

CITY OF HONDO, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2024



Prepared by: Finance Department

CITY OF HONDO, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

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INTRODUCTORY SECTION

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City of Hondo

1600 Avenue M • Hondo, Texas 78861 • (830) 426-3378 • (830) 426-5189 fax

March 24, 2024

To the Honorable Mayor, City Council, and the Citizens of City of Hondo:

We are pleased to present the Annual Comprehensive Financial Report of the City of Hondo, Texas (the City) for the fiscal year ended September 30, 2024. State law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Hondo for the fiscal year ended September 30, 2024.

This report consists of management's representations concerning the finances of the City of Hondo. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hondo has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Hondo's financial statements in conformity with U.S. GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Hondo comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Hondo's financial statements have been audited by Pattillo, Brown & Hill, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hondo for the fiscal year ended September 30, 2024, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hondo's financial statements for the fiscal year ended September 30, 2024, are fairly presented in conformity with U.S. GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Hondo's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Hondo, incorporated in 1942, is located approximately 40 miles west of San Antonio, Texas. The City of Hondo occupies approximately 9.6 square miles of land. The City of Hondo is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body. The City has operated under the council-manager form of government.

Policymaking and legislative authority are vested in a City Council consisting of the Mayor and five councilmembers. The City Council is responsible for establishing public policy on City matters by the passage of appropriate ordinances and resolutions. The City Manager is responsible for overseeing the day-to-day operations of the government, implementing policy established by City Council, and for appointing the heads of the various departments. The City provides a full range of services, including police and fire protection, the construction and maintenance of streets, recreational facilities, cultural events, airport operations, water, electric, sanitation and sewer services.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hondo operates.

Local Economy

Hondo is a community west of San Antonio. The major local employers of the City are the County, School District and City itself. The remaining workforce commutes to the San Antonio and surrounding area. The City (through the Economic Development Corporation) is working to expand the South Texas Regional Training Center to offer job training. At the same time, the City is actively marketing undeveloped land to businesses. The City anticipates the additional skilled workforce and available real estate will attract new employers.

Long-term Financial Planning

The City continues to long-range plan for its aging infrastructure during the budget process every year. Recently, a shift took place with capital planning to a more long-range focus with infrastructure plans. Job growth and sales tax growth has also led to an increase in services provided for the residents which also impacts long-range planning with personnel. Growth will undoubtedly hit the City of Hondo soon as continued expansion of the San Antonio metro takes place and the City is focused on addressing its infrastructure going forward.

Financial Information

Internal Control

Management is responsible for establishing and maintaining internal controls designed to ensure that assets of the City are protected from loss, theft or misuse and to provide adequate accounting information compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The internal control system is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of an internal control should not exceed the benefits derived from the internal control. The City utilizes financial accounting software which is designed with a system of internal controls. These controls are continually being reevaluated to provide reasonable, but not absolute, assurances.

Budget Controls

The City also utilizes budgetary controls. Legally expenditures cannot exceed the appropriated amount. The objective of these budgetary controls is to ensure compliance with the adopted budget approved by the City Council as mandated by the city charter and state law. The levels of budgetary control are established at the department basis and at the fund level. The legal level of which management cannot overspend the budget without the approval of the governing body is at the fund level. Staff believes these controls help monitor and direct approved expenditures to a level within the budget parameters which directly results in a strong financial performance.

Financial Results

Assets and fund balances continue to grow as the City grows and financial results remain strong. Staff closely monitors and plans the amount of issuance to keep steady debt ratios per capita, per revenue, and per operations tax rate to the debt tax rate. Examples of these ratios can be found in the Statistical Section of the report (as listed in the table of contents). A more detailed summary of the City's Financial Performance is available in the Management Discussion and Analysis section (as listed in the table of contents).

Independent Audit

An independent audit is performed every year of the general ledger, accounts, financial records, and transactions of all city departments. The audit is completed by an independent certified public accounting firm selected by the City Council. The City is in compliance with this requirement and the independent auditor's report by Pattillo, Brown & Hill, L.L.P. Certified Public Accountants, has been included in this report.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. In conclusion, we would have none of the success we have enjoyed without the assistance of each staff member, as well as the support and strategic direction from the Mayor and the City Council during the strategic planning, pre-budget, and budget approval process.

Respectfully submitted,



John Naron
City Manager



Chris Hill
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hondo
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

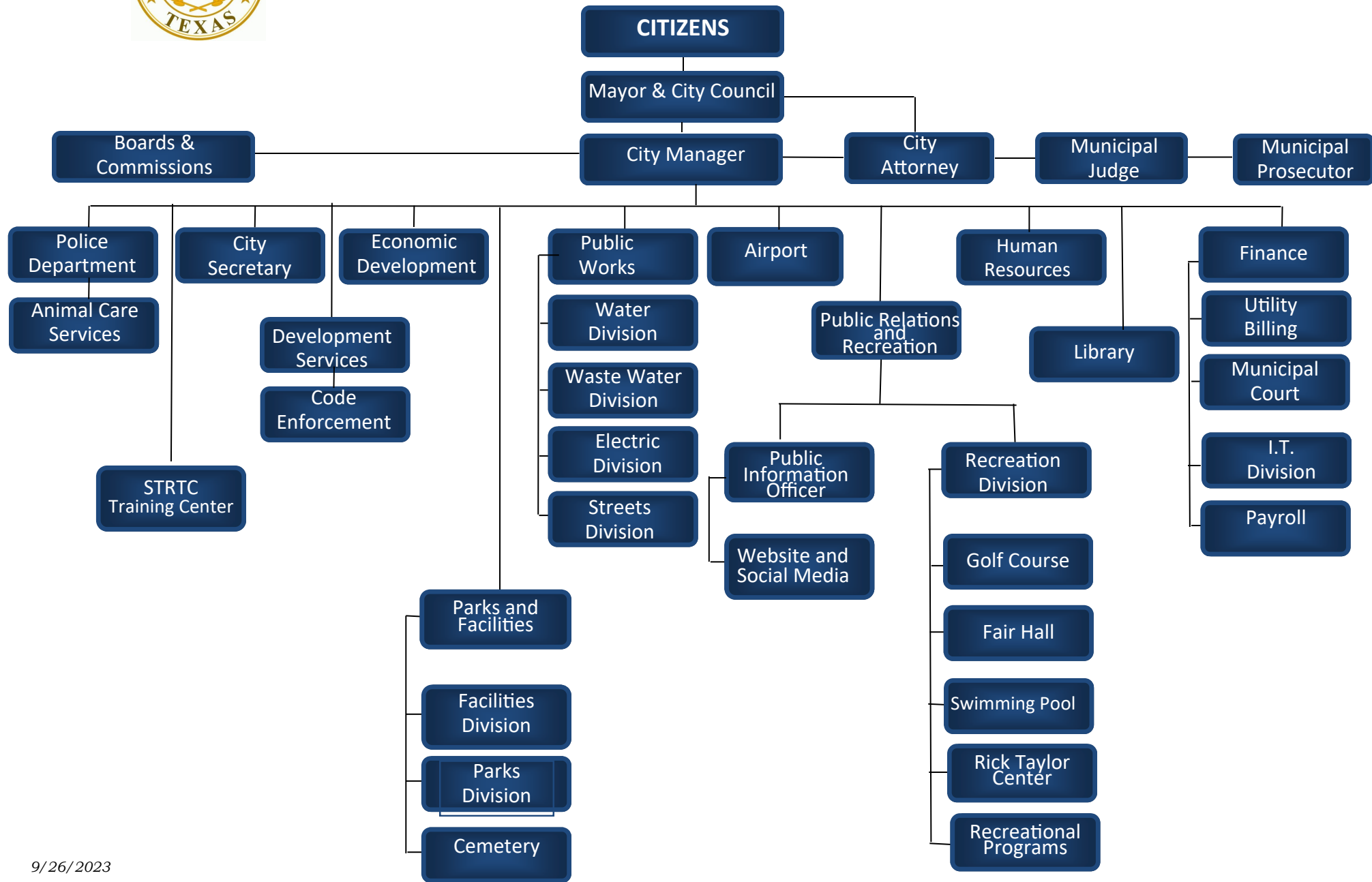
September 30, 2023

Christopher P. Morill

Executive Director/CEO



CITY OF HONDO ORGANIZATIONAL CHART



CITY OF HONDO, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2024

CITY OFFICIALS

Mayor John McAnelly

Council Members Joe Claire

Jose "Porky" Ytuarte

Brett Williams

Rachel Ramirez

John E. Villa

City Manager John Naron

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Hondo, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Hondo, 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.

Emphasis of Matter – Accounting Change

As described in the notes to the financial statements, in fiscal year 2024, the City of Hondo, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 24, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hondo's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2024. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net position was \$54,787,736 at September 30, 2024.
- The City's governmental expenses were \$588,850 less than the \$12,976,621 generated in general and program revenues for governmental activities, including transfers. The total cost of the City's governmental programs increased 3.9% from the prior year due primarily to changes in the net pension liability as well as costs incurred related to grant projects and economic development.
- The City's business-type expenses (including transfers) were \$275,173 more than the \$19,070,887 generated in charges for services and other revenues. The total cost of the City's business-type activities decreased 0.38% from the prior year also due primarily to changes in the net pension liability.
- The General Fund reported a fund balance of \$6,470,605, an decrease of \$7,978.
- The City issued Combination Tax and Revenue Bonds, Series 2024, for the purpose of improving, constructing, and renovating facilities, drainage, community parks, the airport, and fair hall.
- The City's Investment Income of \$1,137,709 increased 35% due to investments in TexPool Prime, US Treasuries and High Rate CDs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. 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* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements – The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.
- The government-wide financial statements of the City include the Governmental activities. Most of the City's basic services are included here, such as general government, public safety, streets, economic development, culture and recreation, and interest on long-term debt. Property taxes and charges for services finance most of these activities.

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 State 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 the following 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 the government-wide statements, we provide additional information on the subsequent page, which 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-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$54,787,736 at September 30, 2024. (See Figure A-1).

Figure A-1
City's Net Position

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Current and other assets | \$ 14,457,969 | \$ 16,792,704 | \$ 24,675,286 | \$ 15,700,880 | \$ 39,133,255 | \$ 32,493,584 |
| Capital assets | <u>17,454,449</u> | <u>14,033,477</u> | <u>32,758,296</u> | <u>30,834,616</u> | <u>50,212,745</u> | <u>44,868,093</u> |
| Total assets | <u>31,912,418</u> | <u>30,826,181</u> | <u>57,433,582</u> | <u>46,535,496</u> | <u>89,346,000</u> | <u>77,361,677</u> |
| Deferred outflows of resources | <u>964,103</u> | <u>1,296,175</u> | <u>321,097</u> | <u>479,843</u> | <u>1,285,200</u> | <u>1,776,018</u> |
| Long-term liabilities | 10,827,018 | 11,164,558 | 16,730,063 | 6,779,825 | 27,557,081 | 17,944,383 |
| Other liabilities | <u>2,009,788</u> | <u>1,538,859</u> | <u>2,251,035</u> | <u>1,636,730</u> | <u>4,260,823</u> | <u>3,175,589</u> |
| Total liabilities | <u>12,836,806</u> | <u>12,703,417</u> | <u>18,981,098</u> | <u>8,416,555</u> | <u>31,817,904</u> | <u>21,119,972</u> |
| Deferred inflows of resources | <u>188,596</u> | <u>156,670</u> | <u>3,836,964</u> | <u>3,937,340</u> | <u>4,025,560</u> | <u>4,094,010</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 10,203,355 | 9,524,233 | 26,416,511 | 25,483,563 | 36,619,866 | 35,007,796 |
| Restricted | 4,416,620 | 5,511,980 | - | - | 4,416,620 | 5,511,980 |
| Unrestricted | <u>5,231,144</u> | <u>4,226,056</u> | <u>8,520,106</u> | <u>9,177,881</u> | <u>13,751,250</u> | <u>13,403,937</u> |
| Total net position | <u>\$ 19,851,119</u> | <u>\$ 19,262,269</u> | <u>\$ 34,936,617</u> | <u>\$ 34,661,444</u> | <u>\$ 54,787,736</u> | <u>\$ 53,923,713</u> |

Governmental Activities

- Property tax rates for the fiscal year ending September 30, 2024 remained the same as the prior year, but increasing property values led to an increase in ad valorem tax revenue of 8.2%.
- Sales tax collections decreased 1.6% to \$2,090,172. Inflation and changes in consumer spending contribute to the fluctuations from year to year.
- Expenses increased in general government by \$682,844 but decreased in public works by \$339,384. Expenses increased due to ARPA Grant funding being spent down and changes in the net pension liability.

Business-Type Activities

- Expenses decreased by an average of 0.38%. The largest expense decrease occurred in the Water and sewer expenses.
- Total revenues from all business-type activities increased from the prior year by \$580,162, or 3.1%, primarily for increases in charges for services and capital grants and contributions.

Figure A-2
Changes in City's Net Position

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,158,573 | \$ 866,761 | \$ 17,940,512 | \$ 17,712,922 | \$ 19,099,085 | \$ 18,579,683 |
| Operating grants and contributions | 920,061 | 919,140 | - | - | 920,061 | 919,140 |
| Capital grants and contributions | 105,797 | 93,590 | 405,401 | 108,402 | 511,198 | 201,992 |
| General revenues: | | | | | | |
| Property tax | 2,104,636 | 1,944,763 | - | - | 2,104,636 | 1,944,763 |
| Sales tax | 2,090,172 | 2,123,969 | - | - | 2,090,172 | 2,123,969 |
| Other taxes | 186,169 | 192,574 | - | - | 186,169 | 192,574 |
| Investment earnings | 834,357 | 548,431 | 303,352 | 291,523 | 1,137,709 | 839,954 |
| Miscellaneous | 149,547 | 101,154 | 421,622 | 377,878 | 571,169 | 479,032 |
| Total revenues | <u>7,549,312</u> | <u>6,790,382</u> | <u>19,070,887</u> | <u>18,490,725</u> | <u>26,620,199</u> | <u>25,281,107</u> |
| Expenses: | | | | | | |
| General government | 4,250,244 | 3,567,400 | - | - | 4,250,244 | 3,567,400 |
| Public safety | 3,144,028 | 3,089,210 | - | - | 3,144,028 | 3,089,210 |
| Judicial | 157,446 | 156,749 | - | - | 157,446 | 156,749 |
| Public works | 2,107,025 | 2,446,409 | - | - | 2,107,025 | 2,446,409 |
| Culture and recreation | 2,501,390 | 2,454,470 | - | - | 2,501,390 | 2,454,470 |
| Interest on long-term debt | 227,638 | 208,946 | - | - | 227,638 | 208,946 |
| Electric utility | - | - | 7,006,334 | 6,944,846 | 7,006,334 | 6,944,846 |
| Water and sewer | - | - | 3,224,602 | 3,441,573 | 3,224,602 | 3,441,573 |
| Airport | - | - | 1,619,935 | 1,599,295 | 1,619,935 | 1,599,295 |
| Sanitation | - | - | 1,517,534 | 1,433,208 | 1,517,534 | 1,433,208 |
| Total expenses | <u>12,387,771</u> | <u>11,923,184</u> | <u>13,368,405</u> | <u>13,418,922</u> | <u>25,756,176</u> | <u>25,342,106</u> |
| Increases in net position before transfers | (4,838,459) | (5,132,802) | 5,702,482 | 5,071,803 | 864,023 | (60,999) |
| Transfers | <u>5,427,309</u> | <u>4,891,577</u> | <u>(5,427,309)</u> | <u>(4,891,577)</u> | - | - |
| Change in net position | 588,850 | (241,225) | 275,173 | 180,226 | 864,023 | (60,999) |
| Net position, beginning | <u>19,262,269</u> | <u>19,503,494</u> | <u>34,661,444</u> | <u>34,481,218</u> | <u>53,923,713</u> | <u>53,984,712</u> |
| Net position, ending | <u>\$ 19,851,119</u> | <u>\$ 19,262,269</u> | <u>\$ 34,936,617</u> | <u>\$ 34,661,444</u> | <u>\$ 54,787,736</u> | <u>\$ 53,923,713</u> |

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- The General Fund decreased its fund balance by \$7,978. Fines and forfeiture revenue increased as well as charges for services. Expenditures increased in most functions in fiscal year 2024 primarily due to personnel cost-of-living adjustments and capital projects ongoing.
- All of the proprietary funds generated sufficient operating revenues to cover operating expenses and debt service. Operating revenues increased slightly due to rate changes offset by slight decrease in expenses.

Budgetary Highlights

- General Fund budgeted revenues exceeded actual amounts by \$396,915, mostly due to additional investment income due to increased interest rates available, increased sales tax revenue, and licenses and permits.
- General Fund expenditures were \$1,151,589 under budget. A large portion of the savings was from the general government, culture and recreation, and public works. General government had capital projects not completed during the year and significant reduction in expected home grant expenses due to homes not being completed until next fiscal year. The City also made some minor budget amendments during the year for unexpected increases in fuel costs, street repairs costs and facility maintenance.
- The General Fund balance decreased \$7,978, which was only \$31,801 worse than what the final budget projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2024, the City had invested \$50,212,745 in a broad range of capital assets, including land, equipment, buildings, vehicles, and right to use. Significant changes in fiscal year 2024 included \$6,484,516 of additions to construction in progress related to ongoing capital projects. Significant additions were also made to the City's Water and Sewer construction in progress, as well as various construction projects. (See Figure A-4)

**Figure A-4
City's Capital Assets**

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Land | \$ 628,148 | \$ 628,148 | \$ 2,284,449 | \$ 2,284,449 | \$ 2,912,597 | \$ 2,912,597 |
| Water rights | - | - | 199,541 | 199,541 | 199,541 | 199,541 |
| Construction in progress | 4,186,597 | 430,685 | 5,546,729 | 2,818,125 | 9,733,326 | 3,248,810 |
| Buildings and improvement: | 10,526,618 | 10,526,618 | 19,164,586 | 19,164,586 | 29,691,204 | 29,691,204 |
| Infrastructure | 17,971,220 | 17,971,220 | 28,400,250 | 27,976,510 | 46,371,470 | 45,947,730 |
| Vehicles and equipment | 4,892,551 | 4,073,555 | 2,809,281 | 2,809,281 | 7,701,832 | 6,882,836 |
| Right to use | 117,513 | 123,498 | 89,377 | 70,033 | 206,890 | 193,531 |
| Accumulated depreciation | (20,868,198) | (19,720,247) | (25,735,917) | (24,487,909) | (46,604,115) | (44,208,156) |
| Total | <u>\$ 17,454,449</u> | <u>\$ 14,033,477</u> | <u>\$ 32,758,296</u> | <u>\$ 30,834,616</u> | <u>\$ 50,212,745</u> | <u>\$ 44,868,093</u> |

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

Long Term Debt – The City had bonds, tax notes, leases, and compensated absences payable at year end as outlined in Figure A-5. \$10,775,000 of bonds were issued during the fiscal year. More detailed information about the City's debt is presented in the VII to the financial statements.

**Table A-5
City's Long-Term Debt**

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Bonds payable | \$ 6,672,979 | \$ 6,316,520 | \$ 15,747,677 | \$ 5,506,530 | \$ 22,420,656 | \$ 11,823,050 |
| Tax notes | 1,665,000 | 1,845,000 | 130,000 | 155,000 | 1,795,000 | 2,000,000 |
| Leases | 15,240 | 51,053 | 41,702 | 39,523 | 56,942 | 90,576 |
| Compensated absences | 101,147 | 85,077 | 20,471 | 17,444 | 121,618 | 102,521 |
| Total | <u>\$ 8,454,366</u> | <u>\$ 8,297,650</u> | <u>\$ 15,939,850</u> | <u>\$ 5,718,497</u> | <u>\$ 24,394,216</u> | <u>\$ 14,016,147</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2023-2024 fiscal year has been a pivotal period for the City of Hondo as we continue to focus on sustainable growth, infrastructure development, and strategic investments that strengthen our local economy. Through business expansions, infrastructure improvements, and financial stewardship, the city remains committed to ensuring long-term prosperity for residents and businesses alike.

