate share of the OPEB liability required by GASB 75 in the amount of \$(90,790), a deferred resource outflow of \$7,120, and a deferred resource inflow of \$(21,008). These items decrease net position.	(104,678)
Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable tax revenue of \$66,637, recognizing the liability of proceeds from capital leases of \$(91,644), and recognizing the liabilities associated with maturing long-term debt of \$(10,824). The net effect of these reclassifications and recognitions is to decrease net position.	(35,831)
Net Position of Governmental Activities	\$ 3,901,901

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

CITY OF SONORA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Street MTCE Sales Tax Fund	Hotel Occupancy Tax Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 1,050,816	\$ -	\$ -
General Sales and Use Taxes	646,182	128,997	-
Hotel Occupancy Tax	-	-	170,704
Franchise Tax	229,058	-	-
Intergovernmental Revenue and Grants	880,791	-	-
Fines	28,912	-	-
Investment Earnings	65,792	279	-
Other Revenue	116,708	-	-
Total Revenues	<u>3,018,259</u>	<u>129,276</u>	<u>170,704</u>
EXPENDITURES:			
Current:			
General Government	395,572	-	-
Street Department	230,892	17,792	-
Police Department	895,867	-	-
Municipal Court	103,028	-	-
Fire Department	94,209	-	-
Senior Center	303,599	-	-
Animal Control	70,052	-	-
Parks Department	175,583	-	-
Economic Development	-	-	263,921
Code Enforcement	72,214	-	-
Swimming Pool	73,420	-	-
Debt Service:			
Principal on Debt	66,876	12,865	-
Interest on Debt	9,920	611	-
Capital Outlay:			
Capital Outlay	301,416	-	-
Total Expenditures	<u>2,792,648</u>	<u>31,268</u>	<u>263,921</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>225,611</u>	<u>98,008</u>	<u>(93,217)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Right-to-Use Leases	91,644	-	-
Total Other Financing Sources (Uses)	<u>91,644</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	317,255	98,008	(93,217)
Fund Balance - October 1 (Beginning)	<u>1,750,283</u>	<u>410,543</u>	<u>144,969</u>
Fund Balance - September 30 (Ending)	<u>\$ 2,067,538</u>	<u>\$ 508,551</u>	<u>\$ 51,752</u>

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

Capital Replacement Fund	Forfeited Property Fund	Total Governmental Funds
\$ -	\$ -	\$ 1,050,816
-	-	775,179
-	-	170,704
-	-	229,058
-	-	880,791
-	-	28,912
-	-	66,071
-	-	116,708
-	-	3,318,239
-	-	395,572
-	-	248,684
-	-	895,867
-	-	103,028
-	-	94,209
-	-	303,599
-	-	70,052
-	-	175,583
-	-	263,921
-	-	72,214
-	-	73,420
-	-	79,741
-	-	10,531
-	-	301,416
-	-	3,087,837
-	-	230,402
-	-	91,644
-	-	91,644
-	-	322,046
336,280	628	2,642,703
\$ 336,280	\$ 628	\$ 2,964,749

CITY OF SONORA, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

Total Net Change in Fund Balances - Governmental Funds	\$ 322,046
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2024 capital outlays of \$301,416 and debt principal payments of \$84,866 is to increase the change in net position.	386,282
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(200,678)
The reporting of GASB 68 for the current year recognized additional expenses. The result of these items is to decrease the change in net position.	(13,235)
The reporting of GASB 75 for the current year recognized additional revenue. The result of these items is to increase the change in net position.	2,860
Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing the change in unavailable tax revenue of \$(10,852), recognizing capital lease \$(91,644), and recognizing the change in liabilities associated with maturing long-term debt of \$(7,364). The net effect of these reclassifications and recognitions is to decrease the change in net position.	(109,860)
Change in Net Position of Governmental Activities	<u>\$ 387,415</u>

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

CITY OF SONORA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	Business-Type Activities	
	Water Fund	Sewer Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,076,667	\$ (2,331,809)
Restricted Assets - Current:		
Cash and Cash Equivalents	130,712	443,676
Accounts Receivable, Net	81,478	88,218
Due from Other Funds	17,867	-
Inventories	-	-
Total Current Assets	<u>2,306,724</u>	<u>(1,799,915)</u>
Noncurrent Assets:		
Capital Assets:		
Land Purchase and Improvements	7,201	20,000
Buildings, net	10,627	1,134
Improvements other than Buildings, net	4,542,038	7,732,197
Machinery and Equipment, net	414	2,424
Right-to-Use Lease Assets, net	18,238	18,238
Total Noncurrent Assets	<u>4,578,518</u>	<u>7,773,993</u>
Total Assets	<u>6,885,242</u>	<u>5,974,078</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to Pension Plan	56,929	59,847
Deferred Outflow Related to OPEB	2,847	2,518
Total Deferred Outflows of Resources	<u>59,776</u>	<u>62,365</u>

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

- Enterprise Funds		
Sanitation Fund	Airport Fund	Total Enterprise Funds
\$ (243,232)	\$ (545,862)	\$ (1,044,236)
-	-	574,388
62,981	225	232,902
-	-	17,867
-	41,471	41,471
(180,251)	(504,166)	(177,608)
-	-	27,201
-	6,811	18,572
-	24,268	12,298,503
-	557,522	560,360
-	-	36,476
-	588,601	12,941,112
(180,251)	84,435	12,763,504
3,502	-	120,278
161	-	5,526
3,663	-	125,804