Business Growth and Expansion:

Hondo has seen significant economic activity this year, with multiple large-scale projects demonstrating the confidence businesses have in our community. One of the most notable developments is the construction of Boise Cascade's new \$23 million distribution facility. This 204,000-square-foot facility, located near the South Texas Regional Airport and Intermodal Park, is expected to create up to 100 new jobs and further solidify Hondo's position as a key regional distribution hub.

Additionally, several other major businesses have expanded their operations in Hondo:

- James Avery – \$10 million expansion
- Medina Electric Cooperative – \$5.8 million expansion
- Medina Regional Hospital – \$5 million capital investment
- Capital Farm Credit – \$2.9 million regional office expansion

These expansions reflect the continued investment in Hondo's workforce, infrastructure, and overall economic landscape, ensuring steady job creation and increased tax revenues.

Community and Small Business Development:

The City of Hondo remains committed to supporting local businesses and enhancing the quality of life for residents. In partnership with the Economic Development Board a Façade Improvement Grant has been created and implemented, which allocated \$100,000 toward revitalizing downtown businesses, we are strengthening our commercial areas and making Hondo an attractive destination for both new businesses and visitors.

Additionally, ongoing infrastructure improvements, including roadwork, water and sewer line upgrades, and planned downtown enhancements, are laying the groundwork for future growth while maintaining the city's unique charm.

Planning for Future Growth:

With the San Antonio regional population projected to grow from 3 million in 2020 to over 5.2 million by 2070 (Texas Water Development Board), Hondo is preparing for increased demand on housing, utilities, and public services. Thoughtful planning and responsible fiscal management will ensure that the city can accommodate this growth while preserving its small-town character.

We will continue to be conservative in our financial matters and maintain at least ninety-day reserves to ensure fiscal responsibility and stability for future economic development initiatives.

The 2023-2024 fiscal year marked a period of substantial progress for the City of Hondo. Business expansions, infrastructure investments, and responsible financial planning are positioning the city for continued success. As we look ahead, we remain committed to fostering sustainable economic development, supporting local businesses, and enhancing the quality of life for our residents.

Hondo is growing, and with careful planning and strong leadership, we will ensure that this growth benefits the entire community for years to come.

Next Year's Budget & Rates:

The preliminary taxable value for FY2024-25 is \$516,099,293 which is an increase of \$37,811,167 (7.9%) from last year's certified total of \$478,288,126. This increase includes approximately \$7 Million in new construction. A combined tax rate of \$0.48 per \$100 was proposed for FY 2024-25, with \$0.3204 allocated to the General Fund for maintenance and operations (M&O) and \$0.1596 allocated to debt service. The proposed rate is \$0.043 more than the FY 2023-24 adopted tax rate. The \$0.1596 rate allocated to debt service will generate \$823,807. The \$0.3204 rate City of Hondo FY 2024-2025 Budget allocated to M&O will generate \$1,653,582. The proposed rate is .0751 cents above the no-new-revenue rate of \$0.4049 and .0149 cents below the voter-approval rate of \$0.4949.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 or need additional financial information, contact City Hall at (830) 426-3378 or visit the City's website at www.hondo-tx.org.

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**BASIC
FINANCIAL STATEMENTS**

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

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 10,371,783 | \$ 6,225,172 | \$ 16,596,955 |
| Investments | 12,885,750 | - | 12,885,750 |
| Receivables, net: | | | |
| Accounts | 505,620 | 4,456,763 | 4,962,383 |
| Taxes | 129,352 | - | 129,352 |
| Internal balances | (9,436,245) | 9,436,245 | - |
| Lease receivable | - | 3,859,776 | 3,859,776 |
| Interest receivable | - | 6,179 | 6,179 |
| Inventory | - | 522,640 | 522,640 |
| Prepaid expenses | 1,709 | - | 1,709 |
| Total current assets | <u>14,457,969</u> | <u>24,506,775</u> | <u>38,964,744</u> |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash and investments | - | 168,511 | 168,511 |
| Capital assets (net of accumulated depreciation): | | | |
| Non-depreciable | 4,814,745 | 8,030,719 | 12,845,464 |
| Depreciable | 12,639,704 | 24,727,577 | 37,367,281 |
| Total noncurrent assets | <u>17,454,449</u> | <u>32,926,807</u> | <u>50,381,256</u> |
| Total assets | <u>31,912,418</u> | <u>57,433,582</u> | <u>89,346,000</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 929,652 | 309,622 | 1,239,274 |
| Deferred outflows related to OPEB - SDBF | 34,451 | 11,475 | 45,926 |
| Total deferred outflows of resources | <u>964,103</u> | <u>321,097</u> | <u>1,285,200</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 1,062,909 | 1,449,829 | 2,512,738 |
| Accrued liabilities | 132,795 | 31,708 | 164,503 |
| Interest payable | 101,067 | 167,723 | 268,790 |
| Unearned revenue | 713,017 | 134,719 | 847,736 |
| Customer deposits | - | 467,056 | 467,056 |
| Long-term liabilities: | | | |
| Due in one year: | | | |
| Bonds payable | 488,440 | 674,560 | 1,163,000 |
| Tax maintenance notes | 225,000 | 25,000 | 250,000 |
| Leases | 10,455 | 20,337 | 30,792 |
| Compensated absences | 20,229 | 4,094 | 24,323 |
| Total OPEB liability - SDBF | 6,637 | 2,210 | 8,847 |
| Due in more than one year: | | | |
| Bonds payable | 5,840,000 | 15,073,117 | 20,913,117 |
| Bonds premium | 344,539 | - | 344,539 |
| Tax maintenance notes | 1,440,000 | 105,000 | 1,545,000 |
| Leases | 4,785 | 21,365 | 26,150 |
| Compensated absences | 80,918 | 16,377 | 97,295 |
| Total OPEB liability - SDBF | 249,467 | 83,089 | 332,556 |
| Net pension liability | <u>2,116,548</u> | <u>704,914</u> | <u>2,821,462</u> |
| Total liabilities | <u>12,836,806</u> | <u>18,981,098</u> | <u>31,817,904</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 104,413 | 34,775 | 139,188 |
| Deferred inflows related to OPEB - SDBF | 84,183 | 28,036 | 112,219 |
| Deferred inflows related to leases | - | 3,774,153 | 3,774,153 |
| Total deferred inflows of resources | <u>188,596</u> | <u>3,836,964</u> | <u>4,025,560</u> |
| NET POSITION | | | |
| Net investment in capital assets | 10,203,355 | 26,416,511 | 36,619,866 |
| Restricted for: | | | |
| Nonexpendable perpetual care trust | 569,066 | - | 569,066 |
| Debt service | 195,464 | - | 195,464 |
| Economic development | 3,299,020 | - | 3,299,020 |
| Tourism development | 185,737 | - | 185,737 |
| Capital projects | 70,995 | - | 70,995 |
| Community programs | 5,176 | - | 5,176 |
| Grants | 91,162 | - | 91,162 |
| Unrestricted | <u>5,231,144</u> | <u>8,520,106</u> | <u>13,751,250</u> |
| Total net position | <u>\$ 19,851,119</u> | <u>\$ 34,936,617</u> | <u>\$ 54,787,736</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF HONDO, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Functions/Programs | Expenses | Program Revenue | | |
|--------------------------------------|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 4,250,244 | \$ 518,082 | \$ 777,389 | \$ - |
| Public safety | 3,144,028 | 70,391 | 94,649 | 77,130 |
| Judicial | 157,446 | 292,165 | - | - |
| Culture and recreation | 2,501,390 | 277,935 | 48,023 | 28,667 |
| Public works | 2,107,025 | - | - | - |
| Interest on long-term debt | <u>227,638</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>12,387,771</u> | <u>1,158,573</u> | <u>920,061</u> | <u>105,797</u> |
| Business-type activities: | | | | |
| Electric Utility | 7,006,334 | 10,547,431 | - | - |
| Water and Sewer | 3,224,602 | 4,740,958 | - | 308,500 |
| Airport | 1,619,935 | 981,694 | - | 96,901 |
| Sanitation | <u>1,517,534</u> | <u>1,670,429</u> | <u>-</u> | <u>-</u> |
| Total business-type activities | <u>13,368,405</u> | <u>17,940,512</u> | <u>-</u> | <u>405,401</u> |
| Total primary government | <u>\$ 25,756,176</u> | <u>\$ 19,099,085</u> | <u>\$ 920,061</u> | <u>\$ 511,198</u> |
| General revenues and transfers: | | | | |
| Taxes: | | | | |
| Property | | | | |
| Sales | | | | |
| Other | | | | |
| Unrestricted investment income | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net position | | | | |
| Net position - beginning | | | | |
| Net position - ending | | | | |

The accompanying notes are an integral part of these financial statements.

| Net (Expense) Revenue and Changes in Net Position | | |
|---|-----------------------------|-----------------------|
| Primary Government | | |
| Governmental Activities | Business-type Activities | Total |
| \$ (2,954,773) | \$ - | \$ (2,954,773) |
| (2,901,858) | - | (2,901,858) |
| 134,719 | - | 134,719 |
| (2,146,765) | - | (2,146,765) |
| (2,107,025) | - | (2,107,025) |
| (227,638) | - | (227,638) |
| <u>(10,203,340)</u> | <u>-</u> | <u>(10,203,340)</u> |
| - | 3,541,097 | 3,541,097 |
| - | 1,824,856 | 1,824,856 |
| - | (541,340) | (541,340) |
| - | <u>152,895</u> | <u>152,895</u> |
| - | <u>4,977,508</u> | <u>4,977,508</u> |
| <u>\$ (10,203,340)</u> | <u>\$ 4,977,508</u> | <u>\$ (5,225,832)</u> |
| | | |
| \$ 2,104,636 | \$ - | \$ 2,104,636 |
| 2,090,172 | - | 2,090,172 |
| 186,169 | - | 186,169 |
| 834,357 | 303,352 | 1,137,709 |
| 149,547 | 421,622 | 571,169 |
| <u>5,427,309</u> | <u>(5,427,309)</u> | <u>-</u> |
| <u>10,792,190</u> | <u>(4,702,335)</u> | <u>6,089,855</u> |
| 588,850 | 275,173 | 864,023 |
| <u>19,262,269</u> | <u>34,661,444</u> | <u>53,923,713</u> |
| <u>\$ 19,851,119</u> | <u>\$ 34,936,617</u> | <u>\$ 54,787,736</u> |

CITY OF HONDO, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

| | General | General Capital Projects Fund | 2024 Bonds |
|--|---------------------|--|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 6,357,177 | \$ 535,155 | \$ 1,212,640 |
| Investments | 502,101 | - | 10,007,984 |
| Receivables (net of allowances for uncollectibles): | | | |
| Accounts | 325,656 | - | - |
| Taxes | 88,926 | - | - |
| Due from other funds | 69,039 | - | - |
| Prepaid items | 1,709 | - | - |
| Total assets | <u>7,344,608</u> | <u>535,155</u> | <u>11,220,624</u> |
| LIABILITIES | | | |
| Accounts payable | 594,392 | 156,696 | 274,929 |
| Accrued liabilities | 127,994 | - | - |
| Due to other funds | - | - | 10,094,124 |
| Interest payable | - | - | 56,910 |
| Unearned revenue | 2,160 | - | - |
| Total liabilities | <u>724,546</u> | <u>156,696</u> | <u>10,425,963</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | 80,057 | - | - |
| Unavailable revenue - grant | 16,472 | - | - |
| Unavailable revenue - court fines | 52,928 | - | - |
| Total deferred inflows of resources | <u>149,457</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid items | 1,709 | - | - |
| Perpetual care trust | - | - | - |
| Restricted for: | | | |
| Debt service | - | - | - |
| Economic development | - | - | - |
| Tourism development | - | - | - |
| Capital projects | - | 378,459 | 794,661 |
| Community programs | - | - | - |
| Grants | - | - | - |
| Committed for: | | | |
| South TX regional training center | - | - | - |
| Other | - | - | - |
| Assignment for: | | | |
| Blue santa program | 935 | - | - |
| Unassigned | 6,467,961 | - | - |
| Total fund balances | <u>6,470,605</u> | <u>378,459</u> | <u>794,661</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 7,344,608</u> | <u>\$ 535,155</u> | <u>\$ 11,220,624</u> |

* Formerly a major fund

| Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------------------------|
| \$ 2,266,811 | \$ 10,371,783 |
| 2,375,665 | 12,885,750 |
| 179,964 | 505,620 |
| 40,426 | 129,352 |
| 588,840 | 657,879 |
| - | 1,709 |
| <u>5,451,706</u> | <u>24,552,093</u> |
| 36,892 | 1,062,909 |
| 4,801 | 132,795 |
| - | 10,094,124 |
| - | 56,910 |
| <u>710,857</u> | <u>713,017</u> |
| <u>752,550</u> | <u>12,059,755</u> |
| 37,529 | 117,586 |
| - | 16,472 |
| <u>-</u> | <u>52,928</u> |
| <u>37,529</u> | <u>186,986</u> |
| - | 1,709 |
| 569,066 | 569,066 |
| 202,092 | 202,092 |
| 3,299,020 | 3,299,020 |
| 185,737 | 185,737 |
| - | 1,173,120 |
| 5,176 | 5,176 |
| 74,690 | 74,690 |
| 340,016 | 340,016 |
| 2,019 | 2,019 |
| - | 935 |
| <u>(16,189)</u> | <u>6,451,772</u> |
| <u>4,661,627</u> | <u>12,305,352</u> |
| <u>\$ 5,451,706</u> | <u>\$ 24,552,093</u> |

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CITY OF HONDO, TEXAS

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

SEPTEMBER 30, 2024

| | |
|---|----------------------|
| Total fund balances - governmental funds balance sheet | \$ 12,305,352 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 17,454,449 |
| Certain receivables will not be collected soon enough to pay for the current period's expenditures and are, therefore, reported as deferred inflows of resources in the funds: | |
| Property taxes | 80,057 |
| Property tax penalties and interest | 37,529 |
| Court fines and fees | 52,928 |
| Intergovernmental receivables | 16,472 |
| Accrued bond interest is not due and payable in the current period and, therefore, is not reported in the funds. | (44,157) |
| Long-term liabilities and deferred losses on bond refundings, reported as deferred outflows of resources, are not due and payable in the current period and, therefore, are not reported in the funds. A summary of these items are as follows: | |
| Long-term liabilities: | |
| Bonds payable | (6,328,440) |
| Tax notes payable | (1,665,000) |
| Bonds premium | (344,539) |
| Compensated absences | (101,147) |
| Leases | (15,240) |
| The City had a net pension liability of \$2,116,548, this included a deferred outflow of \$9,29,652 and deferred inflow of \$104,413. These items are not payable in the current period and therefore are not reported in the governmental funds balance sheet. | (1,291,309) |
| The total OPEB liability and related deferred inflows and outflows are not included in the fund financial statements. | <u>(305,836)</u> |
| Net position of governmental activities | <u>\$ 19,851,119</u> |

CITY OF HONDO, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | General | Economic Development* | American Rescue Plan* |
|--|---------------------|--------------------------|--------------------------|
| REVENUES | | | |
| Property tax | \$ 1,372,635 | | |
| Sales tax | 1,393,448 | | |
| Other taxes | 80,242 | | |
| Licenses and permits | 292,714 | | |
| Intergovernmental | 763,965 | | |
| Charges for services | 446,089 | | |
| Fines and forfeitures | 292,512 | | |
| Investment income | 307,660 | | |
| Miscellaneous | 33,626 | | |
| Total revenues | <u>4,982,891</u> | | |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 3,027,909 | | |
| Public safety | 3,001,415 | | |
| Judicial | 159,192 | | |
| Culture and recreation | 2,224,650 | | |
| Public works | 1,663,571 | | |
| Capital outlay | 721,024 | | |
| Debt service: | | | |
| Principal | 35,813 | | |
| Interest | 454 | | |
| Issuance costs | - | | |
| Total expenditures | <u>10,834,028</u> | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(5,851,137)</u> | | |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of capital related debt | - | | |
| Premium on bonds | - | | |
| Transfers in | 5,738,138 | | |
| Transfers out | (10,000) | | |
| Insurance recoveries | 115,021 | | |
| Total other financing sources and uses | <u>5,843,159</u> | | |
| NET CHANGE IN FUND BALANCES | <u>(7,978)</u> | | |
| FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED | <u>6,478,583</u> | <u>3,324,356</u> | <u>48,042</u> |
| FUND BALANCE ADJUSTMENTS | | | |
| Change within the reporting entity | <u>-</u> | <u>(3,324,356)</u> | <u>(48,042)</u> |
| FUND BALANCES, BEGINNING, AS RESTATED | <u>6,478,583</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 6,470,605</u> | <u>\$ -</u> | <u>\$ -</u> |

* Formerly a major fund

| General Capital Projects Fund | 2024 Bonds | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|-----------------------------------|--------------------------------|
| \$ - | \$ - | \$ 699,468 | \$ 2,072,103 |
| - | - | 696,724 | 2,090,172 |
| - | - | 105,927 | 186,169 |
| - | - | - | 292,714 |
| - | - | 220,829 | 984,794 |
| - | - | 174,955 | 621,044 |
| - | - | - | 292,512 |
| 101,573 | 213,676 | 211,448 | 834,357 |
| - | - | 900 | 34,526 |
| <u>101,573</u> | <u>213,676</u> | <u>2,110,251</u> | <u>7,408,391</u> |
| - | 222,599 | 864,703 | 4,115,211 |
| - | - | 18,559 | 3,019,974 |
| - | - | - | 159,192 |
| - | - | 91,170 | 2,315,820 |
| - | - | - | 1,663,571 |
| 3,700,501 | - | - | 4,421,525 |
| - | - | 629,030 | 664,843 |
| - | - | 215,428 | 215,882 |
| - | 18,796 | - | 18,796 |
| <u>3,700,501</u> | <u>241,395</u> | <u>1,818,890</u> | <u>16,594,814</u> |
| <u>(3,598,928)</u> | <u>(27,719)</u> | <u>291,361</u> | <u>(9,186,423)</u> |
| - | 765,000 | - | 765,000 |
| - | 57,380 | - | 57,380 |
| - | - | 232,573 | 5,970,711 |
| - | - | (533,402) | (543,402) |
| - | - | - | 115,021 |
| - | 822,380 | (300,829) | 6,364,710 |
| (3,598,928) | 794,661 | (9,468) | (2,821,713) |
| <u>3,977,387</u> | <u>-</u> | <u>1,298,697</u> | <u>15,127,065</u> |
| - | - | 3,372,398 | - |
| <u>3,977,387</u> | <u>-</u> | <u>4,671,095</u> | <u>15,127,065</u> |
| <u>\$ 378,459</u> | <u>\$ 794,661</u> | <u>\$ 4,661,627</u> | <u>\$ 12,305,352</u> |

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CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | |
|---|-------------------|
| Net change in fund balances - total governmental funds | \$ (2,821,713) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount of capital outlay recorded in the current period. | 4,574,908 |
| Depreciation on capital assets is reported in the Statement of Activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds. | (1,153,936) |
| Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. | 664,843 |
| Issuance of debt | (822,380) |
| Amortization of: | |
| Premium on bond issuance | 16,891 |
| Interest is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period. | (9,851) |
| Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Compensated absences liability | (16,070) |
| Net OPEB liability | (11,961) |
| Net Pension liability | 142,219 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | <u>25,900</u> |
| Change in net position of governmental activities | <u>\$ 588,850</u> |

CITY OF HONDO, TEXAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS

SEPTEMBER 30, 2024

| | Business-type Activities - Enterprise Funds | | | | |
|--|---|---------------------|------------|------------|--------------|
| | Water and Sewer | Electric Utility | Airport | Sanitation | Total |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 3,419,816 | \$ 2,185,755 | \$ 4,065 | \$ 615,536 | \$ 6,225,172 |
| Receivables, net | 1,275,048 | 2,947,359 | 83,511 | 150,845 | 4,456,763 |
| Lease receivable | - | - | 3,859,776 | - | 3,859,776 |
| Interest receivable | - | - | 6,179 | - | 6,179 |
| Due from other funds | 9,331,451 | 547,815 | 214,858 | - | 10,094,124 |
| Inventory | 146,098 | 347,250 | 29,292 | - | 522,640 |
| Total current assets | 14,172,413 | 6,028,179 | 4,197,681 | 766,381 | 25,164,654 |
| Noncurrent assets: | | | | | |
| Restricted cash and investments | 168,511 | - | - | - | 168,511 |
| Capital assets: | | | | | |
| Nondepreciable | 5,104,988 | 140,816 | 2,784,915 | - | 8,030,719 |
| Depreciable | 11,636,045 | 1,417,655 | 11,673,877 | - | 24,727,577 |
| Total noncurrent assets | 16,909,544 | 1,558,471 | 14,458,792 | - | 32,926,807 |
| Total assets | 31,081,957 | 7,586,650 | 18,656,473 | 766,381 | 58,091,461 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows related to pensions | 164,324 | 90,902 | 54,396 | - | 309,622 |
| Deferred outflows related to OPEB - SDBF | 6,090 | 3,369 | 2,016 | - | 11,475 |
| Total deferred outflows of resources | 170,414 | 94,271 | 56,412 | - | 321,097 |

The accompanying notes are an integral
part of these financial statements.