CITY OF SONORA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	Business-Type Activities	
	Water Fund	Sewer Fund
LIABILITIES		
Current Liabilities:		
Accounts Payable	18,664	6,256
Wages and Salaries Payable	3,567	2,969
Compensated Absences Payable	52,620	29,896
Due to Other Funds	-	17,867
Accrued Interest Payable	25,617	57,071
Notes Payable - Current	-	-
Bonds Payable - Current	185,000	425,000
Right-to-Use Leases Payable - Current	5,029	5,029
Customer Meter Deposits	95,816	-
Total Current Liabilities	386,313	544,088
Noncurrent Liabilities:		
Bonds Payable - Noncurrent	1,905,000	4,470,000
Other Long Term Debt Payable - Noncurrent	-	-
Right-to-Use Lease Liabilities - Noncurrent	11,427	11,427
Net Pension Liability	65,833	72,675
Net OPEB Liability	30,733	23,018
Total Noncurrent Liabilities	2,012,993	4,577,120
Total Liabilities	2,399,306	5,121,208
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to Pension Plan	8,095	4,676
Deferred Inflow Related to OPEB	6,664	6,614
Total Deferred Inflows of Resources	14,759	11,290
NET POSITION		
Net Investment in Capital Assets & Lease Assets	2,446,445	2,805,466
Restricted for Debt Service	34,896	395,845
Restricted for Capital Acquisition	-	47,832
Restricted for Meter Deposits	95,816	-
Unrestricted	1,953,796	(2,345,198)
Total Net Position	\$ 4,530,953	\$ 903,945

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

- Enterprise Funds		
Sanitation Fund	Airport Fund	Total Enterprise Funds
55,465	1,940	82,325
216	-	6,752
9,579	-	92,095
-	-	17,867
-	1,339	84,027
-	123,018	123,018
-	-	610,000
-	-	10,058
-	-	95,816
65,260	126,297	1,121,958
-	-	6,375,000
-	214,401	214,401
-	-	22,854
4,001	-	142,509
1,801	-	55,552
5,802	214,401	6,810,316
71,062	340,698	7,932,274
486	-	13,257
413	-	13,691
899	-	26,948
-	249,843	5,501,754
-	-	430,741
-	-	47,832
-	-	95,816
(248,549)	(506,106)	(1,146,057)
\$ (248,549)	\$ (256,263)	\$ 4,930,086

CITY OF SONORA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities	
	Water Fund	Sewer Fund
OPERATING REVENUES:		
Charges for Services	\$ 1,027,398	\$ 995,617
Airport Revenue	-	-
Intergovernmental Revenue and Grants	-	-
Rents and Royalties	-	-
Other Revenue	-	-
Total Operating Revenues	<u>1,027,398</u>	<u>995,617</u>
OPERATING EXPENSES:		
Personnel Services - Salaries and Wages	317,943	186,555
Personnel Services - Employee Benefits	146,708	97,342
Other Operating Costs	417,752	266,196
Depreciation	197,204	439,397
Debt Service	77,776	173,124
Total Operating Expenses	<u>1,157,383</u>	<u>1,162,614</u>
Operating Income (Loss)	<u>(129,985)</u>	<u>(166,997)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment Earnings	<u>26,725</u>	<u>10,898</u>
Total Nonoperating Revenue (Expenses)	<u>26,725</u>	<u>10,898</u>
Change in Net Position	(103,260)	(156,099)
Total Net Position - October 1 (Beginning)	<u>4,634,213</u>	<u>1,060,044</u>
Total Net Position - September 30 (Ending)	<u>\$ 4,530,953</u>	<u>\$ 903,945</u>

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

- Enterprise Funds		
Sanitation Fund	Airport Fund	Total Enterprise Funds
\$ 678,600	\$ -	\$ 2,701,615
-	40,166	40,166
-	100,000	100,000
-	4,425	4,425
194	-	194
678,794	144,591	2,846,400
20,322	-	524,820
6,752	-	250,802
628,535	78,766	1,391,249
-	41,649	678,250
-	13,014	263,914
655,609	133,429	3,109,035
23,185	11,162	(262,635)
-	-	37,623
-	-	37,623
23,185	11,162	(225,012)
(271,734)	(267,425)	5,155,098
\$ (248,549)	\$ (256,263)	\$ 4,930,086

CITY OF SONORA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities	
	Water Fund	Sewer Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 1,009,960	\$ 993,466
Cash Received from Intergovernmental	-	-
Cash Payments to Employees for Services	(458,222)	(276,546)
Cash Payments for Suppliers	(413,671)	(270,504)
Cash Payments for Other Operating Expenses	(79,627)	(176,947)
Net Cash Provided by Operating Activities	58,440	269,469
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	(5,000)	(25,000)
Bond Principal Paid	(180,000)	(410,000)
Note Principal Paid	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(185,000)	(435,000)
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	26,725	10,898
Net Increase (Decrease) in Cash and Cash Equivalents	(99,835)	(154,633)
Cash and Cash Equivalents at Beginning of Year	2,176,502	(2,177,176)
Cash and Cash Equivalents at End of Year	<u>\$ 2,076,667</u>	<u>\$ (2,331,809)</u>

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

Governmental Activities -		
Sanitation Fund	Airport Fund	Total Enterprise Funds
\$ 675,309	\$ 44,741	\$ 2,723,476
-	100,000	100,000
(25,444)	-	(760,212)
(618,728)	(27,047)	(1,329,950)
(4,360)	(58,802)	(319,736)
<u>26,777</u>	<u>58,892</u>	<u>413,578</u>
-	-	(30,000)
-	-	(590,000)
-	(118,971)	(118,971)
-	(118,971)	(738,971)
-	-	37,623
26,777	(60,079)	(287,770)
(270,009)	(485,783)	(756,466)
<u>\$ (243,232)</u>	<u>\$ (545,862)</u>	<u>\$ (1,044,236)</u>

CITY OF SONORA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities	
	Water Fund	Sewer Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income (Loss)	\$ (129,985)	\$ (166,997)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	197,204	439,397
GASB 68 Adjustment	4,426	2,557
GASB 75 Adjustment	(956)	(553)
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (Increase) in Receivables	(19,148)	(2,150)
Decrease (Increase) in Inventories	-	-
Increase (Decrease) in Accounts Payable	4,081	(4,308)
Increase (Decrease) in Accrued Expenses	1,108	1,523
Increase (Decrease) in Customer Meter Deposits	1,710	-
Net Cash Provided by Operating Activities	<u>\$ 58,440</u>	<u>\$ 269,469</u>
<u>Reconciliation of Total Cash and Cash Equivalents:</u>		
Cash & Cash Equivalents - Statement of Net Assets	\$ 2,076,667	\$ (2,331,809)

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

		Governmental Activities -	
Sanitation Fund	Airport Fund	Total Enterprise Funds	
\$ 23,185	\$ 11,162	\$ (262,635)	
-	41,649	678,250	
266	-	7,249	
(57)	-	(1,566)	
(3,485)	150	(24,633)	
-	4,469	4,469	
5,447	1,921	7,141	
1,421	(459)	3,593	
-	-	1,710	
<u>\$ 26,777</u>	<u>\$ 58,892</u>	<u>\$ 413,578</u>	
\$ (243,232)	\$ (545,862)	\$ (1,044,236)	

CITY OF SONORA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sonora, Texas (the City) is a municipal agency operating under the applicable laws and regulations of the State of Texas. The City operates under a mayor-council-manager form of government. The City prepares its general-purpose financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 76* of the American Institute of Certified Public Accountants (AICPA); and it complies with the requirements of contracts and grants of agencies from which it receives funds.