CITY OF HONDO, TEXAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS (Continued)

SEPTEMBER 30, 2024

| | Business-type Activities - Enterprise Funds | | | | |
|--|---|---------------------|---------------|------------|---------------|
| | Water and Sewer | Electric Utility | Airport | Sanitation | Total |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 302,296 | \$ 509,448 | \$ 382,437 | \$ 255,648 | \$ 1,449,829 |
| Accrued liabilities | 15,826 | 10,730 | 5,152 | - | 31,708 |
| Due to other funds | - | - | 657,879 | - | 657,879 |
| Accrued interest payable | 154,964 | 9,020 | 3,739 | - | 167,723 |
| Unearned revenue | - | 20,981 | 113,738 | - | 134,719 |
| Customer deposits | 118,575 | 348,481 | - | - | 467,056 |
| Noncurrent liabilities: | | | | | |
| Due in one year: | | | | | |
| Bonds payable | 594,560 | 60,000 | 20,000 | - | 674,560 |
| Tax maintenance notes | - | 25,000 | - | - | 25,000 |
| Leases | 5,689 | - | 14,648 | - | 20,337 |
| Compensated absences | 1,797 | 1,312 | 985 | - | 4,094 |
| Total OPEB liability - SDBF | 1,173 | 649 | 388 | - | 2,210 |
| Total current liabilities | 1,194,880 | 985,621 | 1,198,966 | 255,648 | 3,635,115 |
| Due in more than one year: | | | | | |
| Bonds payable | 14,050,737 | 719,449 | 302,931 | - | 15,073,117 |
| Tax maintenance notes | - | 105,000 | - | - | 105,000 |
| Leases | 15,106 | - | 6,259 | - | 21,365 |
| Compensated absences | 7,188 | 5,250 | 3,939 | - | 16,377 |
| Total OPEB liability - SDBF | 44,096 | 24,393 | 14,600 | - | 83,089 |
| Net pension liability | 374,115 | 206,957 | 123,842 | - | 704,914 |
| Total noncurrent liabilities | 14,491,242 | 1,061,049 | 451,571 | - | 16,003,862 |
| Total liabilities | 15,686,122 | 2,046,670 | 1,650,537 | 255,648 | 19,638,977 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows related to to pensions | 18,455 | 10,210 | 6,110 | - | 34,775 |
| Deferred inflows related to OPEB - SDBF | 14,879 | 8,231 | 4,926 | - | 28,036 |
| Lease related | - | - | 3,774,153 | - | 3,774,153 |
| Total deferred inflows of resources | 33,334 | 18,441 | 3,785,189 | - | 3,836,964 |
| NET POSITION | | | | | |
| Net investment in capital assets | 11,229,117 | 1,196,837 | 13,990,557 | - | 26,416,511 |
| Unrestricted | 4,303,798 | 4,418,973 | (713,398) | 510,733 | 8,520,106 |
| Total net position | \$ 15,532,915 | \$ 5,615,810 | \$ 13,277,159 | \$ 510,733 | \$ 34,936,617 |

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CITY OF HONDO, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | Business-type Activities - Enterprise Funds | | | | |
|---|---|---------------------|----------------------|-------------------|----------------------|
| | Water and Sewer | Electric Utility | Airport | Sanitation | Total |
| OPERATING REVENUES | | | | | |
| Charges for services | | | | | |
| Utility service | \$ 4,740,958 | \$ 10,547,431 | \$ - | \$ 1,670,429 | \$ 16,958,818 |
| Fuel sales | - | - | 397,689 | - | 397,689 |
| Rentals and leases | - | - | 584,005 | - | 584,005 |
| Miscellaneous | 170,470 | 234,229 | - | 16,923 | 421,622 |
| Total operating revenues | <u>4,911,428</u> | <u>10,781,660</u> | <u>981,694</u> | <u>1,687,352</u> | <u>18,362,134</u> |
| OPERATING EXPENSES | | | | | |
| Personnel services | 1,085,719 | 608,681 | 366,132 | - | 2,060,532 |
| Materials and supplies | 525,484 | 350,312 | 323,016 | - | 1,198,812 |
| Contractual services | 520,950 | 5,882,457 | 376,020 | 1,517,534 | 8,296,961 |
| Depreciation | 598,567 | 135,515 | 513,926 | - | 1,248,008 |
| Total operating expenses | <u>2,730,720</u> | <u>6,976,965</u> | <u>1,579,094</u> | <u>1,517,534</u> | <u>12,804,313</u> |
| OPERATING INCOME (LOSS) | <u>2,180,708</u> | <u>3,804,695</u> | <u>(597,400)</u> | <u>169,818</u> | <u>5,557,821</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Investment income | 197,578 | 87,879 | 3 | 17,892 | 303,352 |
| Interest expense | (265,977) | (16,447) | (34,967) | - | (317,391) |
| Issuance costs | (227,905) | (12,922) | (5,874) | - | (246,701) |
| Total nonoperating revenues (expenses) | <u>(296,304)</u> | <u>58,510</u> | <u>(40,838)</u> | <u>17,892</u> | <u>(260,740)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | <u>1,884,404</u> | <u>3,863,205</u> | <u>(638,238)</u> | <u>187,710</u> | <u>5,297,081</u> |
| Capital contributions - Intergovernmental | 308,500 | - | 96,901 | - | 405,401 |
| Transfers in | 220,829 | - | 64,747 | - | 285,576 |
| Transfers out | (2,501,106) | (3,012,488) | (44,791) | (154,500) | (5,712,885) |
| Total capital contributions and transfers | <u>(1,971,777)</u> | <u>(3,012,488)</u> | <u>116,857</u> | <u>(154,500)</u> | <u>(5,021,908)</u> |
| CHANGE IN NET POSITION | <u>(87,373)</u> | <u>850,717</u> | <u>(521,381)</u> | <u>33,210</u> | <u>275,173</u> |
| TOTAL NET POSITION, BEGINNING | <u>15,620,288</u> | <u>4,765,093</u> | <u>13,798,540</u> | <u>477,523</u> | <u>34,661,444</u> |
| TOTAL NET POSITION, ENDING | <u>\$ 15,532,915</u> | <u>\$ 5,615,810</u> | <u>\$ 13,277,159</u> | <u>\$ 510,733</u> | <u>\$ 34,936,617</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF HONDO, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Business-type Activities - Enterprise Funds | | | | |
|---|---|---------------------|------------------|--------------------|---------------------|
| | Water and Sewer | Electric Utility | Airport | Sanitation | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash received from customers | \$ 4,909,769 | \$ 10,886,014 | \$ 933,058 | \$ 1,674,501 | \$ 18,403,342 |
| Cash paid to employees | (1,141,546) | (643,780) | (384,972) | - | (2,170,298) |
| Cash paid to suppliers | | | | | |
| for goods and services | <u>(940,609)</u> | <u>(6,342,666)</u> | <u>(328,569)</u> | <u>(1,389,708)</u> | <u>(9,001,552)</u> |
| Net cash provided (used) | | | | | |
| by operating activities | <u>2,827,614</u> | <u>3,899,568</u> | <u>219,517</u> | <u>284,793</u> | <u>7,231,492</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Capital grants | 308,500 | - | 96,901 | - | 405,401 |
| Principal repayment on long-term debt | (436,970) | (75,000) | (15,000) | - | (526,970) |
| Interest and related fees | | | | | |
| paid on long-term debt | (116,763) | (9,073) | (31,501) | - | (157,337) |
| Acquisition and construction | | | | | |
| of capital assets | <u>(2,104,336)</u> | <u>(325,804)</u> | <u>(339,255)</u> | <u>-</u> | <u>(2,769,395)</u> |
| Net cash provided (used) by capital | | | | | |
| and related financing activities | <u>(2,349,569)</u> | <u>(409,877)</u> | <u>(288,855)</u> | <u>-</u> | <u>(3,048,301)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from sale and | | | | | |
| maturities of securities | 1,285,591 | - | - | - | 1,285,591 |
| Interest received on | | | | | |
| investments and cash equivalents | <u>197,578</u> | <u>87,879</u> | <u>3</u> | <u>17,892</u> | <u>303,352</u> |
| Net cash provided (used) | | | | | |
| by investing activities | <u>1,483,169</u> | <u>87,879</u> | <u>3</u> | <u>17,892</u> | <u>1,588,943</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Payments in lieu of taxes and transfers | <u>(2,280,277)</u> | <u>(3,012,488)</u> | <u>19,956</u> | <u>(154,500)</u> | <u>(5,427,309)</u> |
| Net cash provided (used) by | | | | | |
| noncapital financing activities | <u>(2,280,277)</u> | <u>(3,012,488)</u> | <u>19,956</u> | <u>(154,500)</u> | <u>(5,427,309)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (319,063) | 565,082 | (49,379) | 148,185 | 344,825 |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>3,907,390</u> | <u>1,620,673</u> | <u>53,444</u> | <u>467,351</u> | <u>6,048,858</u> |
| CASH AND CASH EQUIVALENTS, ENDING | \$ <u>3,588,327</u> | \$ <u>2,185,755</u> | \$ <u>4,065</u> | \$ <u>615,536</u> | \$ <u>6,393,683</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF HONDO, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | Business-type Activities - Enterprise Funds | | | | |
|--|---|---------------------|-------------------|-------------------|---------------------|
| | Water and Sewer | Electric Utility | Airport | Sanitation | Total |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | | |
| Operating income | \$ 2,180,708 | \$ 3,804,695 | \$ (597,400) | \$ 169,818 | \$ 5,557,821 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 598,567 | 135,515 | 513,926 | - | 1,248,008 |
| (Increase) decrease in: | | | | | |
| Accounts receivable | (1,309) | 111,545 | 3,079 | (12,851) | 100,464 |
| Interest receivable | - | - | 355 | - | 355 |
| Lease receivable | - | - | 76,653 | - | 76,653 |
| Inventories | (28,445) | 48,083 | (8,158) | - | 11,480 |
| Deferred outflows of resources | 83,589 | 47,234 | 27,923 | - | 158,746 |
| Interfund receivables | - | - | (24,555) | - | (24,555) |
| Increase (decrease) in: | | | | | |
| Accounts payable | 134,270 | (157,980) | 378,625 | 127,826 | 482,741 |
| Accrued liabilities | (2,965) | (1,183) | (1,086) | - | (5,234) |
| Unearned revenue | - | (2,411) | 1,018 | - | (1,393) |
| Customer deposits | (350) | (4,780) | - | - | (5,130) |
| Deferred inflows of resources | 2,632 | 1,338 | (104,346) | - | (100,376) |
| Net OPEB liability | 810 | 274 | 223 | - | 1,307 |
| Net pension liability | (143,233) | (81,260) | (47,929) | - | (272,422) |
| Compensated absences | 3,340 | (1,502) | 1,189 | - | 3,027 |
| Total adjustments | <u>646,906</u> | <u>94,873</u> | <u>816,917</u> | <u>114,975</u> | <u>1,673,671</u> |
| Net cash provided by operating activities | <u>\$ 2,827,614</u> | <u>\$ 3,899,568</u> | <u>\$ 219,517</u> | <u>\$ 284,793</u> | <u>\$ 7,231,492</u> |

The accompanying notes are an integral
part of these financial statements.

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CITY OF HONDO, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hondo, Texas ("City") was incorporated in 1942 under the provisions of the State of Texas. The City operates under a Home Rule Charter adopted May 12, 2007. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Based on these criteria, the financial information of the following entity has been blended within the financial statements.

Blended Component Unit

The City exerts significant control over the Economic Development Corporation (EDC), a legally separate entity. The EDC uses the taxing authority of the City and provides services almost exclusively to the City and its constituents. This poses a significant benefit to the City. The Component Unit's governing body is substantially the same as the governing body of the primary government. The City Council appoints all members of the Board, approves the Budget, and is charged with hiring and firing of EDC employees. In addition, management of the City has operational responsibility for the component unit. The City is entitled to and can otherwise access all of the resources of the EDC. This qualifies the EDC as a component unit, which is recorded as a separate Special Revenue Fund of the City, using the blended method described in the previous paragraph. The EDC collects a ½ cent sales tax to promote economic growth in the City of Hondo. The EDC does not issue separate financial statements.

B. Government-wide Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Culture and Recreation, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund-based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All of the City's proprietary funds are all major funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are aggregated in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of this report.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the component unit. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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 level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In applying the susceptible to accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Generally, monies must be expended on a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. Ad valorem taxes are recognized as revenues in the year for which they are levied. Sales taxes, other taxes, charges for services and fines are recognized as revenue as earned, when measurable and available. Licenses, permits, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the personnel services, materials and supplies, contractual services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column. However, interfund services provided and used are not eliminated in the process of consolidation.

Governmental Funds

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales taxes, and payments in lieu of taxes from proprietary funds. Primary expenditures are for general administration, public safety, recreation, and public works.

The **General Capital Projects Fund** is used to account for financial resources to be used for the acquisition or major construction of major capital facilities.

The **2024 Bonds Fund** is used to account for financial resources to be used for the acquisition or major construction of major capital facilities approved with 2024 Bonds.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the major proprietary funds of the City:

The **Electric Utility Fund** accounts for the City owned electric distribution system and is in charge of the electrical supply to the City's customers.

The **Water and Sewer Fund** accounts for the activities associated with providing water and sewer utility services primarily to residents of the City of Hondo.

The **Airport Fund** accounts for transactions related to the South Texas Regional Airport at Hondo and those related to the property given to the City by the War Assets Department in 1948, i.e. the Old Army Airfield.

The **Sanitation Utility Fund** accounts for the activities associated with providing sanitation utility services to customers.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents and restricted cash

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash is reported as restricted only if the restriction on the cash is narrower than the purpose of the fund as a whole. For the City, these balances generally consist of the cemetery trust and unspent bond proceeds for specific projects.

Proceeds from the sale of burial plots are permanently restricted in the Perpetual Care permanent fund. The principal may not be spent for any purpose. Earnings on these balances may be used to maintain the cemetery.

Restricted cash reported in the Water and Sewer Fund represents unspent 2017 Series bond proceeds, which are restricted for plant improvements. The cash is held in an escrow account controlled by the Texas Water Development Board and is released on a reimbursement basis.

2. Investments

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit and qualifying external investment pools which are carried at amortized cost.

3. Property Taxes and Other Receivables

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2023 and past due after January 31, 2024. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectibles in the General and Debt Service funds.

Assessed values are established by the Medina County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2024, upon which the fiscal 2024 levy was based, was \$465 million (i.e., market value less exemptions).

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. The combined tax rate to finance general governmental services, including the payment of principal and interest on tax value. The City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts.

4. *Inventories and Prepaid Items*

Inventories are valued at average cost on a first-in, first-out basis. Inventories in the General Fund are recorded using the consumption method (i.e., recorded as an expenditure when used rather than when purchased).

Prepaid items are payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A corresponding portion of fund balance is shown as nonexpendable in governmental funds to indicate it is not available for other subsequent expenditures. Prepaid items are defined as payments that benefit future periods. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. *Capital Assets*

Capital assets, which include land, buildings and improvements, equipment, infrastructure and right to use assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more and a useful life in excess of 1 year. Infrastructure assets include City-owned streets, sewer, sidewalks, curbs, and utilities. Capital assets are recorded at historical costs if purchased or constructed. Donated works of art and capital assets received in a service concession arrangement are reported at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--|--------------|
| Buildings and improvements | 10 - 40 |
| Streets, utilities, and infrastructure | 10 - 60 |
| Furniture, fixtures, and vehicles | 5 - 30 |
| Right to use - vehicles and equipment | 2 - 5 |

6. *Deferred Inflows and Outflows of Resources*

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents acquisition of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Differences between expected and actual economic experience for the City's pension plan— These effects on the pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).
- Changes in actuarial assumptions and other inputs included in determining the pension and OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents a consumption of net assets that applies to future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The City has unavailable revenue associated with property taxes, grants, and court fines.

In addition, the City has deferred inflows of resources which are required to be reported on the Statements of Net Position under the full accrual basis of accounting. Deferred inflows of resources reported in the Statements of Net Position are as follows:

- Differences between expected and actual economic experience for the City's pension and OPEB plan – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees).
- Changes in actuarial assumptions and other inputs included in determining the OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Unavailable revenue – Receivables not collected soon enough to pay or the current period's expenditures. This item arises only under the modified accrual basis of accounting.
- Deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.

7. Compensated Absences

Full-time employees earn vacation leave at varying rates depending on the length of service. No more than 80 hours may be carried over annually based on the employee's anniversary date. Accumulated vacation leave is paid on termination up to 120 hours. Full-time employees earn sick leave at 10 hours per month up to a maximum of 320 hours. Unused sick leave is not paid upon termination.

Liabilities for compensated absences are recognized in the fund statements only to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements.

8. Long-term Debt

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

9. *Leases*

The City has entered into various lease agreements as either lessee or lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

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

10. *Pensions*

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

11. *Other Postemployment Benefits (OPEB)*

The total OPEB liability (and related deferred inflows and outflows of resources) and OPEB expense of the TMRS supplemental death benefits fund, have been determined on the same basis as they are reported by TMRS.

The total OPEB liability (and related deferred inflows and outflows of resources) and OPEB expense of the retiree insurance plan, have been determined on the economic resources measurement focus. There are no trusts for these plans as they are pay as you go. On the government-wide and proprietary statements, a liability is recorded for the present value of future benefits. In the governmental funds, a liability is recorded only to the extent benefits are due and payable.

12. *Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City Manager and Finance Director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

13. *Fund balance flow assumptions*

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

14. *Net position flow assumption*

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

15. *Change in Accounting Principle*

During fiscal year 2024, the City adopted the following new accounting guidance:

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, was adopted effective October 1, 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Compliance

For the year ended September 30, 2024, expenditures exceeded appropriations in the following departments:

- General Fund – General Government – Tax and Blue Santa by \$23 and \$1,126, respectively
- General Fund – Public Safety – Emergency by \$691
- General Fund – Culture and Recreation – Library by \$8,030

- General Fund – Public Works – Administration by \$2,599
- General Fund – Debt Service – Principal and Interest by \$36,267

These excess expenditures were funded by greater than anticipated revenues and/or available fund balance.

III. DEPOSITS AND INVESTMENTS

A. Deposits

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2024, the carrying amount of the City's deposits were fully collateralized.

B. Investments

The City's investments at September 30, 2024 consist of \$12,885,750 in certificates of deposit covered by pledged securities from the City's depository. The certificates are reported at amortized cost.

C. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures. The City has reviewed its risk exposure and does not believe it is exposed to significant credit risk, custodial credit risk, or concentration of credit risk.