Pensions. The fiduciary net position of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TMRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits. The fiduciary net position of the TMRS Supplemental Death Benefit Funds (SDBF) has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from SDBF net position. Payments are recognized when due and payable in accordance with the benefit terms.

Fair Value. The City applies GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

The City, for financial purposes, includes all of the funds relevant to the operations of the City. As required by generally accepted accounting principles, these financial statements present the City and its component unit for which the City is considered financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

B. COMPONENT UNIT

Sonora Industrial Development Corporation (SIDC) operates under a seven-member board appointed by the City Council of the City. The purpose of SIDC is to promote and develop commercial, industrial, and manufacturing enterprises for the City in order to enhance and encourage employment and the public welfare, and to administer the one-half cent sales tax for economic development. It is a component unit of the City because the City appoints the governing body, and the one-half cent sales tax is used to fund the activities of the City. SIDC's audited financial statements as of September 30, 2024 are included as a component unit.

Financial statements of the component unit can be obtained from their administrative offices:

SIDC, 120 N. Concho Avenue, P. O. Box 555, Sonora, Texas 76950.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, and other intergovernmental revenues. *Business-type activities* include operations that rely, to a significant extent, on fees and charges for support. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "Charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "Grants and Contributions" column indicates amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and proprietary funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues are nonoperating.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State or Federal Government are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

The Proprietary Fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

E. FUND ACCOUNTING

The City reports the following major governmental funds:

- * **The General Fund** – The General Fund is the City’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- * **Street MTCE Sales Tax** - The City accounts for sales tax collections allocated for street maintenance in this fund.
- * **Hotel Occupancy Tax Fund** – The City accounts for hotel occupancy tax collections allocated for economic development in this fund.
- * **Capital Replacement Fund** - The City accounts for cash segregated by the General Fund for future purchases of equipment in this fund.
- * **Forfeited Property Fund** – The City accounts for activities related to forfeited property in this fund.

Additionally, the City reports the following fund type(s):

Governmental Funds:

- * **Special Revenue Funds** - The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds;

- * **Proprietary Funds** – The City’s activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in the Enterprise Funds. The City considers all proprietary funds to be major funds.
- * **Water Fund** – The Water Fund accounts for the revenues and expense associated with providing water services to the citizens of the City.
- * **Sewer Fund** - The Sewer Fund accounts for the revenues and expenses associated with providing sewer services to the citizens of the City.
- * **Sanitation Fund** - The Sanitation Fund accounts for the revenues and expenses associated with providing garbage removal services to the citizens of the City.
- * **Airport Fund** - The Airport Fund accounts for the revenues and expenses associated with providing a municipal airport to the citizens of the City.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s utility fund are charges to customers for sales and services. Operating expenses include cost of services and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and then unrestricted resources, as they are needed.

F. OTHER ACCOUNTING POLICIES

Cash and cash equivalents - For purposes of the statement of cash flows for the proprietary fund types, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

All account and property tax receivables are shown net of an allowance for uncollectible of \$8,691.

Inventory - Inventory consists of aviation fuel which is kept at the airport for resale. Inventory is stated at the lower of cost or market value on a first-in, first-out basis.

Capital assets - Capital assets, which include land, buildings, furniture and equipment, and right-to-use lease assets are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Right-to-use lease assets are also reported in the applicable governmental column in the government-wide financial statements. Capitalization of right-to-use lease assets is determined by the significance of total future financial obligations for the lease when measured at inception of the lease term. The term of the lease must be the noncancelable period during which the City has the right to use the tangible asset(s) of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised, plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Infrastructure capital assets such as streets, sidewalks, curbs and gutters, sewers and drainage systems built and/or acquired beginning in fiscal year 2004 are included.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

Assets	Years
Buildings	30
Utility Distribution System	25-50
Streets	20
Improvements	15
Equipment	5-10

Long-term obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column in the government-wide financial statements and/or in the proprietary fund statement of net position.

Compensated absences - Accumulated earned but unused vacation and sick leave, which are expected to be liquidated with expendable available financial resources, are reported as an expenditure/expense and a fund liability of the fund that will pay it. Accumulated leave of proprietary fund types is recorded as an expense and liability of those funds as the benefits accrue to employees.

Use of estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Property taxes - Property is appraised and a lien on such property becomes enforceable as of January 1st of each year. Taxes are levied on and payable the following October 1st. Taxes become delinquent February 1st of the following year and are subject to interest and penalty charges.

Deferred Outflows - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City's deferred outflows of resources consist of differences between expected and actual actuarial experience (pension), changes in actuarial assumptions (OPEB), differences between projected and actual investment earnings(pension), and contributions paid to TMRS subsequent to the measurement date (pension and OPEB).

Deferred Inflows - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. In the government wide financial statements, the City reports a deferred inflow of resources for differences between expected and actual actuarial experience (OPEB), and changes in actuarial assumptions (OPEB).

G. FUND BALANCE POLICY

The City reports fund balance for governmental funds in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **non-spendable** classification represents assets that will be consumed or “must be maintained intact” and therefore will never convert to cash, such as inventories of supplies. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the City Council. However, the City Council has adopted fund balance policies for the three unrestricted classifications - committed, assigned, and unassigned.