IV. RECEIVABLES

Amounts other than leases receivable are aggregated into a single accounts receivable (net of allowance for doubtful accounts) line for certain funds and aggregated columns. Below is the detail of receivables for the major funds and the nonmajor governmental funds in the aggregate, including the applicable allowances for doubtful accounts:

| | General | Nonmajor Governmental | Total |
|-----------------------------------|-------------------|--------------------------|-------------------|
| Property Taxes | \$ 125,097 | \$ 56,869 | \$ 181,966 |
| Sales and Mixed Beverage | 237,942 | 118,522 | 356,464 |
| Franchise Fees | 16,503 | - | 16,503 |
| Hotel Occupancy | - | 29,843 | 29,843 |
| Court Fines | 444,867 | - | 444,867 |
| Other Receivables | 18,283 | 31,599 | 49,882 |
| Less Allowance for Uncollectibles | (428,110) | (16,443) | (444,553) |
| Total | <u>\$ 414,582</u> | <u>\$ 220,390</u> | <u>\$ 634,972</u> |

Below is the detail of receivables for the proprietary funds in the aggregate, including the applicable allowances for doubtful accounts:

| | Water and Sewer | Electric Utility | Airport | Sanitation | Total |
|-----------------------------------|---------------------|---------------------|------------------|-------------------|---------------------|
| Sales Taxes | \$ - | \$ 38,242 | \$ - | \$ 10,340 | \$ 48,582 |
| Customer Charges | 1,302,825 | 3,050,549 | 108,041 | 161,410 | 4,622,825 |
| Other Receivables | 113 | 3,270 | - | - | 3,383 |
| Less Allowance for Uncollectibles | (27,890) | (144,702) | (24,530) | (20,905) | (218,027) |
| Total | <u>\$ 1,275,048</u> | <u>\$ 2,947,359</u> | <u>\$ 83,511</u> | <u>\$ 150,845</u> | <u>\$ 4,456,763</u> |

Leases Receivable

The primary objective of GASB 87, Leases, is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

A summary of the City's lease receivables as of September 30, 2024 is as follows:

| Purpose of Lease | Interest Rate | Amount of Initial Lease Receivable | Interest Current Year | Additions Current Year | Reductions Current Year | Amounts Receivable 9/30/24 |
|------------------|----------------|------------------------------------|-----------------------|------------------------|-------------------------|----------------------------|
| Right to Use: | | | | | | |
| Land | 0.632%-1.8710% | \$ 262,608 | \$ 2,812 | \$ - | \$ 66,847 | \$ 195,761 |
| Buildings | 0.213%-1.8710% | <u>3,673,821</u> | <u>64,302</u> | <u>181,053</u> | <u>190,859</u> | <u>3,664,015</u> |
| Totals | | <u>\$ 3,936,429</u> | <u>\$ 67,114</u> | <u>\$ 181,053</u> | <u>\$ 257,706</u> | <u>\$ 3,859,776</u> |

Future principal and interest to be received are as follows:

| Year Ending September 30, | Principal | Interest |
|---------------------------|---------------------|-------------------|
| 2025 | \$ 293,822 | \$ 63,013 |
| 2026 | 297,997 | 58,839 |
| 2027 | 230,384 | 54,600 |
| 2028 | 176,545 | 51,239 |
| 2029 | 179,515 | 48,269 |
| 2030 - 2034 | 926,932 | 195,231 |
| 2035 - 2039 | 943,584 | 115,746 |
| 2040 - 2044 | 359,805 | 58,665 |
| 2045 - 2049 | 373,305 | 25,311 |
| 2050 | <u>77,887</u> | <u>787</u> |
| Total | <u>\$ 3,859,776</u> | <u>\$ 671,700</u> |

V. CAPITAL ASSETS

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

Primary Government

| | Beginning Balance | Additions | Transfers and Retirements | Ending Balance |
|---|----------------------|---------------------|------------------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 628,148 | \$ - | \$ - | \$ 628,148 |
| Construction in progress | 430,685 | 3,755,912 | - | 4,186,597 |
| Total assets not being depreciated | <u>1,058,833</u> | <u>3,755,912</u> | <u>-</u> | <u>4,814,745</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 10,526,618 | - | - | 10,526,618 |
| Infrastructure | 17,971,220 | - | - | 17,971,220 |
| Vehicles and equipment | 4,073,555 | 818,996 | - | 4,892,551 |
| Right to use - vehicles and equipment | 123,498 | - | (5,985) | 117,513 |
| Total capital assets being depreciated | <u>32,694,891</u> | <u>818,996</u> | <u>(5,985)</u> | <u>33,507,902</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (4,013,094) | (265,076) | - | (4,278,170) |
| Infrastructure | (12,886,508) | (448,641) | - | (13,335,149) |
| Vehicles and equipment | (2,748,562) | (404,596) | - | (3,153,158) |
| Right to use - vehicles and equipment | (72,083) | (35,623) | 5,985 | (101,721) |
| Total accumulated depreciation | <u>(19,720,247)</u> | <u>(1,153,936)</u> | <u>5,985</u> | <u>(20,868,198)</u> |
| Total capital assets being depreciated, net | <u>12,974,644</u> | <u>(334,940)</u> | <u>-</u> | <u>12,639,704</u> |
| Governmental activities capital assets, net | <u>\$ 14,033,477</u> | <u>\$ 3,420,972</u> | <u>\$ -</u> | <u>\$ 17,454,449</u> |

| | Beginning Balance | Additions | Transfers and Retirements | Ending Balance |
|--|----------------------|---------------------|------------------------------|----------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,284,449 | \$ - | \$ - | \$ 2,284,449 |
| Water rights | 199,541 | - | - | 199,541 |
| Construction in progress | 2,818,125 | 2,728,604 | - | 5,546,729 |
| Total assets not being depreciated | <u>5,302,115</u> | <u>2,728,604</u> | <u>-</u> | <u>8,030,719</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 19,164,586 | - | - | 19,164,586 |
| Infrastructure | 27,976,510 | 423,740 | - | 28,400,250 |
| Vehicles and equipment | 2,809,281 | - | - | 2,809,281 |
| Right to use | 70,033 | 19,344 | - | 89,377 |
| Total capital assets being depreciated | <u>50,020,410</u> | <u>443,084</u> | <u>-</u> | <u>50,463,494</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (8,740,091) | (448,562) | - | (9,188,653) |
| Infrastructure | (13,778,723) | (521,942) | - | (14,300,665) |
| Vehicles and equipment | (1,938,418) | (259,530) | - | (2,197,948) |
| Right to use | (30,677) | (17,974) | - | (48,651) |
| Total accumulated depreciation | <u>(24,487,909)</u> | <u>(1,248,008)</u> | <u>-</u> | <u>(25,735,917)</u> |
| Total capital assets being depreciated, net | <u>25,532,501</u> | <u>(804,924)</u> | <u>-</u> | <u>24,727,577</u> |
| Business-type activities capital assets, net | <u>\$ 30,834,616</u> | <u>\$ 1,923,680</u> | <u>\$ -</u> | <u>\$ 32,758,296</u> |

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 277,903 |
| Public safety | 187,224 |
| Public works | 480,514 |
| Culture and recreation | <u>208,295</u> |
| Total depreciation expense - governmental activities | <u>\$ 1,153,936</u> |
| Business-type activities: | |
| Electric utility | \$ 135,515 |
| Water and sewer | 598,567 |
| Airport | <u>513,926</u> |
| Total depreciation expense - business-type activities | <u>\$ 1,248,008</u> |

VI. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2024, is as follows:

Due to/from Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|----------------------|
| General | Airport | \$ 69,039 |
| Nonmajor Governmental | Airport | 588,840 |
| Water & Sewer | 2024 Bonds | 9,331,451 |
| Electric Fund | 2024 Bonds | 547,815 |
| Airport | 2024 Bonds | <u>214,858</u> |
| | | <u>\$ 10,752,003</u> |

Interfund balances for all of the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid in one year or less.

Interfund Transfers

Interfund transfers during the year ending September 30, 2024 were as follows:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> | <u>Purpose</u> |
|--------------------|----------------------|---------------------|-------------------------------|
| General Fund | Economic Development | \$ 30,000 | EDC IT |
| General Fund | Perpetual Care | 60,000 | Cemetery maintenance |
| General Fund | Water & Sewer | 2,436,359 | General administration |
| General Fund | Electric Utility | 3,012,488 | General administration |
| General Fund | Airport | 44,791 | General administration |
| General Fund | Sanitation | 154,500 | General administration |
| Nonmajor | General Fund | 10,000 | Debt Service & Administration |
| Nonmajor | Nonmajor | 222,573 | General administration |
| Water and Sewer | Nonmajor | 220,829 | Grant related |
| Airport | Water and Sewer | <u>64,747</u> | General administration |
| | | <u>\$ 6,256,287</u> | |

VII. LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2024:

| | Balance 9/30/2023 | Increases | Reductions | Balance 9/30/2024 | Due Within One Year |
|---|----------------------|----------------------|---------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| General obligation bonds - | | | | | |
| Private placement | \$ 847,470 | \$ - | \$ (234,030) | \$ 613,440 | \$ 238,440 |
| Certificates of obligation - | | | | | |
| Private placement | 4,680,000 | - | (150,000) | 4,530,000 | 170,000 |
| Certificates of obligation - | | | | | |
| Competitive | - | 765,000 | - | 765,000 | 10,000 |
| Sales tax refunding bonds | 485,000 | - | (65,000) | 420,000 | 70,000 |
| Bond premium | 304,050 | 57,380 | (16,891) | 344,539 | - |
| Tax maintenance notes | 1,845,000 | - | (180,000) | 1,665,000 | 225,000 |
| Leases | 51,053 | - | (35,813) | 15,240 | 10,455 |
| Compensated absences | 85,077 | 27,672 | (11,602) | 101,147 | 20,229 |
| Total governmental long-term liabilities | <u>\$ 8,297,650</u> | <u>\$ 850,052</u> | <u>\$ (693,336)</u> | <u>\$ 8,454,366</u> | <u>\$ 744,124</u> |
| Business-type activities: | | | | | |
| General obligation bonds - | | | | | |
| Private placement | \$ 746,530 | \$ - | \$ (181,970) | \$ 564,560 | \$ 184,560 |
| Certificates of obligation - | | | | | |
| Private placement | 4,760,000 | - | (320,000) | 4,440,000 | 330,000 |
| Certificates of obligation - | | | | | |
| Competitive | - | 9,990,000 | - | 9,990,000 | 160,000 |
| Bond premium | - | 753,117 | - | 753,117 | - |
| Tax maintenance notes | 155,000 | - | (25,000) | 130,000 | 25,000 |
| Leases | 39,523 | 19,344 | (17,165) | 41,702 | 20,337 |
| Compensated absences | 17,444 | 8,081 | (5,054) | 20,471 | 4,094 |
| Total business-type long-term liabilities | <u>\$ 5,718,497</u> | <u>\$ 10,770,542</u> | <u>\$ (549,189)</u> | <u>\$ 15,939,850</u> | <u>\$ 723,991</u> |

Accrued Compensated Absences

Accrued compensated absences are payable from the fund responsible for the employee's compensation. The liability attributed to governmental activities at September 30, 2024, significantly all is payable from the General Fund.

Net Pension Liability and Total Other Post Employment Benefit (OPEB) Liabilities

When these liabilities are liquidated for governmental activities, the General Fund will be primarily responsible.

Bonds Payable

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General Obligation Refunding Bonds, Series 2014

The City issued \$1,672,000 in general obligation bonds in May 2014 to refund the majority of the Certificates of Obligation, Series 2005. The debt service on the 2014 series will be paid in the same ratio as the series 2005 bonds: 63% General Fund and 37% Water/Sewer utility. The bonds mature serially through February 1, 2025 and bear interest at rates between 0.95% and 3.15%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015

In December 2015, the City issued \$3,450,000 in bonds: \$2.03 million for library construction to be repaid with property taxes and \$1.42 million for water utility improvements to be repaid with excess utility revenues. The bonds mature serially through August 1, 2035 and bear interest of 0.67% and 3.62%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

General Obligation Refunding Bonds, Series 2016

In November 2016, the City issued \$2,635,000 in bonds to refund series 2007. All of the funds originally involved in the 2007 bonds are to service the same percentage of the 2016 bonds: General Fund (Debt Service) (27%), Electric Utility (22%), Water/Sewer Utility (22%), Airport (7%) and Economic Development Corporation (22%). The bonds mature serially through February 1, 2027 and bear interest at rates between 0.963% and 2.012%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2017

In January 2017, the City issued \$5,470,000 in bonds through the Texas Water Development Board's Drinking Water State Revolving Fund for water and sewer plant improvements. The bonds will be serviced by the Water & Sewer Fund, mature serially through August 1, 2036 and bear interest at rates between 0.11% and 2.92%. The proceeds are held in an escrow account and released by the TWDB upon approved outlay requests. The unspent proceeds are reported as restricted cash on the Statement of Net Position. These bonds were privately placed through the Texas TWDB and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021

In September 2021, the City issued \$3,725,000 in bonds to reconstruct streets and to be repaid with property taxes. The bonds mature serially through February 1, 2041 and bear interest at a rate of 3.00%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Sales Tax Revenue Refunding Bonds, Taxable Series 2021

In October 2021, the City (through the Economic Development Corporation) issued \$615,000 in bonds to fully refund the Sales Tax Revenue Bonds, Series 2010. The debt service on the 2021 series will be paid in the same ratio as the series 2010 bonds: 100% Economic Development Corporation. The bonds mature serially through February 1, 2030 and bear interest at rate of 2.00%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Tax Maintenance Notes, Series 2022

In March 2022, the City issued \$685,000 in bonds to finance the purchase of vehicles, machinery and equipment for various City purposes, such as animal control, information technology and costs associated with the City's Public Works Department and to be repaid with property taxes. The bonds mature serially through February 1, 2029 and bear interest at a rate between 1.07% and 1.89%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Tax Maintenance Notes, Series 2022A

In October 2022, the City issued \$1,455,000 in to finance the costs associated with acquiring and equipping vehicles for various City purposes, including police, security applications and communications hardware, including radios, IT systems equipment and renovation of City Hall, which includes judicial facilities, and AMI meters for the City's utility system and to be repaid with property taxes. The bonds mature serially through February 1, 2029 and bear interest at a rate between 3.06% and 3.29%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Revenue Certificates of Obligation, Series 2024

In February 2024, the City issued \$10,755,000 in bonds to finance the construction of street improvements, City facilities, including the City's existing Fair Hall and airport, extending the City's utility system, acquiring real property, and renovating community parks. The bonds mature serially through February 1, 2044 and bear interest rates between 4% and 5%.

Changes in Bonds Payable

| | Balance 9/30/2023 | Increases | Reductions | Balance 9/30/2024 | Due Within One Year |
|----------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable | | | | | |
| 2014 Series - private placement | \$ 232,470 | \$ - | \$ (114,030) | \$ 118,440 | \$ 118,440 |
| 2015 Series - private placement | 1,075,000 | - | (75,000) | 1,000,000 | 80,000 |
| 2016 Series - private placement | 615,000 | - | (120,000) | 495,000 | 120,000 |
| 2021 Series - private placement | 4,090,000 | - | (140,000) | 3,950,000 | 160,000 |
| 2022 Series - private placement | 595,000 | - | (95,000) | 500,000 | 95,000 |
| 2022A Series - private placement | 1,250,000 | - | (85,000) | 1,165,000 | 130,000 |
| 2024 Series - competitive | - | 765,000 | - | 765,000 | 10,000 |
| Total governmental activities | <u>\$ 7,857,470</u> | <u>\$ 765,000</u> | <u>\$ (629,030)</u> | <u>\$ 7,993,440</u> | <u>\$ 713,440</u> |
| Business-type activities: | | | | | |
| Bonds payable | | | | | |
| 2014 Series - private placement | 136,530 | - | (66,970) | 69,560 | 69,560 |
| 2015 Series - private placement | 935,000 | - | (65,000) | 870,000 | 70,000 |
| 2016 Series - private placement | 610,000 | - | (115,000) | 495,000 | 115,000 |
| 2017 Series - private placement | 3,825,000 | - | (255,000) | 3,570,000 | 260,000 |
| 2022A Series - private placement | 155,000 | - | (25,000) | 130,000 | 25,000 |
| 2024 Series - competitive | - | 9,990,000 | - | 9,990,000 | 160,000 |
| Total business-type activities | <u>\$ 5,661,530</u> | <u>\$ 9,990,000</u> | <u>\$ (526,970)</u> | <u>\$ 15,124,560</u> | <u>\$ 699,560</u> |

The annual requirements to amortize all private placement long-term debt and obligations outstanding as of September 30, 2024, including interest payments, are as follows:

| <u>Governmental Activities - Private Placement</u> | | |
|--|---------------------|---------------------|
| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ 703,440 | \$ 196,437 |
| 2026 | 805,000 | 176,931 |
| 2027 | 1,035,000 | 162,542 |
| 2028 | 640,000 | 133,766 |
| 2029 | 655,000 | 114,380 |
| 2030-2034 | 1,575,000 | 404,319 |
| 2035-2039 | 1,290,000 | 173,376 |
| 2040-2044 | 525,000 | 15,824 |
| Total | <u>\$ 7,228,440</u> | <u>\$ 1,377,575</u> |

| <u>Governmental Activities - Competitive</u> | | |
|--|-------------------|-------------------|
| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ 10,000 | \$ 50,451 |
| 2026 | 25,000 | 33,575 |
| 2027 | 25,000 | 32,325 |
| 2028 | 30,000 | 30,950 |
| 2029 | 30,000 | 29,450 |
| 2030-2034 | 165,000 | 123,625 |
| 2035-2039 | 215,000 | 77,025 |
| 2040-2044 | 265,000 | 27,100 |
| Total | <u>\$ 765,000</u> | <u>\$ 404,501</u> |

| <u>Business-type Activities - Private Placement</u> | | |
|---|---------------------|-------------------|
| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ 539,560 | \$ 132,687 |
| 2026 | 545,000 | 121,027 |
| 2027 | 560,000 | 56,550 |
| 2028 | 375,000 | 102,129 |
| 2029 | 390,000 | 92,800 |
| 2030-2034 | 1,955,000 | 313,832 |
| 2035-2039 | 770,000 | 50,736 |
| Total | <u>\$ 5,134,560</u> | <u>\$ 869,761</u> |

| <u>Business-type Activities - Competitive</u> | | |
|---|---------------------|---------------------|
| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ 160,000 | \$ 658,029 |
| 2026 | 325,000 | 436,975 |
| 2027 | 340,000 | 420,350 |
| 2028 | 355,000 | 402,975 |
| 2029 | 375,000 | 384,725 |
| 2030-2034 | 2,195,000 | 1,613,375 |
| 2035-2039 | 2,795,000 | 1,003,450 |
| 2040-2044 | 3,445,000 | 355,900 |
| Total | <u>\$ 9,990,000</u> | <u>\$ 5,275,779</u> |

Leases Payable

The primary objective of this GASB 87, Leases, is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

A summary of the governmental and business-type lease payables as of September 30, 2024, is as follows:

| <u>Purpose of Lease - Governmental</u> | <u>Interest Rate</u> | <u>Initial Year of Lease</u> | <u>Amount of Initial Lease Liability</u> | <u>Interest Current Year</u> | <u>Amounts Outstanding 9/30/24</u> |
|--|----------------------|------------------------------|--|------------------------------|------------------------------------|
| Right to Use: | | | | | |
| NeoPost Postage Machine | 0.328% | 2021 | 7,190 | \$ 8 | \$ 1,032 |
| Xerox Printers/Copiers | 2.093% | 2022 | 36,985 | 402 | 14,208 |
| Totals | | | | <u>\$ 410</u> | <u>\$ 15,240</u> |

| <u>Purpose of Lease - Business-type</u> | <u>Interest Rate</u> | <u>Initial Year of Lease</u> | <u>Amount of Initial Lease Liability</u> | <u>Interest Current Year</u> | <u>Amounts Outstanding 9/30/24</u> |
|---|----------------------|------------------------------|--|------------------------------|------------------------------------|
| Right to Use: | | | | | |
| Airport Refueler | 0.475% | 2021 | \$ 55,704 | \$ 122 | \$ 18,634 |
| Xerox Printers/ Copiers | 2.093% | 2022 | 12,328 | 134 | 4,736 |
| NeoPost Mail Sorter Lease Copy | 0.248% | 2024 | 19,344 | 12 | 18,332 |
| Totals | | | | <u>\$ 268</u> | <u>\$ 41,702</u> |

A lease payments maturity are as follows:

| <u>Year Ending September 30,</u> | <u>Governmental Activities - Leases</u> | |
|----------------------------------|---|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ 10,455 | \$ 209 |
| 2026 | 4,785 | 29 |
| Total | <u>\$ 15,240</u> | <u>\$ 238</u> |

| <u>Year Ending September 30,</u> | <u>Business-type Activities - Leases</u> | |
|----------------------------------|--|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ 20,337 | \$ 171 |
| 2026 | 11,155 | 48 |
| 2027 | 4,076 | 22 |
| 2028 | 4,086 | 11 |
| 2029 | 2,048 | 2 |
| Total | <u>\$ 41,702</u> | <u>\$ 254</u> |

VIII. DEFINED BENEFIT PENSION PLAN

Plan Description. The City participates as one of 934 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 does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

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

At retirement, the member's benefit is calculated as the sum of the member's contributions, with interest, and the city-financed monetary credits with interest. The retiring member may select one of seven 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 | 85 |
| Inactive employees entitled to but not yet receiving benefits | 126 |
| Active employees | <u>111</u> |
| Total | <u><u>322</u></u> |

Contributions. The contribution rates for employees 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 contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 12.55% and 14.09% in the calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$878,404, and were equal to the required contributions.