From time to time, the City Council may commit fund balances by a majority vote in a scheduled meeting. The City Council’s commitment may be modified or rescinded by a majority vote in a scheduled meeting. City Council commitments cannot exceed the amount of fund balance that is greater than the sum of non-spendable and restricted fund balances since that practice would commit funds that the City does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions, and other purposes determined by the City Council.

The City Council may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The City Council may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the City Council by majority vote in a scheduled meeting. The City Council has delegated this authority to the City Manager.

When the City incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the City incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged in the same order.

Restricted		
Forfeited Property	\$	628
Federal Funds		580,004
Street Maintenance		508,551
Hotel Occupancy Tax		51,752
City Resolution		1,184,220
Total Restricted	\$	<u>2,325,155</u>
Committed		
Capital Expenditures for Equipment	\$	336,280
Unassigned		<u>303,314</u>
Total Fund Balances	\$	<u><u>2,964,749</u></u>

As noted in Exhibit D-1, the Sanitation Fund and the Airport Fund have a deficit net position of \$248,549 and \$256,263, respectively.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council follows these procedures in establishing the budget reflected in the financial statements:

1. Sixty (60) days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Work sessions are conducted to obtain Council Members' comments, and public hearings are conducted to obtain citizens' comments.
3. The budget is legally enacted by the City Council through the adoption of an ordinance prior to the beginning of the fiscal year.
4. The City Manager is authorized to transfer budgeted amounts of operation and maintenance line items between departments within a fund. Any revisions that alter the total expenditures or the capital outlays of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The budget for the General Fund is adopted on the same basis used for financial reporting purposes (GAAP).
7. As noted in Exhibit E-1, the General Fund had expenditures in excess of budgeted amounts in four functions, for a total of \$77,792.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law, it has no custodial credit risk for deposits.

The City had funds on deposit at year-end of \$2,499,210 in excess of FDIC coverage, secured by pledged securities of the depository bank.

City Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act**, Government Code Chapter 2256, (the Act) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity; (2) portfolio diversification; (3) allowable investments; (4) acceptable risk levels; (5) expected rates of return; (6) maximum allowable stated maturity of portfolio investments; (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio; (8) investment staff quality and capabilities; and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies, (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an “A”, (4) No load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than “A-1” or “P-1” by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated no lower than “AA” or the equivalent, (8) public funds investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2024, the following are the City’s cash and cash equivalents with respective maturities and credit rating:

Investment Type	Credit Rating	Amount	Maturity		
			Less than 1 Year	1-5 Years	10+ Years
Certificates of Deposit	N/A	\$ 1,899,220	\$ -	\$ -	\$ -
Money Market Accounts	AAA	226,895	-	-	-
Total		<u>\$ 2,126,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional policies and contractual provisions governing deposits and investments of the City are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the City limits investments to those allowed by Government Code 2256. As of September 30, 2024, the City’s investments were limited to certificates of deposits and money market accounts.

Custodial Credit Risk for Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the City requires counterparties to register the securities in the name of the City’s custodian and hand them over to the City or its designated agent. All of the securities are held by the City’s agent.

Concentration of Credit Risk - To limit the risk of loss, the City’s investment portfolio is diversified in terms of investment instruments, maturity schedule, and financial institutions.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City’s investment portfolio has various maturities.

Foreign Currency Risk for Investment - The City has no foreign currency investments.

Fair Value Measurement

The City categorizes its fair value measurements with the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy investments in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments	Amount	Fair Value Measurement Using Input:		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 1,899,220	\$ -	\$ -	\$ -
Money Market Accounts	226,895	-	-	-
Total	<u>\$ 2,126,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Due to Water Fund From:

Sewer Fund	\$ 17,867
Total Due to Water Fund	<u>\$ 17,867</u>

Due to Hotel Fund From:

General Fund	\$ 13,508
Total Due to Hotel Fund	<u>\$ 13,508</u>

Interfund balances are in support of operations. There were no interfund transfers during the year.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2024 were as follows:

	Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 86,908	\$ 106,189	\$ -	\$ 36,178	\$ 229,275
Street Fund	21,238	-	-	-	21,238
Hotel Occupancy Tax Fund	13,014	-	13,508	-	26,522
Total Governmental Activities	<u>\$ 121,160</u>	<u>\$ 106,189</u>	<u>\$ 13,508</u>	<u>\$ 36,178</u>	<u>\$ 277,035</u>
Amount not scheduled for collection during subsequent year	<u>\$ 8,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,691</u>
Business-type Activities:					
Water Fund	\$ -	\$ -	\$ 17,867	\$ 81,478	\$ 99,345
Sewer Fund	-	-	-	88,218	88,218
Sanitation Fund	-	-	-	62,981	62,981
Airport Fund	-	-	-	225	225
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,867</u>	<u>\$ 232,902</u>	<u>\$ 250,769</u>

Payables at September 30, 2024 were as follows:

	Accounts Payables	Loans, Leases and Bonds Payable Current Year	Salaries and Benefits	Due to Other Funds	Accrued Liabilities	Other	Total Payables
Governmental Activities:							
General Fund	\$ 71,572	\$ -	\$ 7,334	\$ 13,508	\$ 111,427	\$ -	\$ 203,841
Street Fund	965	-	-	-	-	-	965
Hotel Occupancy Tax Fund	25,923	-	-	-	-	-	25,923
Total Governmental Activities	<u>\$ 98,460</u>	<u>\$ -</u>	<u>\$ 7,334</u>	<u>\$ 13,508</u>	<u>\$ 111,427</u>	<u>\$ -</u>	<u>\$ 230,729</u>
Amount not scheduled for payment during subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activities:							
Water Fund	\$ 18,664	\$ 190,029	\$ 3,567	\$ -	\$ 52,620	\$ 121,433	\$ 386,313
Sewer Fund	6,256	430,029	2,969	17,867	29,896	57,071	544,088
Sanitation Fund	55,465	-	216	-	9,579	-	65,260
Airport Fund	1,940	123,018	-	-	-	1,339	126,297
Total Business-type Activities	<u>\$ 82,325</u>	<u>\$ 743,076</u>	<u>\$ 6,752</u>	<u>\$ 17,867</u>	<u>\$ 92,095</u>	<u>\$ 179,843</u>	<u>\$ 1,121,958</u>

F. CAPITAL ASSET ACTIVITIES

Capital asset activity for the year ended September 30, 2024 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Governmental Activities:				
Land	\$ 63,600	\$ -	\$ -	\$ 63,600
Buildings	510,942	73,500	-	584,442
Improvements	652,098	-	(5,521)	646,577
Equipment	2,596,096	131,772	(32,878)	2,694,990
Right-to-use lease assets - equipment	58,750	-	-	58,750
Right-to-use lease assets - vehicles	341,999	96,144	-	438,143
Total at historical cost	<u>\$ 4,223,485</u>	<u>\$ 301,416</u>	<u>\$ (38,399)</u>	<u>\$ 4,486,502</u>
Less accumulated depreciation:				
Buildings	\$ (445,888)	\$ (9,248)	\$ -	\$ (455,136)
Improvements	(649,303)	(2,538)	5,521	(646,320)
Equipment	(1,847,190)	(100,806)	32,878	(1,915,118)
Right-to-use lease assets - equipment	(24,479)	(5,960)		(30,439)
Right-to-use lease assets - vehicles	(81,511)	(82,126)		(163,637)
Total accumulated depreciation	<u>\$ (3,048,371)</u>	<u>\$ (200,678)</u>	<u>\$ 38,399</u>	<u>\$ (3,210,650)</u>
Governmental activities capital assets, net	<u>\$ 1,175,114</u>	<u>\$ 100,738</u>	<u>\$ -</u>	<u>\$ 1,275,852</u>
Business-type Activities				
Land	\$ 7,201	\$ 20,000	\$ -	\$ 27,201
Buildings	89,013	-	-	89,013
Improvements	23,064,387	-	-	23,064,387
Equipment	2,952,106	-	-	2,952,106
Right-to-use lease assets - vehicles	-	42,912		42,912
Total at historical cost	<u>\$ 26,112,707</u>	<u>\$ 62,912</u>	<u>\$ -</u>	<u>\$ 26,175,619</u>
Less accumulated depreciation:				
Buildings	\$ (67,206)	\$ (3,235)	\$ -	\$ (70,441)
Improvements	(10,115,254)	(650,631)		(10,765,885)
Equipment	(2,373,798)	(17,946)		(2,391,744)
Right-to-use lease assets - vehicles	-	(6,437)		(6,437)
Total accumulated depreciation	<u>\$ (12,556,258)</u>	<u>\$ (678,250)</u>	<u>\$ -</u>	<u>\$ (13,234,508)</u>
Business-type activities capital assets, net	<u>\$ 13,556,449</u>	<u>\$ (615,338)</u>	<u>\$ -</u>	<u>\$ 12,941,111</u>

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 1,273
Street Department	26,627
Police Department	151,302
Swimming Pool	152
Fire Department	19,357
Senior Center	1,967
Animal Control	-
Parks	-
Total Depreciation Expense	<u>\$ 200,678</u>

G. RIGHT-TO-USE LEASE LIABILITIES PAYABLE

The City leases vehicles and equipment with agreements having 3-5-year terms. Annual payments of \$122,592 are made which consist of principal and interest ranging from 4.15% - 6.50%. No assets were pledged as collateral for these leases. Right-to-use lease liabilities are reflected in the Statement of Net Assets, and current requirements for principal and interest expenditures are accounted for in the General Fund and the Street MTCE Sales Tax Fund.

A summary of right-to-use lease arrangements for the year ended September 30, 2024, is as follows:

Description	Discount Rate	Original Lease Liability	Current Year Interest	Liability Balance at 10/1/23	New Lease Agreement	Total Payments in Current Year	Liability Balance at 9/30/24
American National Leasing, Jul 2019	4.75%	36,871	\$ 611	\$ 13,476	\$ -	\$ 13,476	\$ -
American National Leasing, Oct 2019-2	4.15%	34,386	1,054	9,000	-	9,000	-
American National Leasing, Oct 2019-1	4.15%	34,658	1,059	9,002	-	9,002	-
American National Leasing, Oct 2022	4.95%	81,365	4,515	81,365	-	27,555	53,810
American National Leasing, Sep 2023-1	6.50%	80,348	-	68,098	-	-	68,098
American National Leasing, Sep 2023-2	6.50%	80,348	-	68,098	-	-	68,098
American National Leasing, Mar 2023	5.95%	55,174	3,292	-	55,174	17,333	37,841
American National Leasing, Dec 2023-1	6.50%	39,874	-	-	39,874	9,250	30,624
American National Leasing, Dec 2023-2	6.50%	39,508	-	-	39,508	9,250	30,258
			<u>\$ 10,531</u>	<u>\$ 249,039</u>	<u>\$ 134,556</u>	<u>\$ 94,866</u>	<u>\$ 288,729</u>

The schedule of changes in capital leases payable is as follows:

Governmental Activities				Business-type Activities			
Maturity	Principal	Interest	Total Requirements	Maturity	Principal	Interest	Total Requirements
2025	\$ 97,025	\$ 13,140	\$ 110,165	2025	\$ 10,059	\$ 2,368	\$ 12,427
2026	100,372	8,494	108,866	2026	10,956	1,471	12,427
2027	58,420	3,565	61,985	2027	11,897	530	12,427
2028	-	-	-	2028	-	-	-
Total	<u>\$ 255,817</u>	<u>\$ 25,199</u>	<u>\$ 281,016</u>	Total	<u>\$ 32,912</u>	<u>\$ 4,369</u>	<u>\$ 37,281</u>

H. NOTES FROM DIRECT BORROWINGS

The following is a summary of notes from direct borrowings at September 30, 2024:

	Balance 10/1/2023	Additions	Retirements	Balance 9/30/2024	Due Within One Year
\$567,220 Note Payable, due at maturity plus interest at 2.65% through April 9, 2023.	\$ 567,220	\$ -	\$ 567,220	\$ -	\$ -
\$586,865 Note Payable, payable monthly at various principal amounts plus interest at a 4.909%, through May 2027.	456,390	-	118,971	337,419	123,018
Total	<u>\$ 1,023,610</u>	<u>\$ -</u>	<u>\$ 686,191</u>	<u>\$ 337,419</u>	<u>\$ 123,018</u>