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 net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|-------------------|---|
| Global Equity | 35.0% | 6.7% |
| Core Fixed Income | 6.0% | 4.7% |
| Non-Core Fixed Income | 20.0% | 8.0% |
| Other Public and Private Markets | 12.0% | 8.0% |
| Real Estate | 12.0% | 7.6% |
| Hedge Funds | 5.0% | 6.4% |
| Private Equity | 10.0% | 11.6% |
| Total | 100.0% | |

Discount Rate

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

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|-------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| | (a) | (b) | (a) - (b) |
| Balance at 12/31/2022 | \$ 20,671,178 | \$ 17,053,814 | \$ 3,617,364 |
| Changes for the year: | | | |
| Service cost | 954,175 | - | 954,175 |
| Interest | 1,394,413 | - | 1,394,413 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | 87,785 | - | 87,785 |
| Changes of assumptions | (187,058) | - | (187,058) |
| Contributions - employer | - | 697,837 | (697,837) |
| Contributions - employee | - | 389,232 | (389,232) |
| Net investment income | - | 1,970,791 | (1,970,791) |
| Benefit payments, including refunds of employee contributions | (980,583) | (980,583) | - |
| Administrative expense | - | (12,557) | 12,557 |
| Other changes | - | (86) | 86 |
| Net changes | 1,268,732 | 2,064,634 | (795,902) |
| Balance at 12/31/2023 | <u>\$ 21,939,910</u> | <u>\$ 19,118,448</u> | <u>\$ 2,821,462</u> |

Sensitivity of the Net Pension Liability to changes in the discount rate:

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

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|-----------------------------|--|--------------------------|--|
| City's net pension asset | \$ 6,205,751 | \$ 2,821,462 | \$ 100,912 |

Pension Plan Fiduciary Net Position

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

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 expense of \$620,889.

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 | \$ 55,979 | \$ 19,905 |
| Changes in actuarial assumptions | - | 119,283 |
| Difference between projected and actual investment earnings | 476,557 | - |
| Contributions subsequent to the measurement date | 706,738 | - |
| Total | <u>\$ 1,239,274</u> | <u>\$ 139,188</u> |

\$706,738 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as an increase of the net pension asset for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| For the Year Ended September 30, | |
|--|-----------|
| 2025 | \$ 69,187 |
| 2026 | 124,050 |
| 2027 | 364,042 |
| 2028 | (163,931) |

Defined Other Post-Employment Benefit Plans

TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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 employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 62 |
| Inactive employees entitled to but not yet receiving benefits | 18 |
| Active members | <u>111</u> |
| Total | <u>191</u> |

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.35% for 2023 and 0.34% for 2024, of which 0.16%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered-employee payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2023 and 2024 were \$8,520 and \$10,214 respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

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

| | |
|----------------------------|------------------------------------|
| Inflation rate | 2.50% per annum |
| Discount rate | 3.77% |
| Projected salary increases | 3.6% to 11.85% including inflation |

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68. Salary increases were based on a service-related table.

Mortality rates for active members, retirees, and beneficiaries were based on the 2019 Municipal Retirees of Texas Mortality Tables. 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). For disabled annuitants, the 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who became 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 actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both active employees and retirees, and the assets are not segregated for these groups. As such, a single discount rate of 3.77% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2023.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.77%) in measuring the total OPEB liability.

| | 1% Decrease in Discount Rate (2.77%) | Discount Rate (3.77%) | 1% Increase in Discount Rate (4.77%) |
|-----------------------------|---|-----------------------|---|
| City's total OPEB liability | \$ 407,717 | \$ 341,403 | \$ 289,322 |

OPEB Liability, Expense, and Deferred Outflows of Resources Related to OPEB. The City's total OPEB liability of \$341,403 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date. For the year ended September 30, 2024, the City recognized OPEB expense of \$15,239. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

| | Increase (Decrease) Total OPEB Liability (a) |
|---|---|
| Balance at 12/31/2022 | \$ 310,872 |
| Changes for the year: | |
| Service cost | 15,569 |
| Interest | 12,725 |
| Difference between expected and actual experience | (6,842) |
| Changes of assumptions | 17,976 |
| Benefit payments | (8,897) |
| Net changes | 30,531 |
| Balance at 12/31/2023 | <u>\$ 341,403</u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 4.05% to 3.77%.

At September 30, 2024, the City reported deferred outflows 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 | \$ - | \$ 17,001 |
| Changes in actuarial assumptions | 37,901 | 95,218 |
| Contributions subsequent to the measurement date | 8,025 | - |
| Total | <u>\$ 45,926</u> | <u>\$ 112,219</u> |

\$8,025 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, 2025. Other amounts of the reported as deferred outflows and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

| For the Year Ended September 30, | |
|--|-------------|
| 2025 | \$ (17,027) |
| 2026 | (29,059) |
| 2027 | (29,662) |
| 2028 | 1,430 |

IX. EDUCATION FACILITY CORPORATIONS

On August 6, 2013, the City created the City of Hondo, Texas Higher Education Facilities Corporation (HHEFC), a nonprofit corporation under Section 53.35(b) of The Texas Education code. The HHEFC was established for the purpose of assisting in the financing of accredited primary and secondary schools as provided by state law. In accordance with the terms establishing the nonprofit corporation, the City is not liable for any expenses incurred in establishing or administering the HHEFC. The HHEFC is not consolidated into the financial statements of the City because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards. As of September 30, 2024, the HHEFC had issued three series of bonds:

| <u>Issue</u> | <u>Original Principal</u> | <u>Amount Outstanding</u> | <u>Maturity</u> |
|--------------|---------------------------|---------------------------|-----------------|
| 2013 Series | \$ 2,500,000 | \$ 2,500,000 | 2029 |
| 2016 Series | 5,000,000 | 3,797,000 | 2036 |
| 2019 Series | 5,000,000 | 4,562,500 | 2025 |

X. COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various other claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City’s liability in these cases, if decided adversely to the City, will not have a material effect on the City’s financial position.

XI. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to \$1,000,000.

XII. ACCOUNTING CHANGES AND ERROR CORRECTIONS

During the year the City had changes within the financial reporting entity:

1. The Economic Development Fund and the American Rescue Plan Fund were previously reported as major governmental funds and are now reported a nonmajor funds.

The changes in classification are required based on quantitative factors.

XIII. SIGNIFICANT FORTHCOMING STANDARDS

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF HONDO, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|------------------------------|------------------|------------------|------------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Property tax | \$ 1,321,032 | \$ 1,321,032 | \$ 1,372,635 | \$ 51,603 |
| Sales tax | 1,350,000 | 1,350,000 | 1,393,448 | 43,448 |
| Other taxes | 86,000 | 86,000 | 80,242 | (5,758) |
| Licenses and permits | 214,500 | 264,500 | 292,714 | 28,214 |
| Intergovernmental | 617,122 | 772,422 | 763,965 | (8,457) |
| Charges for services | 401,122 | 401,122 | 446,089 | 44,967 |
| Fines and forfeitures | 62,900 | 62,900 | 292,512 | 229,612 |
| Investment income | 300,500 | 300,500 | 307,660 | 7,160 |
| Miscellaneous | 27,500 | 27,500 | 33,626 | 6,126 |
| Total revenues | <u>4,380,676</u> | <u>4,585,976</u> | <u>4,982,891</u> | <u>396,915</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | | | | |
| Council | 46,600 | 46,600 | 37,079 | 9,521 |
| Administration | 694,240 | 704,241 | 541,406 | 162,835 |
| Tax | 39,583 | 39,583 | 39,606 | (23) |
| Finance | 390,843 | 438,642 | 429,852 | 8,790 |
| Code compliance | 474,141 | 527,541 | 486,912 | 40,629 |
| City secretary | 129,587 | 136,837 | 104,532 | 32,305 |
| Nonprofits | 21,880 | 21,880 | 17,380 | 4,500 |
| Human resources | 116,120 | 116,120 | 112,363 | 3,757 |
| Information technology | 672,382 | 683,465 | 647,755 | 35,710 |
| Grants | 441,450 | 609,899 | 609,898 | 1 |
| Blue santa | - | - | 1,126 | (1,126) |
| Total general government | <u>3,026,826</u> | <u>3,324,808</u> | <u>3,027,909</u> | <u>296,899</u> |
| Public safety | | | | |
| Police | 2,906,259 | 2,830,837 | 2,785,198 | 45,639 |
| Emergency | 15,846 | 22,846 | 23,537 | (691) |
| Animal control | 216,863 | 216,863 | 192,680 | 24,183 |
| Total public safety | <u>3,138,968</u> | <u>3,070,546</u> | <u>3,001,415</u> | <u>69,131</u> |
| Judicial | | | | |
| Municipal court | 221,117 | 173,318 | 159,192 | 14,126 |
| Total judicial | <u>221,117</u> | <u>173,318</u> | <u>159,192</u> | <u>14,126</u> |
| Culture and recreation | | | | |
| Library | 442,515 | 450,730 | 458,760 | (8,030) |
| Parks | 866,029 | 888,929 | 828,962 | 59,967 |
| Recreation | 756,672 | 756,672 | 655,229 | 101,443 |
| Golf | 341,660 | 341,660 | 281,699 | 59,961 |
| Total culture and recreation | <u>2,406,876</u> | <u>2,437,991</u> | <u>2,224,650</u> | <u>213,341</u> |
| Public works | | | | |
| Streets | 982,594 | 998,694 | 913,217 | 85,477 |
| Buildings and grounds | 552,136 | 552,136 | 500,648 | 51,488 |
| Public works administration | 317,107 | 247,107 | 249,706 | (2,599) |
| Total public works | <u>1,851,837</u> | <u>1,797,937</u> | <u>1,663,571</u> | <u>134,366</u> |

CITY OF HONDO, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Debt Service | | | | |
| Principal | \$ - | \$ - | \$ 35,813 | \$ (35,813) |
| Interest | - | - | 454 | (454) |
| Total debt service | <u>-</u> | <u>-</u> | <u>36,267</u> | <u>(36,267)</u> |
| Capital outlay | <u>956,070</u> | <u>1,181,017</u> | <u>721,024</u> | <u>459,993</u> |
| Total expenditures | <u>11,601,694</u> | <u>11,985,617</u> | <u>10,834,028</u> | <u>1,151,589</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>(7,221,018)</u> | <u>(7,399,641)</u> | <u>(5,851,137)</u> | <u>1,548,504</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 6,360,066 | 6,430,509 | 5,738,138 | (692,371) |
| Transfers out | (20,000) | (20,000) | (10,000) | 10,000 |
| Issuance of capital related debt | 880,952 | 907,027 | - | (907,027) |
| Insurance recoveries | <u>-</u> | <u>105,928</u> | <u>115,021</u> | <u>9,093</u> |
| Total other financing sources (uses) | <u>7,221,018</u> | <u>7,423,464</u> | <u>5,843,159</u> | <u>(1,580,305)</u> |
| NET CHANGE IN FUND BALANCES | - | 23,823 | (7,978) | (31,801) |
| FUND BALANCES, BEGINNING | <u>6,478,583</u> | <u>6,478,583</u> | <u>6,478,583</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 6,478,583</u> | <u>\$ 6,502,406</u> | <u>\$ 6,470,605</u> | <u>\$ (31,801)</u> |

CITY OF HONDO, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - TEXAS MUNICIPAL RETIREMENT SYSTEM**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Plan Year | 2014 | 2015 | 2016 |
|--|----------------------|----------------------|----------------------|
| A. Total pension liability | | | |
| Service Cost | \$ 380,720 | \$ 454,101 | \$ 451,176 |
| Interest (on the total pension liability) | 876,063 | 928,615 | 930,512 |
| Change in benefit terms including substantively automatic status | - | - | - |
| Difference between expected and actual experience | (9,620) | (333,876) | (147,843) |
| Changes of assumptions | - | 66,360 | - |
| Benefit payments, including refunds of employee contributions | <u>(530,190)</u> | <u>(536,015)</u> | <u>(652,613)</u> |
| Net change in total pension liability | 716,973 | 579,185 | 581,232 |
| Total pension liability - beginning | <u>12,589,918</u> | <u>13,306,891</u> | <u>13,886,076</u> |
| Total pension liability - ending (a) | <u>\$ 13,306,891</u> | <u>\$ 13,886,076</u> | <u>\$ 14,467,308</u> |
| B. Plan fiduciary net position | | | |
| Contributions - employer | \$ 367,137 | \$ 375,069 | \$ 361,571 |
| Contributions - employee | 191,417 | 199,868 | 199,981 |
| Net investment income | 652,089 | 17,814 | 819,014 |
| contributions | (530,190) | (536,015) | (652,613) |
| Administrative expense | (6,808) | (10,850) | (9,249) |
| Other | <u>(560)</u> | <u>(538)</u> | <u>(497)</u> |
| Net change in plan fiduciary net position | 673,085 | 45,348 | 718,207 |
| Plan fiduciary net position - beginning | <u>11,399,193</u> | <u>12,072,278</u> | <u>12,117,626</u> |
| Plan fiduciary net position - ending (b) | <u>12,072,278</u> | <u>12,117,626</u> | <u>12,835,833</u> |
| C. Net pension liability/(asset) - ending (a) - (b) | <u>\$ 1,234,613</u> | <u>\$ 1,768,450</u> | <u>\$ 1,631,475</u> |
| D. Plan fiduciary net position as a percentage of total pension liability | 90.72% | 87.26% | 88.72% |
| E. Covered payroll | \$ 3,828,342 | \$ 3,997,364 | \$ 3,869,430 |
| F. Net pension liability as a percentage of covered payroll | 32.25% | 44.24% | 42.16% |

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|--|---|---|---|---|
| \$ 529,405 966,146 | \$ 525,962 1,003,207 | \$ 536,045 1,052,133 | \$ 580,429 1,117,674 | \$ 571,407 1,157,171 | \$ 812,775 1,320,717 | \$ 954,175 1,394,413 |
| - (199,900) - | - (140,952) - | - 39,421 109,421 | - (166,323) - | - (24,144) - | 1,660,869 (55,250) - | - 87,785 (187,058) |
| <u>(837,486)</u> | <u>(652,242)</u> | <u>(684,644)</u> | <u>(891,818)</u> | <u>(992,432)</u> | <u>(1,133,721)</u> | <u>(980,583)</u> |
| 458,165 | 735,975 | 1,052,376 | 639,962 | 712,002 | 2,605,390 | 1,268,732 |
| <u>14,467,308</u> | <u>14,925,473</u> | <u>15,661,448</u> | <u>16,713,824</u> | <u>17,353,786</u> | <u>18,065,788</u> | <u>20,671,178</u> |
| <u>\$ 14,925,473</u> | <u>\$ 15,661,448</u> | <u>\$ 16,713,824</u> | <u>\$ 17,353,786</u> | <u>\$ 18,065,788</u> | <u>\$ 20,671,178</u> | <u>\$ 21,939,910</u> |
| \$ 388,643 221,323 1,778,722 (837,486) (9,220) (466) | \$ 398,019 222,300 (430,504) (652,242) (8,323) (436) | \$ 380,018 227,138 2,149,110 (684,644) (12,148) (365) | \$ 406,669 247,202 1,211,124 (891,818) (7,842) (307) | \$ 416,802 249,305 2,205,156 (992,432) (10,212) 70 | \$ 471,403 285,784 (1,370,937) (1,133,721) (11,875) 14,171 | \$ 697,837 389,232 1,970,791 (980,583) (12,557) (86) |
| 1,541,516 | (471,186) | 2,059,109 | 965,028 | 1,868,689 | (1,745,175) | 2,064,634 |
| <u>12,835,833</u> | <u>14,377,349</u> | <u>13,906,163</u> | <u>15,965,272</u> | <u>16,930,300</u> | <u>18,798,989</u> | <u>17,053,814</u> |
| <u>14,377,349</u> | <u>13,906,163</u> | <u>15,965,272</u> | <u>16,930,300</u> | <u>18,798,989</u> | <u>17,053,814</u> | <u>19,118,448</u> |
| <u>\$ 548,124</u> | <u>\$ 1,755,285</u> | <u>\$ 748,552</u> | <u>\$ 423,486</u> | <u>\$ (733,201)</u> | <u>\$ 3,617,364</u> | <u>\$ 2,821,462</u> |
| 96.33% | 88.79% | 95.52% | 97.56% | 104.06% | 82.50% | 87.14% |
| \$ 4,426,466 | \$ 4,445,998 | \$ 4,542,753 | \$ 4,944,033 | \$ 4,986,101 | \$ 5,026,435 | \$ 5,560,463 |
| 12.38% | 39.48% | 16.48% | 8.57% | -14.70% | 71.97% | 50.74% |

CITY OF HONDO, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Fiscal Year | 2015 | 2016 | 2017 |
|--|----------------|----------------|----------------|
| Actuarial determined contribution | \$ 374,593 | \$ 353,707 | \$ 387,082 |
| Contributions in relation to the actuarially determined contribution | <u>375,510</u> | <u>353,707</u> | <u>387,082</u> |
| Contribution deficiency (excess) | (917) | - | - |
| Covered payroll | 3,979,540 | 3,887,020 | 4,283,333 |
| Contributions as a percentage of covered payroll | 9.41% | 9.10% | 9.04% |

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31st and become effective in January, 13 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Normal |
| Remaining Amortization Period | Level Percentage of Payroll, Closed |
| Asset Valuation Method | 22 years |
| Inflation | 10 Year smoothed fair value; 12% soft corridor |
| Salary Increases | 2.50% |
| Investment Rate of Return | 3.60% to 11.85% including inflation |
| Retirement Age | 6.75% |
| Mortality | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. |
| Other Information | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |
| | There were no benefit changes during the year. |

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ 409,452 | \$ 381,972 | \$ 378,922 | \$ 455,991 | \$ 383,135 | \$ 711,515 | \$ 808,096 |
| <u>409,452</u> | <u>381,972</u> | <u>378,922</u> | <u>455,991</u> | <u>383,135</u> | <u>711,515</u> | <u>878,404</u> |
| - | - | - | - | | | (70,308) |
| 4,586,352 | 4,482,180 | 4,587,930 | 5,481,700 | 4,720,058 | 5,486,528 | 6,383,740 |
| 8.93% | 8.52% | 8.26% | 8.32% | 8.12% | 12.97% | 13.76% |

CITY OF HONDO, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
SUPPLEMENTAL DEATH BENEFIT

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Plan Year | 2017 | 2018 | 2019 |
|---|--------------------------|--------------------------|--------------------------|
| Total OPEB liability | | | |
| Service Cost | \$ 11,951 | \$ 13,338 | \$ 12,265 |
| Interest (on the total OPEB liability) | 9,304 | 9,615 | 10,314 |
| Difference between expected and actual experience | - | (12,219) | (9,076) |
| Changes of assumptions | 24,197 | (20,899) | 59,222 |
| Benefit payments | <u>(1,771)</u> | <u>(1,778)</u> | <u>(1,817)</u> |
| Net change in total OPEB liability | 43,681 | (11,943) | 70,908 |
| Total OPEB liability - beginning | <u>241,036</u> | <u>284,717</u> | <u>272,774</u> |
| Total OPEB liability - ending | <u>\$ 284,717</u> | <u>\$ 272,774</u> | <u>\$ 343,682</u> |
| Covered-employee payroll | \$ 4,426,466 | \$ 4,445,998 | \$ 4,542,753 |
| Total OPEB liability as a percentage of Covered-employee payroll | 6.43% | 6.14% | 7.57% |

Notes to Schedule:

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. Additional years will be added in the future as the information becomes available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

| 2020 | 2021 | 2022 | 2023 |
|-------------------|-------------------|-------------------|-------------------|
| \$ 18,787 | \$ 21,440 | \$ 24,630 | \$ 15,569 |
| 9,676 | 8,731 | 8,478 | 12,725 |
| (1,748) | (15,481) | (7,381) | (6,842) |
| 60,898 | 14,425 | (159,773) | 17,976 |
| <u>(2,472)</u> | <u>(5,983)</u> | <u>(7,037)</u> | <u>(8,897)</u> |
| 85,141 | 23,132 | (141,083) | 30,531 |
| <u>343,682</u> | <u>428,823</u> | <u>451,955</u> | <u>310,872</u> |
| <u>\$ 428,823</u> | <u>\$ 451,955</u> | <u>\$ 310,872</u> | <u>\$ 341,403</u> |
| \$ 4,944,033 | \$ 4,986,101 | \$ 5,026,435 | \$ 5,560,463 |
| 8.67% | 9.06% | 6.18% | 6.14% |

CITY OF HONDO, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The levels of budgetary control are established at the department basis and at the fund level. However, additional information about expenditures at the object level is also included. The City Manager is authorized to adjust the budget within departments so long as it does not change the department total.