The following maturity schedule is based on the notes payable that had been issued as of September 30, 2024:

Year Ending September 30,	Business-type Activities		Total
	Principal	Interest	
2025	\$ 123,018	\$ 9,427	\$ 132,445
2026	127,203	5,241	132,444
2027	87,198	1,098	88,296
2028	-	-	-
2029	-	-	-
Total	<u>\$ 337,419</u>	<u>\$ 15,766</u>	<u>\$ 353,185</u>

I. CERTIFICATES OF OBLIGATIONS

The following is a summary of certificates of obligation at September 30, 2024:

CERTIFICATE OF OBLIGATION

	Balance 10/1/2023	Additions	Retirements	Balance 9/30/2024	Due Within One Year
\$6,000,000 Combination Tax and Subordinate Lien Revenue Certificate of Obligations, Series 2007, payable annually at various principal amounts plus interest at rates ranging from 2.15% to 2.80% through December, 2029.	\$ 2,450,000	\$ -	\$ 320,000	\$ 2,130,000	\$ 330,000
\$2,925,000, Series 2007A, payable annually at various principal amounts plus interest at rates ranging from 2.65% to 3.25% through December, 2033.	1,185,000	-	165,000	1,020,000	170,000
\$4,780,000 Combination Tax and Limited Pledge Revenue Certificate of Obligations, Series 2013, payable annually at various principal amounts plus interest at rates ranging from 2.00% to 4.50% through December, 2033.	3,940,000	-	105,000	3,835,000	110,000
Total	<u>\$ 7,575,000</u>	<u>\$ -</u>	<u>\$ 590,000</u>	<u>\$ 6,985,000</u>	<u>\$ 610,000</u>

J. LONG-TERM DEBT

Long-term indebtedness of the City is reflected in the Statement of Net Position and current requirements for principal and interest expenditures are accounted for in the Propriety Funds.

Debt service requirements are as follows:

Year Ended September 30,	Business-type Activities				Total
	Notes from Direct Borrowings		Certificates of Obligations		
	Principal	Interest	Principal	Interest	
2025	\$ 123,018	\$ 9,427	\$ 610,000	\$ 239,393	\$ 981,838
2026	127,203	5,241	625,000	221,717	979,161
2027	87,198	1,098	640,000	203,365	931,661
2028	-	-	665,000	183,844	848,844
2029	-	-	685,000	163,042	848,042
Thereafter	-	-	3,760,000	406,708	4,166,708
Total	\$ 337,419	\$ 15,766	\$ 6,985,000	\$ 1,418,069	\$ 8,756,254

Following is the summary of changes in long-term debt for the year ended September 30, 2024:

	Balance 10/1/2023	Additions	Retirements/ Reclassifications	Balance 9/30/2024	Due Within One Year
<u>Governmental Activities:</u>					
Right-to-use Lease Liabilities	\$ 249,039	\$ 91,644	\$ (84,866)	\$ 255,817	\$ 97,025
Accrued Vacation and Leave	114,656	111,427	(114,656)	111,427	111,427
Total Governmental Activities	<u>\$ 363,695</u>	<u>\$ 203,071</u>	<u>\$ (199,522)</u>	<u>\$ 367,244</u>	<u>\$ 208,452</u>
<u>Business-type Activities:</u>					
Notes from Direct Borrowings	\$ 1,023,610	\$ -	\$ (686,191)	\$ 337,419	\$ 123,018
Certificates of Obligations	7,575,000	-	(590,000)	6,985,000	610,000
Right-to-use Lease Liabilities	-	42,912	(10,000)	32,912	10,058
Accrued Vacation and Leave	83,094	92,095	(83,094)	92,095	92,095
Total Business-type Activities	<u>\$ 8,681,704</u>	<u>\$ 135,007</u>	<u>\$ (1,369,285)</u>	<u>\$ 7,447,426</u>	<u>\$ 835,171</u>

K. DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City participates as one of 930 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 comprehensive annual financial report (Annual Report) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

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

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	26
Active employees	<u>31</u>
	<u>89</u>

C. Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual compensation during the fiscal year. The contribution rates for the City were 8.22% and 7.34% in calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$110,474 and were equal to the required contributions.

D. Net Pension Liability

The City'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:

The TPL in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety Table used for males and 100% of the General Employee Table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for active, 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 class by the respective target asset allocation percentage. The target allocation and best-estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Public Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100.0%	

Discount Rate:

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

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Balance at 12/31/2022	\$ 5,346,393	\$ 4,779,872	\$ 566,521
Changes for the year:			
Service Cost	168,885	-	168,885
Interest	356,854	-	356,854
Change of benefit terms	-	-	-
Difference between expected and actual experience	49,495	-	49,495
Changes of assumptions	(58,633)	-	(58,633)
Contributions - employer	-	129,225	(129,225)
Contributions - employee	-	73,174	(73,174)
Net Investment Income	-	551,173	(551,173)
Benefit payments, including refunds of employee contributions	(288,220)	(288,220)	-
Administrative expense	-	(3,519)	3,519
Other Charges	-	(25)	25
Net Changes	\$ 228,381	\$ 461,808	\$ (233,427)
Balance at 12/31/2023	\$ 5,574,774	\$ 5,241,680	\$ 333,094

Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$1,086,681	\$333,094	(\$282,927)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tnrs.com.