The following are the funds which have legally adopted annual budgets: General Fund, Debt Service, Economic Development, South Texas Regional Training Center Fund, Hotel Fund and Perpetual Care Fund.

Budgetary preparation and control are exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

**COMBINING AND INDIVIDUAL
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUND

The ***Debt Service Fund*** is used to account for property taxes levied specifically to service voter approved bond issues.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues that are restricted in nature for a special purpose limited by state law and management intentions for expenditures.

Seizure and Forfeiture Fund – to account for assets seized or forfeited as part of criminal activities. The funds are restricted by law in support of the police department.

Unclaimed Funds – to account for City payments and refunds not claimed by the payee. Balances are held for the required period by law. Income from the assets is used to cover the administrative costs of the fund.

South Texas Regional Training Center (STRTC) Fund – to account for rental and intergovernmental revenues to support the operations of the STRTC Center.

Hotel Tax Fund – to account for the Hotel Tax revenues paid to the City and restricted by State Law. The revenues provide for contributions to various civic organizations and to support activities that generate tourism in the City.

Fair Hall & Livestock – to account for the revenue and expenses to aid the City identifying a plan for enhancing the grounds and facilities.

Economic Development Fund – to account for the ½ cent sales tax used to promote business development in the City.

American Rescue Plan Fund – to account for grant receipts and expenditures related to the American Rescue Plan grant related to COVID-19.

PERMANENT FUNDS

The ***Perpetual Care Fund*** is used to account for fees on the sale of burial plots restricted by ordinance to be held in perpetuity. Income from the payments may be used to maintain the cemetery grounds.

CITY OF HONDO, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

| | Special Revenue | | | |
|--|-------------------|-------------------------|--------------------|-------------------|
| | Debt Service | Seizure & Forfeiture | Unclaimed Funds | STRTC Fund |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 199,195 | \$ 14,877 | \$ 18,326 | \$ 324,309 |
| Investments | - | - | - | - |
| Receivables: | | | | |
| Taxes | 40,426 | - | - | - |
| Accounts, net | - | - | - | 31,599 |
| Due from other funds | - | - | - | - |
| Total assets | <u>239,621</u> | <u>14,877</u> | <u>18,326</u> | <u>355,908</u> |
| LIABILITIES | | | | |
| Liabilities: | | | | |
| Accounts payable | - | - | 16,307 | 1,598 |
| Accrued liabilities | - | - | - | 1,202 |
| Unearned revenue | - | 31,066 | - | 13,092 |
| Total liabilities | <u>-</u> | <u>31,066</u> | <u>16,307</u> | <u>15,892</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | <u>37,529</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>37,529</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Perpetual Care Trust | - | - | - | - |
| Restricted: | | | | |
| Debt service | 202,092 | - | - | - |
| Economic development | - | - | - | - |
| Tourism development | - | - | - | - |
| Community programs | - | - | - | - |
| Grants | - | - | - | - |
| Committed for: | | | | |
| South TX regional training center | - | - | - | 340,016 |
| Other | - | - | 2,019 | - |
| Unassigned | <u>-</u> | <u>(16,189)</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>202,092</u> | <u>(16,189)</u> | <u>2,019</u> | <u>340,016</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 239,621</u> | <u>\$ 14,877</u> | <u>\$ 18,326</u> | <u>\$ 355,908</u> |

| Special Revenue | | | | Permanent Fund | |
|-------------------|-----------------------|-----------------------|-----------------------|-------------------|--------------------------------|
| Hotel Tax | Fair Hall & Livestock | Economic Development* | American Rescue Plan* | Perpetual Care | Total Other Governmental Funds |
| \$ 155,894 | \$ 15,198 | \$ 228,557 | \$ 741,389 | \$ 569,066 | \$ 2,266,811 |
| - | - | 2,375,665 | - | - | 2,375,665 |
| - | - | - | - | - | 40,426 |
| 29,843 | - | 118,522 | - | - | 179,964 |
| - | - | 588,840 | - | - | 588,840 |
| <u>185,737</u> | <u>15,198</u> | <u>3,311,584</u> | <u>741,389</u> | <u>569,066</u> | <u>5,451,706</u> |
| - | 8,742 | 10,245 | - | - | 36,892 |
| - | 1,280 | 2,319 | - | - | 4,801 |
| - | - | - | 666,699 | - | 710,857 |
| <u>-</u> | <u>10,022</u> | <u>12,564</u> | <u>666,699</u> | <u>-</u> | <u>752,550</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>37,529</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>37,529</u> |
| - | - | - | - | 569,066 | 569,066 |
| - | - | - | - | - | 202,092 |
| - | - | 3,299,020 | - | - | 3,299,020 |
| 185,737 | - | - | - | - | 185,737 |
| - | 5,176 | - | - | - | 5,176 |
| - | - | - | 74,690 | - | 74,690 |
| - | - | - | - | - | 340,016 |
| - | - | - | - | - | 2,019 |
| - | - | - | - | - | (16,189) |
| <u>185,737</u> | <u>5,176</u> | <u>3,299,020</u> | <u>74,690</u> | <u>569,066</u> | <u>4,661,627</u> |
| <u>\$ 185,737</u> | <u>\$ 15,198</u> | <u>\$ 3,311,584</u> | <u>\$ 741,389</u> | <u>\$ 569,066</u> | <u>\$ 5,451,706</u> |

CITY OF HONDO, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | Special Revenue | | | |
|---|-------------------|-------------------------|--------------------|-------------------|
| | Debt Service | Seizure & Forfeiture | Unclaimed Funds | STRTC Fund |
| REVENUES | | | | |
| Property tax | \$ 699,468 | \$ - | \$ - | \$ - |
| Sales tax | - | - | - | - |
| Other taxes | - | - | - | - |
| Charges for services | - | - | - | 121,065 |
| Intergovernmental | - | - | - | - |
| Investment income | - | 30 | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>699,468</u> | <u>30</u> | <u>-</u> | <u>121,065</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | 20 | - | 143,176 |
| Public safety | - | 18,559 | - | - |
| Culture and recreation | - | - | - | - |
| Debt service: | | | | |
| Principal | 629,030 | - | - | - |
| Interest | 215,428 | - | - | - |
| Total expenditures | <u>844,458</u> | <u>18,579</u> | <u>-</u> | <u>143,176</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>(144,990)</u> | <u>(18,549)</u> | <u>-</u> | <u>(22,111)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 133,823 | - | - | 75,000 |
| Transfers out | - | - | - | - |
| Total other financing sources and uses | <u>133,823</u> | <u>-</u> | <u>-</u> | <u>75,000</u> |
| NET CHANGE IN FUND BALANCES | <u>(11,167)</u> | <u>(18,549)</u> | <u>-</u> | <u>52,889</u> |
| FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED | <u>213,259</u> | <u>2,360</u> | <u>2,019</u> | <u>287,127</u> |
| FUND BALANCE ADJUSTMENTS | | | | |
| Change within the reporting entity | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES, BEGINNING, AS RESTATED | <u>213,259</u> | <u>2,360</u> | <u>2,019</u> | <u>287,127</u> |
| FUND BALANCES, ENDING | <u>\$ 202,092</u> | <u>\$ (16,189)</u> | <u>\$ 2,019</u> | <u>\$ 340,016</u> |

| Special Revenue | | | | Permanent Fund | |
|-------------------|-----------------------|-----------------------|-----------------------|-------------------|--------------------------------|
| Hotel Tax | Fair Hall & Livestock | Economic Development* | American Rescue Plan* | Perpetual Care | Total Other Governmental Funds |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 699,468 |
| - | - | 696,724 | - | - | 696,724 |
| 105,927 | - | - | - | - | 105,927 |
| - | 33,390 | - | - | 20,500 | 174,955 |
| - | - | - | 220,829 | - | 220,829 |
| - | - | 143,007 | 26,648 | 41,763 | 211,448 |
| - | 900 | - | - | - | 900 |
| <u>105,927</u> | <u>34,290</u> | <u>839,731</u> | <u>247,477</u> | <u>62,263</u> | <u>2,110,251</u> |
| 84,375 | - | 636,244 | - | 888 | 864,703 |
| - | - | - | - | - | 18,559 |
| - | 91,170 | - | - | - | 91,170 |
| - | - | - | - | - | 629,030 |
| - | - | - | - | - | 215,428 |
| <u>84,375</u> | <u>91,170</u> | <u>636,244</u> | <u>-</u> | <u>888</u> | <u>1,818,890</u> |
| 21,552 | (56,880) | 203,487 | 247,477 | 61,375 | 291,361 |
| - | 23,750 | - | - | - | 232,573 |
| (23,750) | - | (228,823) | (220,829) | (60,000) | (533,402) |
| (23,750) | 23,750 | (228,823) | (220,829) | (60,000) | (300,829) |
| (2,198) | (33,130) | (25,336) | 26,648 | 1,375 | (9,468) |
| <u>187,935</u> | <u>38,306</u> | <u>-</u> | <u>-</u> | <u>567,691</u> | <u>1,298,697</u> |
| - | - | 3,324,356 | 48,042 | - | 3,372,398 |
| <u>187,935</u> | <u>38,306</u> | <u>3,324,356</u> | <u>48,042</u> | <u>567,691</u> | <u>4,671,095</u> |
| <u>\$ 185,737</u> | <u>\$ 5,176</u> | <u>\$ 3,299,020</u> | <u>\$ 74,690</u> | <u>\$ 569,066</u> | <u>\$ 4,661,627</u> |

CITY OF HONDO, TEXAS

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Property tax | \$ 710,190 | \$ 710,190 | \$ 699,468 | \$ (10,722) |
| Total revenues | <u>710,190</u> | <u>710,190</u> | <u>699,468</u> | <u>(10,722)</u> |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal | 1,156,000 | 1,156,000 | 629,030 | 526,970 |
| Interest | <u>358,845</u> | <u>358,845</u> | <u>215,428</u> | <u>143,417</u> |
| Total expenditures | <u>1,514,845</u> | <u>1,514,845</u> | <u>844,458</u> | <u>670,387</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>(804,655)</u> | <u>(804,655)</u> | <u>(144,990)</u> | <u>659,665</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>804,655</u> | <u>804,655</u> | <u>133,823</u> | <u>(670,832)</u> |
| Total other financing sources and uses | <u>804,655</u> | <u>804,655</u> | <u>133,823</u> | <u>(670,832)</u> |
| NET CHANGES IN FUND BALANCE | - | - | (11,167) | (11,167) |
| FUND BALANCE, BEGINNING | <u>213,259</u> | <u>213,259</u> | <u>213,259</u> | <u>-</u> |
| FUND BALANCE, ENDING | <u>\$ 213,259</u> | <u>\$ 213,259</u> | <u>\$ 202,092</u> | <u>\$ (11,167)</u> |

CITY OF HONDO, TEXAS

ECONOMIC DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Sales tax | \$ 625,000 | \$ 625,000 | \$ 696,724 | \$ 71,724 |
| Investment income | 98,095 | 98,095 | 143,007 | 44,912 |
| Total revenues | <u>723,095</u> | <u>723,095</u> | <u>839,731</u> | <u>116,636</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | | | | |
| Economic development | 809,828 | 809,828 | 636,244 | 173,584 |
| Total expenditures | <u>809,828</u> | <u>809,828</u> | <u>636,244</u> | <u>173,584</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>(86,733)</u> | <u>(86,733)</u> | <u>203,487</u> | <u>290,220</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (228,823) | (228,823) | (228,823) | - |
| Total other financing sources (uses) | <u>(228,823)</u> | <u>(228,823)</u> | <u>(228,823)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | (315,556) | (315,556) | (25,336) | 290,220 |
| FUND BALANCES, BEGINNING | <u>3,324,356</u> | <u>3,324,356</u> | <u>3,324,356</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 3,008,800</u> | <u>\$ 3,008,800</u> | <u>\$ 3,299,020</u> | <u>\$ 290,220</u> |

CITY OF HONDO, TEXAS

PERPETUAL CARE
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Charges for services | \$ 20,000 | \$ 20,000 | \$ 20,500 | \$ 500 |
| Investment income | <u>1,000</u> | <u>1,000</u> | <u>41,763</u> | <u>40,763</u> |
| Total revenues | <u>21,000</u> | <u>21,000</u> | <u>62,263</u> | <u>41,263</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | | | | |
| Perpetual care | <u>1,000</u> | <u>1,000</u> | <u>888</u> | <u>112</u> |
| Total general government | <u>1,000</u> | <u>1,000</u> | <u>888</u> | <u>112</u> |
| Total expenditures | <u>1,000</u> | <u>1,000</u> | <u>888</u> | <u>112</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>20,000</u> | <u>20,000</u> | <u>61,375</u> | <u>41,375</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(60,000)</u> | <u>(60,000)</u> | <u>(60,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(60,000)</u> | <u>(60,000)</u> | <u>(60,000)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | (40,000) | (40,000) | 1,375 | 41,375 |
| FUND BALANCES, BEGINNING | <u>567,691</u> | <u>567,691</u> | <u>567,691</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 527,691</u> | <u>\$ 527,691</u> | <u>\$ 569,066</u> | <u>\$ 41,375</u> |

CITY OF HONDO, TEXAS

**SOUTH TEXAS REGIONAL TRAINING CENTER
BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Charges for services | \$ 128,150 | \$ 128,150 | \$ 121,065 | \$ (7,085) |
| Total revenues | <u>128,150</u> | <u>128,150</u> | <u>121,065</u> | <u>(7,085)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | | | | |
| Supplies | 154,992 | 154,992 | 115,775 | 39,217 |
| Services | <u>58,157</u> | <u>58,157</u> | <u>27,401</u> | <u>30,756</u> |
| Total expenditures | <u>213,149</u> | <u>213,149</u> | <u>143,176</u> | <u>69,973</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>(84,999)</u> | <u>(84,999)</u> | <u>(22,111)</u> | <u>62,888</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>85,000</u> | <u>85,000</u> | <u>75,000</u> | <u>10,000</u> |
| Total other financing sources and uses | <u>85,000</u> | <u>85,000</u> | <u>75,000</u> | <u>10,000</u> |
| NET CHANGE IN FUND BALANCES | <u>1</u> | <u>1</u> | <u>52,889</u> | <u>72,888</u> |
| FUND BALANCES, BEGINNING | <u>287,127</u> | <u>287,127</u> | <u>287,127</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 287,128</u> | <u>\$ 287,128</u> | <u>\$ 340,016</u> | <u>\$ 52,888</u> |

CITY OF HONDO, TEXAS

HOTEL TAX FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Occupancy tax | <u>\$ 135,000</u> | <u>\$ 135,000</u> | <u>\$ 105,927</u> | <u>\$ (29,073)</u> |
| Total revenues | <u>135,000</u> | <u>135,000</u> | <u>105,927</u> | <u>(29,073)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | | | | |
| Administration | <u>87,500</u> | <u>87,500</u> | <u>84,375</u> | <u>3,125</u> |
| Total general government | <u>87,500</u> | <u>87,500</u> | <u>84,375</u> | <u>3,125</u> |
| Total expenditures | <u>87,500</u> | <u>87,500</u> | <u>84,375</u> | <u>3,125</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>47,500</u> | <u>47,500</u> | <u>21,552</u> | <u>(25,948)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(47,500)</u> | <u>(47,500)</u> | <u>(23,750)</u> | <u>23,750</u> |
| Total other financing sources and uses | <u>(47,500)</u> | <u>(47,500)</u> | <u>(23,750)</u> | <u>23,750</u> |
| NET CHANGES IN FUND BALANCE | <u>-</u> | <u>-</u> | <u>(2,198)</u> | <u>(2,198)</u> |
| FUND BALANCES, BEGINNING | <u>187,935</u> | <u>187,935</u> | <u>187,935</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 187,935</u> | <u>\$ 187,935</u> | <u>\$ 185,737</u> | <u>\$ (2,198)</u> |

STATISTICAL SECTION

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STATISTICAL SECTION

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

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| Financial Trends | 65 – 74 |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | |
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| Tax Revenues by Source, Governmental Funds | |
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| These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | |
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| Demographic and Economic Information | 91 – 91 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | |
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| These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | |
| Operating Indicators by Function | |
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Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

CITY OF HONDO, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2022 | 2021 |
| Governmental activities: | | | | |
| Net investment in capital assets | \$ 10,203,355 | \$ 9,524,233 | \$ 10,625,513 | \$ 11,515,548 |
| Restricted | 4,416,620 | 5,511,980 | 3,900,145 | 4,636,555 |
| Unrestricted | <u>5,231,144</u> | <u>4,226,056</u> | <u>4,977,836</u> | <u>2,721,525</u> |
| Total governmental activities net position | <u>\$ 19,851,119</u> | <u>\$ 19,262,269</u> | <u>\$ 19,503,494</u> | <u>\$ 18,873,628</u> |
| Business-type activities: | | | | |
| Net investment in capital assets | \$ 26,416,511 | \$ 25,483,563 | \$ 24,672,346 | \$ 25,962,052 |
| Restricted | - | - | - | - |
| Unrestricted | <u>8,520,106</u> | <u>9,177,881</u> | <u>9,808,872</u> | <u>6,446,787</u> |
| Total business-type activities net position | <u>\$ 34,936,617</u> | <u>\$ 34,661,444</u> | <u>\$ 34,481,218</u> | <u>\$ 32,408,839</u> |
| Primary government: | | | | |
| Net investment in capital assets | \$ 36,619,866 | \$ 35,007,796 | \$ 35,297,859 | \$ 37,477,600 |
| Restricted | 4,416,620 | 5,511,980 | 3,900,145 | 4,636,555 |
| Unrestricted | <u>13,751,250</u> | <u>13,403,937</u> | <u>14,786,708</u> | <u>9,168,312</u> |
| Total primary government net position | <u>\$ 54,787,736</u> | <u>\$ 53,923,713</u> | <u>\$ 53,984,712</u> | <u>\$ 51,282,467</u> |

Source: Annual Comprehensive Financial Reports

TABLE 1

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| \$ 11,284,765 | \$ 11,207,516 | \$ 9,422,569 | \$ 8,182,720 | \$ 7,122,538 | \$ 6,850,373 |
| 3,650,503 | 3,321,276 | 3,645,681 | 2,697,464 | 3,880,549 | 3,185,244 |
| <u>3,020,122</u> | <u>2,006,771</u> | <u>989,918</u> | <u>2,009,275</u> | <u>1,332,046</u> | <u>1,254,484</u> |
| <u>\$ 17,955,390</u> | <u>\$ 16,535,563</u> | <u>\$ 14,058,168</u> | <u>\$ 12,889,459</u> | <u>\$ 12,335,133</u> | <u>\$ 11,290,101</u> |
| \$ 25,744,316 | \$ 25,074,025 | \$ 24,902,646 | \$ 23,843,466 | \$ 25,154,199 | \$ 23,941,373 |
| - | - | - | - | - | - |
| <u>5,148,307</u> | <u>4,031,012</u> | <u>2,555,856</u> | <u>2,693,999</u> | <u>1,260,092</u> | <u>1,417,576</u> |
| <u>\$ 30,892,623</u> | <u>\$ 29,105,037</u> | <u>\$ 27,458,502</u> | <u>\$ 26,537,465</u> | <u>\$ 26,414,291</u> | <u>\$ 25,358,949</u> |
| \$ 37,029,081 | \$ 36,281,541 | \$ 34,325,215 | \$ 32,026,186 | \$ 32,276,737 | \$ 30,791,746 |
| 3,650,503 | 3,321,276 | 3,645,681 | 2,697,464 | 3,880,549 | 3,185,244 |
| <u>8,168,429</u> | <u>6,037,783</u> | <u>3,545,774</u> | <u>4,703,274</u> | <u>2,592,138</u> | <u>2,672,060</u> |
| <u>\$ 48,848,013</u> | <u>\$ 45,640,600</u> | <u>\$ 41,516,670</u> | <u>\$ 39,426,924</u> | <u>\$ 38,749,424</u> | <u>\$ 36,649,050</u> |