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

For the year ended September 30, 2024, the City recognized pension income of \$142,241.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 74,882	\$ -
Changes in actuarial assumptions	-	37,464
Net difference between projected and actual investment earnings	132,907	-
Contributions subsequent to the measurement date	93,263	-
Total	\$ 301,052	\$ 37,464

\$93,263 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2024	\$ 73,128
2025	41,454
2026	101,447
2027	(45,704)
2028	-
Thereafter	-
Total	\$ 170,325

L. DEFINED BENEFIT OPEB PLANS

A. Plan Description

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

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

B. Benefits Provided

The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	6
Active employees	31
	<hr/>
	65
	<hr/>

C. Total OPEB Liability

The City's total OPEB liability of \$146,342 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77%
Retirees' share of benefit-related cost	\$0
Administrative expense	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 discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

Note: The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

Changes in the total OPEB liability

	Total OPEB Liability
Balance at 12/31/2022	<u>\$ 133,436</u>
Changes for the year:	
Service Cost	3,366
Interest	5,383
Change of benefit terms	-
Differences between expected and actual experience	869
Changes in assumptions or other inputs	7,678
Benefit payments**	<u>(4,390)</u>
Net Changes	<u>\$ 12,906</u>
Balance at 12/31/2023	<u><u>\$ 146,342</u></u>

** Due to SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current discount rate:

	1% Decrease (2.77%)	Discount Rate (3.77%)	1% Increase (4.77%)
Total OPEB liability	\$172,373	\$146,342	\$125,714

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$340.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 647	\$ 3,665
Changes in assumptions and other inputs	8,237	31,034
Contributions made subsequent to the measurement date	3,762	-
Total	\$ 12,646	\$ 34,699

\$3,762 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended December 31:	
2024	\$ (13,762)
2025	(14,040)
2026	1,987
2027	-
2028	-
Thereafter	-
Total	\$ (25,815)

M. CONTINGENCIES

The City receives federal grants for specific purposes that are subject to review and audit by state and federal agencies. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of city management, such allowances, if any, will not be significant.

In addition, facilities constructed in part with federal funds are subject to federal government review throughout the life of such facilities. The federal government can require the City to repay a grant award “if a facility is not being properly and efficiently administered, operated and maintained”.

Attorneys for the City indicate there is a pending accounts payable item. No provision has been made regarding this matter.

N. SIGNIFICANT SUPPLIERS

The City purchased garbage collection services costing \$592,439 from Duncan Disposal, Inc. and disposal cost of \$31,737 from Republic Services during the year ended September 30, 2024, which represents 100% of the total garbage collection services and disposal cost purchased.

O. DEFICIT NET POSITION

As noted in Exhibits D-1 and D-2, the Sanitation Fund and the Airport Fund have a deficit net position of \$248,549 and \$256,263 respectively.

P. TAX ABATEMENT

The City has entered into a property tax abatement agreement authorized by the Texas Property Re-development and Tax Abatement Act, Texas Tax Code Chapter 312 (the Act). Under the Act, localities may exempt from taxation not more than 100 percent of the value of the property in the first year covered by the agreement, not more than 75 percent of the value of the property in the second and third year covered by the agreement, not more than 50 percent of the value of the property in the fourth year covered by the agreement, and not more than 25 percent of the value of the property in the fifth year covered by the agreement.

For the fiscal year ended September 30, 2024, the City abated property taxes under this program to a gas station and convenience store for operating a location within the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SONORA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,052,000	\$ 1,052,000	\$ 1,050,816	\$ (1,184)
General Sales and Use Taxes	750,000	750,000	646,182	(103,818)
Franchise Tax	170,000	170,000	229,058	59,058
Intergovernmental Revenue and Grants	802,016	802,016	880,791	78,775
Fines	63,500	63,500	28,912	(34,588)
Investment Earnings	4,000	4,000	65,792	61,792
Other Revenue	121,800	99,800	116,708	16,908
Total Revenues	2,963,316	2,941,316	3,018,259	76,943
EXPENDITURES:				
Current:				
General Government	340,700	355,700	395,572	(39,872)
Street Department	231,500	231,500	230,892	608
Police Department	990,647	991,191	895,867	95,324
Municipal Court	153,000	153,000	103,028	49,972
Fire Department	139,795	67,248	94,209	(26,961)
Senior Center	305,100	302,960	303,599	(639)
Animal Control	72,733	72,733	70,052	2,681
Parks Department	180,687	180,687	175,583	5,104
Code Enforcement	73,400	73,400	72,214	1,186
Swimming Pool	63,100	63,100	73,420	(10,320)
Debt Service:				
Principal on Debt	66,876	66,876	66,876	-
Interest on Debt	9,920	9,920	9,920	-
Capital Outlay:				
Capital Outlay	205,273	301,416	301,416	-
Total Expenditures	2,832,731	2,869,731	2,792,648	77,083
Excess (Deficiency) of Revenues Over (Under) Expenditures	130,585	71,585	225,611	154,026
OTHER FINANCING SOURCES (USES):				
Proceeds from Right-to-Use Leases	-	-	91,644	91,644
Total Other Financing Sources (Uses)	-	-	91,644	91,644
Net Change	130,585	71,585	317,255	245,670
Fund Balance - October 1 (Beginning)	1,750,283	1,750,283	1,750,283	-
Fund Balance - September 30 (Ending)	\$ 1,880,868	\$ 1,821,868	\$ 2,067,538	\$ 245,670

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

CITY OF SONORA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
A. Total Pension Liability			
Service Cost	\$ 168,885	\$ 159,609	\$ 161,134
Interest (on the Total Pension Liability)	356,854	333,728	318,530
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	49,495	126,445	21,281
Changes of Assumptions	(58,633)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(288,220)	(275,419)	(274,610)
Net Change in Total Pension Liability	\$ 228,381	\$ 344,363	\$ 226,335
Total Pension Liability - Beginning	5,346,393	5,002,030	4,775,695
Total Pension Liability - Ending	\$ 5,574,774	\$ 5,346,393	\$ 5,002,030
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 129,225	\$ 123,564	\$ 124,013
Contributions - Employee	73,174	69,577	69,514
Net Investment Income	551,173	(381,848)	613,751
Benefit Payments, Including Refunds of Employee Contributions	(288,220)	(275,419)	(274,610)
Administrative Expense	(3,519)	(3,312)	(2,843)
Other	(27)	3,952	21
Net Change in Plan Fiduciary Net Position	\$ 461,806	\$ (463,486)	\$ 529,846
Plan Fiduciary Net Position - Beginning	4,779,874	5,243,360	4,713,514
Plan Fiduciary Net Position - Ending	\$ 5,241,680	\$ 4,779,874	\$ 5,243,360
C. Net Pension Liability (Asset)	\$ 333,094	\$ 566,519	\$ (241,330)
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.02%	89.40%	104.82%
E. Covered Payroll	\$ 1,463,477	\$ 1,391,537	\$ 1,390,283
F. Net Pension Liability (Asset) as a Percentage of Covered Payroll	22.76%	40.71%	(17.36%)

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

FY 2021 Plan Year 2020		FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
\$	146,292	\$	138,014	\$	129,955	\$	140,442	\$	140,710	\$	132,753	\$	122,497
	320,790		304,203		293,848		282,829		275,869		270,206		262,935
	-		-		-		-		-		-		-
	(224,555)		26,651		11,118		3,368		(108,002)		(6,853)		(71,849)
	-		58,879		-		-		-		27,564		-
	(292,256)		(280,042)		(291,069)		(225,221)		(185,432)		(216,157)		(213,508)
\$	(49,729)	\$	247,705	\$	143,852	\$	201,418	\$	123,145	\$	207,513	\$	100,075
	4,825,424		4,577,719		4,433,867		4,232,449		4,109,304		3,901,791		3,801,716
\$	4,775,695	\$	4,825,424	\$	4,577,719	\$	4,433,867	\$	4,232,449	\$	4,109,304	\$	3,901,791
\$	106,657	\$	100,035	\$	94,573	\$	105,713	\$	104,706	\$	99,929	\$	100,599
	63,111		60,216		55,632		59,059		59,023		56,014		57,683
	341,057		618,309		(127,972)		527,819		242,677		5,385		200,577
	(292,256)		(280,042)		(291,069)		(225,221)		(185,432)		(216,157)		(213,508)
	(2,209)		(3,496)		(2,474)		(2,736)		(2,741)		(3,280)		(2,094)
	(84)		(106)		(130)		(139)		(144)		(166)		(172)
\$	216,276	\$	494,916	\$	(271,440)	\$	464,495	\$	218,089	\$	(58,275)	\$	143,085
	4,497,238		4,002,322		4,273,762		3,809,267		3,591,178		3,649,453		3,506,368
\$	4,713,514	\$	4,497,238	\$	4,002,322	\$	4,273,762	\$	3,809,267	\$	3,591,178	\$	3,649,453
\$	62,181	\$	328,186	\$	575,397	\$	160,105	\$	423,182	\$	518,126	\$	252,338
	98.70%		93.20%		87.43%		96.39%		90.00%		87.39%		93.53%
\$	1,262,223	\$	1,204,310	\$	1,112,630	\$	1,181,179	\$	1,180,452	\$	1,120,279	\$	1,153,668
	4.93%		27.25%		51.72%		13.55%		35.85%		46.25%		21.87%

CITY OF SONORA, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2024

	2024	2023	2022
Actuarially Determined Contribution	\$ 110,474	\$ 107,437	\$ 118,470
Contributions in Relation to the Actuarially Determined Contributions	(123,073)	(129,132)	(118,470)
Contribution Deficiency (Excess)	\$ (12,599)	\$ (21,695)	\$ -
Covered Payroll	\$ 1,379,748	\$ 1,447,666	\$ 1,473,714
Contributions as a Percentage of Covered Payroll	8.01%	7.42%	8.04%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

2021	2020	2019	2018	2017	2016	2015
\$ 115,893	\$ 107,392	\$ 99,012	\$ 95,435	\$ 104,706	\$ 99,929	\$ 100,599
(115,893)	(107,392)	(99,012)	(95,435)	(104,076)	(99,929)	(100,599)
\$ -	\$ -	\$ -	\$ -	\$ 630	\$ -	\$ -
\$ 1,316,463	\$ 1,277,384	\$ 1,186,154	\$ 1,105,620	\$ 1,180,452	\$ 1,120,279	\$ 1,153,668
8.80%	8.41%	8.35%	8.63%	8.87%	8.92%	8.72%

CITY OF SONORA, TEXAS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
Total OPEB Liability			
Service Cost	\$ 3,366	\$ 6,540	\$ 8,064
Interest on the Total OPEB Liability	5,383	3,635	3,802
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	869	(5,391)	(5,096)
Changes of Assumptions	7,679	(63,195)	6,024
Benefit Payments*	(4,390)	(4,870)	(4,310)
Net Change in Total OPEB Liability	12,907	(63,281)	8,483
Total OPEB Liability - Beginning	133,436	196,717	188,233
Total OPEB Liability - Ending	\$ 146,343	\$ 133,436	\$ 196,716
Covered Payroll	\$ 1,463,477	\$ 1,391,537	\$ 1,390,283
Total OPEB Liability as a Percentage of Covered Payroll	10.00%	9.59%	14.15%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2021 Plan Year 2020		FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
\$	5,175	\$	3,974	\$	4,339	\$	4,134
	4,360		4,703		48,563		4,535
	-		-		-		-
	(539)		(670)		(9,791)		-
	23,957		24,554		(8,856)		10,146
	(1,388)		(1,325)		(1,001)		(1,063)
	31,565		31,236		(10,746)		17,752
	156,668		125,432		136,178		118,426
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\$	188,233	\$	156,668	\$	125,432	\$	136,178
<hr/>		<hr/>		<hr/>		<hr/>	
\$	1,262,223	\$	1,204,310	\$	1,112,630	\$	1,181,179
	14.91%		13.01%		11.27%		11.53%

CITY OF SONORA, TEXAS
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
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 market, 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:	<p>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).</p> <p>Pre-retirement: PUM(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p>

Other Information

Notes: There were no benefit changes during the year

FEDERAL SECTION

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

To Honorable Mayor and
Members of the City Council
City of Sonora, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sonora, Texas as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Sonora, Texas basic financial statements, and have issued our report thereon dated August 8, 2025. We conducted our audit in accordance with the auditing standards generally accepted the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of Sonora Industrial Development Corporation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Sonora Industrial Development Corporation.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Coleman, Horton and Company, LLP

Certified Public Accountants
Uvalde, Texas
August 8, 2025

CITY OF SONORA, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2024

-----None noted-----