CITY OF HONDO, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2022 | 2021 |
| EXPENSES | | | | |
| Governmental activities: | | | | |
| General government | \$ 4,250,244 | \$ 3,567,400 | \$ 2,506,244 | \$ 3,106,383 |
| Public safety | 3,144,028 | 3,089,210 | 2,275,794 | 2,198,655 |
| Judicial | 157,446 | 156,749 | 133,103 | 114,812 |
| Culture and recreation | 2,501,390 | 2,454,470 | 1,918,308 | 1,244,278 |
| Public works | 2,107,025 | 2,446,409 | 1,779,049 | 2,472,981 |
| Interest on long-term debt | 227,638 | 208,946 | 179,467 | 172,059 |
| Issuance cost | - | - | 55,968 | - |
| Total governmental activities expenses | <u>12,387,771</u> | <u>11,923,184</u> | <u>8,847,933</u> | <u>9,309,168</u> |
| Business-type activities: | | | | |
| Electric | 7,006,334 | 6,944,846 | 6,101,439 | 5,976,797 |
| Water and sewer | 3,224,602 | 3,441,573 | 2,196,852 | 2,492,616 |
| Airport | 1,619,935 | 1,599,295 | 1,373,368 | 1,202,003 |
| Sanitation | <u>1,517,534</u> | <u>1,433,208</u> | <u>1,349,044</u> | <u>1,287,090</u> |
| Total business-type activities expenses | <u>13,368,405</u> | <u>13,418,922</u> | <u>11,020,703</u> | <u>10,958,506</u> |
| Total primary government expenses | <u>\$ 25,756,176</u> | <u>\$ 25,342,106</u> | <u>\$ 19,868,636</u> | <u>\$ 20,267,674</u> |
| PROGRAM REVENUES | | | | |
| Governmental activities: | | | | |
| Fees, fines, and charges for services: | | | | |
| General government | \$ 518,082 | \$ 494,929 | \$ 406,575 | \$ 390,501 |
| Public safety | 70,391 | 52,346 | 49,720 | 100,215 |
| Judicial | 292,165 | 71,150 | 42,216 | 54,134 |
| Culture and recreation | 277,935 | 248,336 | 216,159 | 170,651 |
| Public works | - | - | - | 35 |
| Operating grants and contributions | 920,061 | 919,140 | 41,269 | 1,191,787 |
| Capital grants and contributions | <u>105,797</u> | <u>93,590</u> | <u>11,076</u> | <u>102,879</u> |
| Total governmental activities program revenues | <u>2,184,431</u> | <u>1,879,491</u> | <u>767,015</u> | <u>2,010,202</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Electric | 10,547,431 | 10,484,737 | 9,329,708 | 9,090,890 |
| Water and sewer | 4,740,958 | 4,657,996 | 5,250,831 | 5,089,597 |
| Airport | 981,694 | 986,057 | 1,116,441 | 750,247 |
| Sanitation | 1,670,429 | 1,584,132 | 1,425,948 | 1,433,623 |
| Capital grants and contributions | <u>405,401</u> | <u>108,402</u> | <u>32,642</u> | <u>311,965</u> |
| Total business-type activities program revenues | <u>18,345,913</u> | <u>17,821,324</u> | <u>17,155,570</u> | <u>16,676,322</u> |
| Total primary government program revenues | <u>\$ 20,530,344</u> | <u>\$ 19,700,815</u> | <u>\$ 17,922,585</u> | <u>\$ 18,686,524</u> |

TABLE 2

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| \$ 2,610,975 | \$ 1,683,062 | \$ 1,569,611 | \$ 1,537,248 | \$ 1,398,252 | \$ 1,341,414 |
| 2,094,485 | 2,100,858 | 1,904,235 | 1,885,309 | 1,699,171 | 1,629,587 |
| 100,901 | 110,905 | 107,932 | 116,926 | 103,791 | 133,077 |
| 1,268,470 | 1,928,242 | 1,886,141 | 1,815,614 | 1,574,709 | 1,511,370 |
| 2,477,122 | 1,284,772 | 1,324,824 | 1,437,598 | 1,450,028 | 1,328,843 |
| 276,529 | 110,796 | 118,552 | 165,322 | 186,883 | 141,642 |
| - | - | - | - | - | - |
| <u>8,828,482</u> | <u>7,218,635</u> | <u>6,911,295</u> | <u>6,958,017</u> | <u>6,412,834</u> | <u>6,085,933</u> |
| 6,231,640 | 6,110,591 | 6,905,253 | 6,897,935 | 6,435,595 | 6,052,647 |
| 2,907,202 | 2,441,478 | 2,309,930 | 2,524,656 | 2,271,277 | 2,322,578 |
| 1,311,027 | 1,379,249 | 1,304,189 | 1,360,976 | 1,318,748 | 1,383,178 |
| <u>1,331,743</u> | <u>1,321,953</u> | <u>1,317,579</u> | <u>1,319,815</u> | <u>1,203,091</u> | <u>1,175,650</u> |
| <u>11,781,612</u> | <u>11,253,271</u> | <u>11,836,951</u> | <u>12,103,382</u> | <u>11,228,711</u> | <u>10,934,053</u> |
| \$ <u>20,610,094</u> | \$ <u>18,471,906</u> | \$ <u>18,748,246</u> | \$ <u>19,061,399</u> | \$ <u>17,641,545</u> | \$ <u>17,019,986</u> |
| | | | | | |
| \$ 888,289 | \$ 320,971 | \$ 265,375 | \$ 289,589 | \$ 355,682 | \$ 208,224 |
| 51,194 | 38,982 | 85,381 | 71,296 | 69,511 | 54,803 |
| 35,663 | 60,570 | 86,539 | 111,206 | 101,527 | 159,637 |
| 124,310 | 244,274 | 247,293 | 233,647 | 208,417 | 178,880 |
| 403,261 | 708 | - | - | - | - |
| 690,274 | 105,371 | 4,783 | 140,211 | 15,256 | 7,871 |
| <u>162,618</u> | <u>726,762</u> | <u>731,675</u> | <u>223,284</u> | <u>-</u> | <u>-</u> |
| <u>2,355,609</u> | <u>1,497,638</u> | <u>1,421,046</u> | <u>1,069,233</u> | <u>750,393</u> | <u>609,415</u> |
| | | | | | |
| 9,760,677 | 9,360,017 | 9,493,009 | 9,178,972 | 10,163,815 | 9,128,350 |
| 4,974,223 | 4,147,771 | 4,075,548 | 3,876,333 | 2,867,187 | 2,354,102 |
| 808,866 | 894,012 | 837,023 | 776,901 | 827,271 | 840,819 |
| 1,449,009 | 1,403,200 | 1,358,728 | 1,328,645 | 1,271,633 | 1,254,646 |
| <u>134,602</u> | <u>270,856</u> | <u>62,102</u> | <u>316,636</u> | <u>63,218</u> | <u>292,272</u> |
| <u>17,127,377</u> | <u>16,075,856</u> | <u>15,826,410</u> | <u>15,477,487</u> | <u>15,193,124</u> | <u>13,870,189</u> |
| \$ <u>19,482,986</u> | \$ <u>17,573,494</u> | \$ <u>17,247,456</u> | \$ <u>16,546,720</u> | \$ <u>15,943,517</u> | \$ <u>14,479,604</u> |

CITY OF HONDO, TEXAS

CHANGES IN NET POSITION
(continued)

LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

| | Fiscal Year | | | |
|--------------------------------------|--------------------|--------------------|---------------------|---------------------|
| | 2024 | 2023 | 2022 | 2021 |
| NET (EXPENSE) REVENUES | | | | |
| Governmental activities | \$ (10,203,340) | \$ (10,043,693) | \$ (8,080,918) | \$ (7,298,966) |
| Business-type activities | <u>4,977,508</u> | <u>4,402,402</u> | <u>6,134,867</u> | <u>5,717,816</u> |
| Total primary government net expense | <u>(5,225,832)</u> | <u>(5,641,291)</u> | <u>(1,946,051)</u> | <u>(1,581,150)</u> |
| GENERAL REVENUES AND OTHER | | | | |
| CHANGES IN NET POSITION | | | | |
| Governmental activities: | | | | |
| Taxes | | | | |
| Property | 2,104,636 | 1,944,763 | 1,888,019 | 1,785,669 |
| Sales | 2,090,172 | 2,123,969 | 1,989,510 | 1,883,673 |
| Other | 186,169 | 192,574 | 201,951 | 190,201 |
| Investment earnings | 834,357 | 548,431 | 47,973 | 19,081 |
| Miscellaneous | 149,547 | 101,154 | 156,965 | 46,772 |
| Gain on sale of capital assets | - | - | - | 37,830 |
| Transfers and PILOT | <u>5,427,309</u> | <u>4,891,577</u> | <u>4,426,366</u> | <u>4,561,934</u> |
| Total governmental activities | <u>10,792,190</u> | <u>9,802,468</u> | <u>8,710,784</u> | <u>8,525,160</u> |
| Business-type activities: | | | | |
| Investment earnings | 303,352 | 291,523 | 24,651 | 399 |
| Miscellaneous | 421,622 | 377,878 | 339,227 | 359,935 |
| Gain on sale of capital assets | - | - | - | - |
| Transfers and PILOT | <u>(5,427,309)</u> | <u>(4,891,577)</u> | <u>(4,426,366)</u> | <u>(4,561,934)</u> |
| Total business-type activities | <u>(4,702,335)</u> | <u>(4,222,176)</u> | <u>(4,062,488)</u> | <u>(4,201,600)</u> |
| Total primary government | <u>6,089,855</u> | <u>5,580,292</u> | <u>4,648,296</u> | <u>4,323,560</u> |
| CHANGE IN NET POSITION | | | | |
| Governmental activities | 588,850 | (241,225) | 629,866 | 1,226,194 |
| Business-type activities | <u>275,173</u> | <u>180,226</u> | <u>2,072,379</u> | <u>1,516,216</u> |
| Total primary government | <u>\$ 864,023</u> | <u>\$ (60,999)</u> | <u>\$ 2,702,245</u> | <u>\$ 2,742,410</u> |

Source: Annual Comprehensive Financial Reports

TABLE 2

| Fiscal Year | | | | | |
|---------------------|---------------------|---------------------|--------------------|---------------------|--------------------|
| 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| \$ (6,472,873) | \$ (5,720,997) | \$ (5,490,249) | \$ (5,888,784) | \$ (5,662,441) | \$ (5,476,518) |
| <u>5,345,765</u> | <u>4,822,585</u> | <u>3,989,459</u> | <u>3,374,105</u> | <u>3,964,413</u> | <u>2,936,136</u> |
| <u>(1,127,108)</u> | <u>(898,412)</u> | <u>(1,500,790)</u> | <u>(2,514,679)</u> | <u>(1,698,028)</u> | <u>(2,540,382)</u> |
| 1,694,073 | 1,601,434 | 1,511,949 | 1,389,066 | 1,183,968 | 1,070,383 |
| 1,729,403 | 2,896,251 | 1,824,144 | 1,509,044 | 1,631,989 | 1,591,844 |
| 127,592 | 175,727 | 141,969 | 189,760 | 172,642 | 184,952 |
| 83,300 | 99,953 | 75,061 | 22,730 | 11,178 | 8,927 |
| 74,240 | 151,729 | 66,729 | 74,111 | 554,349 | 32,381 |
| 322,914 | - | - | - | - | - |
| <u>3,861,178</u> | <u>3,273,298</u> | <u>3,273,297</u> | <u>3,258,399</u> | <u>3,153,347</u> | <u>3,320,854</u> |
| <u>7,892,700</u> | <u>8,198,392</u> | <u>6,893,149</u> | <u>6,443,110</u> | <u>6,707,473</u> | <u>6,209,341</u> |
| 30,987 | 85,036 | 30,523 | 7,468 | 78 | 663 |
| 167,012 | 12,212 | 248,333 | - | 244,198 | 50,174 |
| 105,000 | - | - | - | - | - |
| <u>(3,861,178)</u> | <u>(3,273,298)</u> | <u>(3,273,297)</u> | <u>(3,258,399)</u> | <u>(3,153,347)</u> | <u>(3,320,854)</u> |
| <u>(3,558,179)</u> | <u>(3,176,050)</u> | <u>(2,994,441)</u> | <u>(3,250,931)</u> | <u>(2,909,071)</u> | <u>(3,270,017)</u> |
| <u>4,334,521</u> | <u>5,022,342</u> | <u>3,898,708</u> | <u>3,192,179</u> | <u>3,798,402</u> | <u>2,939,324</u> |
| 1,419,827 | 2,477,395 | 1,402,900 | 554,326 | 1,045,032 | 732,823 |
| <u>1,787,586</u> | <u>1,646,535</u> | <u>995,018</u> | <u>123,174</u> | <u>1,055,342</u> | <u>(333,881)</u> |
| <u>\$ 3,207,413</u> | <u>\$ 4,123,930</u> | <u>\$ 2,397,918</u> | <u>\$ 677,500</u> | <u>\$ 2,100,374</u> | <u>\$ 398,942</u> |

CITY OF HONDO, TEXAS**FUND BALANCES
GOVERNMENTAL FUNDS****LAST TEN FISCAL YEARS**
(Unaudited) (Amounts Expressed in Thousands)

(modified accrual basis of accounting)

| | Fiscal Year | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2024 | 2023 | 2022 | 2021 |
| General Fund | | | | |
| Non-spendable | \$ 1,709 | \$ 713 | \$ 7,734 | \$ 4,336 |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | 935 | 27,579 | 6,967 | - |
| Unassigned | <u>6,467,961</u> | <u>6,450,291</u> | <u>4,639,965</u> | <u>3,241,185</u> |
| Total general fund | <u>\$ 6,470,605</u> | <u>\$ 6,478,583</u> | <u>\$ 4,654,666</u> | <u>\$ 3,245,521</u> |
| All other governmental funds | | | | |
| Non-spendable | \$ 569,066 | \$ 567,691 | \$ 566,576 | \$ 560,479 |
| Restricted | 4,939,835 | 7,791,645 | 7,398,974 | 7,468,573 |
| Committed | 342,035 | 289,146 | 254,830 | 355,469 |
| Unassigned, reported in: | | | | |
| Special revenue funds | <u>(16,189)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total all other governmental funds | <u>\$ 5,834,747</u> | <u>\$ 8,648,482</u> | <u>\$ 8,220,380</u> | <u>\$ 8,384,521</u> |

Source: Annual Comprehensive Financial Reports

TABLE 3

| Fiscal Year | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| \$ 7,686 | \$ 4,627 | \$ 5,149 | \$ 66,382 | \$ 2,040 | \$ 56,717 |
| - | 24,309 | 25,141 | 24,325 | 19,376 | 18,235 |
| - | 449,113 | 144,066 | 85,786 | 268,770 | 483,515 |
| 74,713 | - | - | - | - | - |
| <u>3,937,618</u> | <u>2,542,749</u> | <u>1,887,629</u> | <u>2,221,841</u> | <u>2,397,127</u> | <u>1,346,429</u> |
| <u>\$ 4,020,017</u> | <u>\$ 3,020,798</u> | <u>\$ 2,061,985</u> | <u>\$ 2,398,334</u> | <u>\$ 2,687,313</u> | <u>\$ 1,904,896</u> |
| | | | | | |
| \$ 554,399 | \$ 564,290 | \$ 545,990 | \$ 532,590 | \$ 519,290 | \$ 600,835 |
| 2,624,358 | 2,721,289 | 3,065,666 | 2,712,416 | 3,366,672 | 2,587,639 |
| 219,545 | 269,468 | 128,840 | 96,259 | 89,534 | 206,686 |
| - | - | - | - | - | - |
| <u>\$ 3,398,302</u> | <u>\$ 3,555,047</u> | <u>\$ 3,740,496</u> | <u>\$ 3,341,265</u> | <u>\$ 3,975,496</u> | <u>\$ 3,395,160</u> |

CITY OF HONDO, TEXAS

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)
(modified accrual basis of accounting)

| | Fiscal Year | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2024 | 2023 | 2022 | 2021 |
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 2,072,103 | \$ 1,958,495 | \$ 1,882,159 | \$ 1,793,943 |
| Sales | 2,090,172 | 2,123,969 | 1,989,510 | 1,883,673 |
| Other | 186,169 | 192,574 | 201,951 | 190,201 |
| Licenses and permits | 292,714 | 274,094 | 169,709 | 124,549 |
| Intergovernmental | 984,794 | 1,536,353 | 657,367 | 521,376 |
| Charges for services | 621,044 | 553,361 | 517,517 | 511,639 |
| Fines and forfeitures | 292,512 | 71,452 | 42,776 | 61,395 |
| Interest income | 834,357 | 548,431 | 47,973 | 19,081 |
| Payments in lieu of taxes | - | - | - | - |
| Miscellaneous | 34,526 | 74,395 | 72,426 | 46,772 |
| Total revenues | <u>7,408,391</u> | <u>7,333,124</u> | <u>5,581,388</u> | <u>5,152,629</u> |
| EXPENDITURES | | | | |
| General government | 4,115,211 | 3,346,639 | 2,399,915 | 2,884,633 |
| Public safety | 3,019,974 | 2,717,262 | 2,251,375 | 2,053,805 |
| Judicial | 159,192 | 137,449 | 141,326 | 118,515 |
| Culture and recreation | 2,315,820 | 2,025,690 | 1,820,369 | 1,059,696 |
| Public works | 1,663,571 | 1,555,234 | 1,386,959 | 2,081,668 |
| Capital outlay | 4,421,525 | 639,371 | 922,729 | 500,131 |
| Debt service: | | | | |
| Principal | 664,843 | 580,101 | 454,278 | 437,690 |
| Interest and fiscal charges | 215,882 | 224,523 | 164,323 | 159,410 |
| Bond issuance costs | 18,796 | 48,172 | 72,860 | - |
| Total expenditures | <u>16,594,814</u> | <u>11,274,441</u> | <u>9,614,134</u> | <u>9,295,548</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>\$ (9,186,423)</u> | <u>\$ (3,941,317)</u> | <u>\$ (4,032,746)</u> | <u>\$ (4,142,919)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of capital related debt | \$ 765,000 | \$ 1,275,000 | \$ 685,000 | \$ 3,725,000 |
| Refunding bonds issued | - | - | 615,000 | - |
| Premium on bonds | 57,380 | - | - | 337,834 |
| Payment to refunded bond escrow agent | - | - | (570,140) | - |
| Leases issued | - | - | 36,985 | - |
| Sale of capital assets | - | - | - | 37,830 |
| Transfers in (out) | 5,427,309 | 4,891,577 | 4,426,366 | 4,561,934 |
| Insurance recoveries | 115,021 | 26,759 | 84,539 | - |
| Total other financing sources (uses) | <u>6,364,710</u> | <u>6,193,336</u> | <u>5,277,750</u> | <u>8,662,598</u> |
| NET CHANGE IN FUND BALANCES | <u>\$ (2,821,713)</u> | <u>\$ 2,252,019</u> | <u>\$ 1,245,004</u> | <u>\$ 4,519,679</u> |
| DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES | <u>7.3%</u> | <u>7.9%</u> | <u>7.1%</u> | <u>6.6%</u> |

Source: Annual Comprehensive Financial Reports

TABLE 4

| Fiscal Year | | | | | |
|-----------------------|-------------------|--------------------|-----------------------|-----------------------|-------------------|
| 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| \$ 1,716,679 | \$ 1,596,908 | \$ 1,487,987 | \$ 1,378,474 | \$ 1,174,053 | \$ 1,064,110 |
| 1,729,403 | 2,896,251 | 1,824,144 | 1,509,043 | 1,631,988 | 1,591,844 |
| 127,592 | 175,727 | 141,969 | 189,759 | 172,642 | 184,954 |
| 312,905 | 185,801 | 138,474 | 162,402 | 218,810 | 76,182 |
| 373,408 | 920,943 | 663,097 | 496,456 | 20,539 | 10,778 |
| 443,137 | 437,220 | 473,401 | 445,275 | 415,343 | 382,035 |
| 39,206 | 60,824 | 91,039 | 117,486 | 103,921 | 162,693 |
| 83,300 | 99,974 | 75,062 | 22,732 | 11,169 | 8,924 |
| - | 3,154,988 | 3,154,988 | 3,154,988 | 3,155,000 | 3,155,004 |
| 74,240 | 51,213 | 124,062 | 46,154 | 63,189 | 23,837 |
| <u>4,899,870</u> | <u>9,579,849</u> | <u>8,174,223</u> | <u>7,522,769</u> | <u>6,966,654</u> | <u>6,660,361</u> |
| 2,139,053 | 1,589,873 | 1,488,800 | 1,442,226 | 1,284,656 | 1,297,852 |
| 1,931,559 | 1,931,022 | 1,825,309 | 1,760,014 | 1,607,141 | 1,603,595 |
| 101,587 | 109,830 | 108,650 | 116,165 | 101,102 | 132,518 |
| 1,092,810 | 1,726,498 | 1,737,885 | 1,793,557 | 1,438,348 | 1,474,574 |
| 1,623,890 | 805,287 | 906,233 | 1,006,556 | 1,029,662 | 957,164 |
| 649,590 | 2,246,299 | 1,642,161 | 1,954,319 | 2,327,330 | 380,035 |
| 423,910 | 416,390 | 414,500 | 384,907 | 248,829 | 187,712 |
| 279,089 | 111,962 | 119,814 | 111,371 | 180,513 | 141,988 |
| - | - | - | 25,504 | - | - |
| <u>8,241,488</u> | <u>8,937,161</u> | <u>8,243,352</u> | <u>8,594,619</u> | <u>8,217,581</u> | <u>6,175,438</u> |
| <u>\$ (3,341,618)</u> | <u>\$ 642,688</u> | <u>\$ (69,129)</u> | <u>\$ (1,071,850)</u> | <u>\$ (1,250,927)</u> | <u>\$ 484,923</u> |
| \$ - | \$ - | \$ - | \$ 1,300,000 | \$ 2,030,000 | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | (1,272,005) | - | - |
| - | - | - | - | - | - |
| 322,914 | 12,366 | 13,702 | 17,234 | 585,333 | 935 |
| 3,861,178 | 118,310 | 118,309 | 103,411 | (1,653) | 165,850 |
| - | - | - | - | - | - |
| <u>4,184,092</u> | <u>130,676</u> | <u>132,011</u> | <u>148,640</u> | <u>2,613,680</u> | <u>166,785</u> |
| <u>\$ 842,474</u> | <u>\$ 773,364</u> | <u>\$ 62,882</u> | <u>\$ (923,210)</u> | <u>\$ 1,362,753</u> | <u>\$ 651,708</u> |
| <u>9.3%</u> | <u>7.9%</u> | <u>8.1%</u> | <u>7.5%</u> | <u>7.3%</u> | <u>5.7%</u> |

TABLE 5**CITY OF HONDO, TEXAS****TAX REVENUE BY SOURCE - GOVERNMENTAL FUNDS****LAST TEN FISCAL YEARS**

| Fiscal Year | Property | Sales & Use | Mixed Beverage | Franchise | Hotel | Total |
|----------------|--------------|--------------|-------------------|-----------|------------|-----------|
| 2024 | \$ 2,072,103 | \$ 2,090,172 | \$ 5,323 | \$ 74,919 | \$ 105,927 | 4,348,444 |
| 2023 | 1,944,763 | 2,123,969 | 2,772 | 81,859 | 110,038 | 4,263,401 |
| 2022 | 1,882,159 | 1,989,510 | 7,476 | 71,283 | 123,192 | 4,073,620 |
| 2021 | 1,785,669 | 1,883,673 | 2,937 | 66,733 | 120,531 | 3,859,543 |
| 2020 | 1,716,679 | 1,729,403 | 857 | 43,349 | 83,386 | 3,573,674 |
| 2019 | 1,596,908 | 2,896,251 | 1,210 | 41,801 | 132,716 | 4,668,886 |
| 2018 | 1,487,987 | 1,824,144 | 2,952 | 28,896 | 110,121 | 3,454,100 |
| 2017 | 1,378,474 | 1,509,043 | 3,301 | 66,664 | 119,794 | 3,077,276 |
| 2016 | 1,174,053 | 1,631,988 | 4,708 | 62,024 | 105,910 | 2,978,683 |
| 2015 | 1,064,110 | 1,591,844 | 2,714 | 58,654 | 123,584 | 2,840,906 |

TABLE 6**CITY OF HONDO, TEXAS****TOTAL WATER AND SEWER CONSUMPTION AND RATES****LAST TEN FISCAL YEARS**

| <u>Fiscal Year Ended September 30,</u> | <u>Total Water Consumption (In Gallons)</u> | <u>Water Base Rate (Includes first 2,000)</u> | <u>Water Initial Rate Per 1,000 Gallons</u> | <u>Sewer Base Rate (Includes first 2,000)</u> | <u>Sewer Initial Rate Per 1,000 Gallons</u> |
|--|---|---|---|---|---|
| 2024 | 514,007,400 | 31.21 | 2.44 | 25.00 | 1.70 |
| 2023 | 479,295,200 | 31.21 | 2.44 | 25.00 | 1.70 |
| 2022 | 602,567,631 | 31.21 | 2.44 | 25.00 | 1.70 |
| 2021 | 536,810,300 | 31.21 | 2.44 | 25.00 | 1.70 |
| 2020 | 536,564,300 | 30.00 | 2.44 | 25.00 | 1.70 |
| 2019 | 476,853,400 | 30.00 | 2.44 | 25.00 | 1.70 |
| 2018 | 447,534,800 | 30.00 | 2.44 | 25.00 | 1.70 |
| 2017 | 526,194,400 | 30.00 | 2.44 | 25.00 | 1.70 |
| 2016 | 378,476,700 | 23.00 | 2.44 | 15.00 | 1.70 |
| 2015 | 483,572,500 | 11.50 | 2.44 | 7.08 | 1.70 |

TABLE 7

CITY OF HONDO, TEXAS

PRINCIPAL WATER AND SEWER CONSUMERS

CURRENT AND NINE YEARS AGO

| Consumers | 2024 | | | 2015 | | |
|--------------------------------|--------------------------------------|------|--|--------------------------------------|------|--|
| | Total Water Consumption (in Gallons) | Rank | Percentage of Total City Water Consumption | Total Water Consumption (in Gallons) | Rank | Percentage of Total City Water Consumption |
| Texas Dept of Criminal Justice | 175,480,000 | 1 | 34.14% | 92,373,400 | 1 | 19.10% |
| Texas Dept of Criminal Justice | 14,410,000 | 2 | 2.80% | 27,226,100 | 2 | 5.63% |
| Medina County Sheriff's Office | 4,466,800 | 3 | 0.87% | 2,923,100 | 5 | 0.60% |
| Martin Resources | 4,377,700 | 4 | 0.85% | | | |
| Medina Community Hospital | 3,853,400 | 5 | 0.75% | | | |
| HEB | 3,763,900 | 6 | 0.73% | | | |
| PTCAA | 3,735,700 | 7 | 0.73% | | | |
| Revive Las Palomas | 3,624,700 | 8 | 0.71% | | | |
| City of Hondo Rick Taylor Rec. | 3,171,900 | 9 | 0.62% | 2,925,700 | 4 | 0.61% |
| Medina County Annex | 2,653,800 | 10 | 0.52% | | | |
| City of Hondo Golf Course | | | | 16,967,400 | 3 | 3.51% |
| South Texas Liquid Terminal | | | | 2,150,200 | 9 | 0.44% |
| Medina Ranch Mobile Homes | | | | 2,555,600 | 7 | 0.53% |
| USRC Medina County Dialysis | | | | 2,777,000 | 6 | 0.57% |
| First Baptist Church | | | | 2,150,200 | 8 | 0.44% |
| Mummues Inc | | | | 2,147,200 | 10 | 0.44% |
| TOTAL | <u>219,537,900</u> | | <u>42.71%</u> | <u>154,195,900</u> | | <u>31.89%</u> |
| Total City Water Consumption | 514,007,400 | | | 483,572,500 | | |

TABLE 8**CITY OF HONDO, TEXAS****TOTAL ELECTRIC CONSUMPTION AND RATES****LAST TEN FISCAL YEARS**

| Fiscal Year Ended September 30, | Total Electric Consumption (In KWH) | Electric Base Rate | Initial Rate Per Per KWH |
|--|---|-----------------------|-----------------------------|
| 2024 | 76,761,236 | 15.00 | 0.1310 |
| 2023 | 74,991,273 | 15.00 | 0.1310 |
| 2022 | 78,286,807 | 15.00 | 0.1137 |
| 2021 | 73,038,220 | 15.00 | 0.1137 |
| 2020 | 75,767,613 | 15.00 | 0.1137 |
| 2019 | 73,616,091 | 15.00 | 0.1137 |
| 2018 | 76,206,703 | 15.00 | 0.1137 |
| 2017 | 72,464,108 | 15.00 | 0.1137 |
| 2016 | 73,555,397 | 15.00 | 0.1137 |
| 2015 | 74,378,945 | 9.30 | 0.1160 |

TABLE 9

CITY OF HONDO, TEXAS

PRINCIPLE ELECTRIC CONSUMERS

CURRENT AND NINE YEARS AGO

| Consumers | 2024 | | | 2015 | | |
|---------------------------------|-------------------------------------|------|---|-------------------------------------|------|---|
| | Total Electric Consumption (in KWH) | Rank | Percentage of Total City Electric Consumption | Total Electric Consumption (in KWH) | Rank | Percentage of Total City Electric Consumption |
| Texas Dept of Criminal Justice | 5,868,416 | 1 | 7.65% | 6,914,388 | 1 | 9.30% |
| Wal-mart Stores | 3,974,000 | 2 | 5.18% | 4,132,000 | 2 | 5.56% |
| Medina Community Hospital | 3,348,000 | 3 | 4.36% | 2,799,750 | 3 | 3.76% |
| Martin Resources | 2,011,000 | 4 | 2.62% | | | |
| James Avery Craftsman | 1,635,210 | 5 | 2.13% | 1,323,240 | 6 | 1.78% |
| HEB | 1,461,600 | 6 | 1.90% | 2,167,800 | 4 | 2.91% |
| Medina County Sheriff's Office | 1,311,400 | 7 | 1.71% | 877,800 | 8 | 1.18% |
| City of Hondo Sewer | 1,293,900 | 8 | 1.69% | 1,751,400 | 5 | 2.35% |
| City of Hondo Parks | 760,800 | 9 | 0.99% | 923,069 | 7 | 1.24% |
| Hondo ISD | 669,000 | 10 | 0.87% | 740,400 | 9 | 1.00% |
| McDonald's | | | | 709,080 | 10 | 0.95% |
| TOTAL | 22,333,326 | | 29.09% | 22,338,927 | | 30.03% |
| Total City Electric Consumption | 76,761,236 | | | 74,378,945 | | |

TABLE 10**CITY OF HONDO, TEXAS****ASSESS VALUE AND ACTUAL TAXABLE VALUE OF PROPERTY****LAST TEN FISCAL YEARS**

| Fiscal Year Ended September 30, | Residential Property | Agricultural & Commercial Property | Less: Tax-Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate |
|--|-------------------------|--|---------------------------------|------------------------------------|-----------------------------|
| 2024 | \$ 274,083,452 | \$ 242,015,841 | \$ 50,521,192 | \$ 465,578,101 | 0.4800 |
| 2023 | 225,230,800 | 248,041,026 | 45,924,924 | 427,346,902 | 0.4370 |
| 2022 | 219,050,573 | 175,555,656 | 41,418,847 | 353,187,382 | 0.4866 |
| 2021 | 216,587,473 | 174,641,114 | 39,171,839 | 352,056,748 | 0.4940 |
| 2020 | 170,955,903 | 187,347,334 | 19,873,170 | 338,430,067 | 0.5105 |
| 2019 | 166,674,313 | 176,297,851 | 33,483,972 | 309,488,192 | 0.5109 |
| 2018 | 163,024,971 | 164,400,490 | 36,092,637 | 291,332,824 | 0.5139 |
| 2017 | 137,805,351 | 141,818,105 | 25,719,269 | 253,904,187 | 0.5139 |
| 2016 | 137,129,210 | 140,440,295 | 19,092,370 | 258,477,135 | 0.4527 |
| 2015 | 134,856,515 | 142,109,350 | 19,263,450 | 257,702,415 | 0.4974 |

Source: Medina County Appraisal District

* Total Taxable Assessed Value and Total Estimated Actual Value of taxable property is the same.

TABLE 11**CITY OF HONDO, TEXAS****DIRECT AND OVERLAPPING PROPERTY TAX RATES****LAST TEN FISCAL YEARS**

| Fiscal Year | City Direct Rates | | | Overlapping Rates | | |
|----------------|-------------------|-----------------|--------|-------------------|------------------|------------------------------|
| | Basic Rate | Debt Service | Total | Hondo ISD | Medina County | Medina County Hospital |
| 2024 | 0.3170 | 0.1630 | 0.4800 | 0.9269 | 0.4457 | 0.0929 |
| 2023 | 0.2858 | 0.1512 | 0.4370 | 0.9384 | 0.3526 | 0.0898 |
| 2022 | 0.2894 | 0.1476 | 0.4370 | 1.1446 | 0.4822 | 0.0937 |
| 2021 | 0.3668 | 0.1198 | 0.4866 | 1.1320 | 0.4312 | 0.0984 |
| 2020 | 0.3796 | 0.1144 | 0.4940 | 1.1997 | 0.4562 | 0.1000 |
| 2019 | 0.3823 | 0.1286 | 0.5109 | 1.3750 | 0.5517 | 0.0645 |
| 2018 | 0.3759 | 0.1380 | 0.5139 | 1.3750 | 0.5517 | 0.0644 |
| 2017 | 0.3866 | 0.1273 | 0.5139 | 1.3800 | 0.5517 | 0.0638 |
| 2016 | 0.3614 | 0.0913 | 0.4527 | 1.3150 | 0.5517 | 0.0641 |
| 2015 | 0.3010 | 0.1964 | 0.4974 | 1.1400 | 0.5250 | 0.0608 |

TABLE 12

CITY OF HONDO, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT AND NINE YEARS AGO

| Taxpayer | 2024 | | | 2015 | | |
|--------------------------------|------------------------------|------|---|------------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| Wal-Mart Stores Business Trust | 6,988,502 | 1 | 1.64% | 7,578,021 | 1 | 2.94% |
| Revive Las Palomas LLC | 5,047,921 | 2 | 1.18% | 1,508,226 | 4 | 0.59% |
| Irene B. Hoadley | 4,217,783 | 3 | 0.99% | 2,030,283 | 3 | 0.79% |
| TXN Bank | 4,114,721 | 4 | 0.96% | | | |
| Medina Electric Co-op | 3,697,533 | 5 | 0.87% | | | |
| Atkission Hondo LTD | 3,594,042 | 6 | 0.84% | 1,133,640 | 9 | 0.44% |
| JW Hondo I LTD | 2,462,150 | 7 | 0.58% | | | |
| Siddhi Inc. Best Western | 2,280,179 | 8 | 0.53% | | | - |
| Groff Land Enterprises LP | 2,216,619 | 9 | 0.52% | | | |
| HEB Grocery | 2,126,829 | 10 | 0.50% | 2,203,978 | 2 | 0.86% |
| James Avery Craftsman Inc | | | | 1,338,061 | 5 | 0.52% |
| Hanumante LLC | | | | 1,238,217 | 6 | 0.48% |
| Hanbeck LTD | | | | 1,174,221 | 7 | 0.46% |
| Hondo Railway | | | | 1,268,197 | 8 | 0.49% |
| County of Medina | | | | 1,240,970 | 10 | 0.48% |
| Total | <u>\$ 36,746,279</u> | | <u>7.89%</u> | <u>\$ 20,713,815</u> | | <u>8.04%</u> |

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TABLE 13

CITY OF HONDO, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections In Subsequent Years | Total Collections to Date | |
|--|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2015 | \$ 1,062,074 | \$ 1,027,490 | 96.74% | \$ 33,816 | \$ 1,061,306 | 99.93% |
| 2016 | 1,178,873 | 1,137,045 | 96.45% | 40,475 | 1,177,520 | 99.89% |
| 2017 | 1,367,968 | 1,322,063 | 96.64% | 43,214 | 1,365,277 | 99.80% |
| 2018 | 1,489,579 | 1,441,735 | 96.79% | 44,688 | 1,486,423 | 99.79% |
| 2019 | 1,582,108 | 1,534,743 | 97.01% | 43,337 | 1,578,080 | 99.75% |
| 2020 | 1,742,423 | 1,709,313 | 98.10% | 28,055 | 1,737,368 | 99.71% |
| 2021 | 1,739,126 | 1,698,163 | 97.64% | 27,488 | 1,725,652 | 99.23% |
| 2022 | 1,865,706 | 1,810,909 | 97.06% | 42,234 | 1,853,143 | 97.06% |
| 2023 | 1,942,493 | 1,887,517 | 97.17% | 39,695 | 1,927,212 | 99.21% |

CITY OF HONDO, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

| Governmental Activities | | | | | |
|-------------------------|----------------------------------|--------------------------------|------------------|--------------|-----------|
| Fiscal Year | Certificates of Obligation | General Obligation Bonds | Revenue Bonds | Tax Notes | Leases |
| 2024 | \$ 5,352,380 | \$ 613,440 | \$ 707,159 | \$ 1,665,000 | \$ 15,240 |
| 2023 | 4,680,000 | 847,470 | 485,000 | 1,845,000 | 51,053 |
| 2022 | 5,140,942 | 1,067,090 | 550,000 | 685,000 | 91,534 |
| 2021 | 5,287,834 | 1,288,560 | 560,000 | - | - |
| 2020 | 1,405,000 | 1,496,250 | 610,000 | - | - |
| 2019 | 2,230,160 | 1,050,000 | 655,000 | - | - |
| 2018 | 2,561,550 | 1,090,000 | 700,000 | - | - |
| 2017 | 2,761,050 | 1,260,000 | 745,000 | - | - |
| 2016 | 2,953,030 | 1,317,314 | 785,000 | 31,975 | - |
| 2015 | 1,023,120 | 1,395,814 | 825,000 | 62,215 | - |

TABLE 14

| Business-Type Activities | | | | | | |
|----------------------------------|--------------------------------|--------------|-----------|--------------------------------|----------------------------------|---------------|
| Certificates of Obligation | General Obligation Bonds | Tax Notes | Leases | Total Primary Government | Percent of Personal Income | Per Capita |
| \$ 15,183,117 | \$ 564,560 | \$ 130,000 | \$ 41,702 | \$ 24,272,598 | 11.17% | 2,431 |
| 4,760,000 | 746,530 | 155,000 | 39,523 | 13,609,576 | 6.62% | 1,377 |
| 5,125,000 | 925,910 | - | 55,552 | 13,641,028 | 7.73% | 1,394 |
| 5,485,000 | 1,103,440 | - | - | 13,387,000 | 7.39% | 1,395 |
| 5,845,000 | 1,278,750 | - | - | 10,635,000 | 5.97% | 1,127 |
| 6,200,000 | 1,451,840 | - | - | 11,587,000 | 6.90% | 1,234 |
| 6,550,000 | 1,648,450 | - | - | 12,550,000 | 8.14% | 1,349 |
| 6,900,000 | 1,783,950 | - | - | 13,450,000 | 9.32% | 1,461 |
| 1,717,685 | 1,917,970 | - | - | 8,722,974 | 6.65% | 961 |
| 1,849,186 | 600,880 | - | - | 5,756,215 | 4.67% | 639 |

TABLE 15

CITY OF HONDO, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

SEPTEMBER 30, 2024

| Fiscal Year | General Bonded Debt Outstanding | | | | Actual Taxable Value of Property | Percentage of Actual Taxable Value of Property | Per Capita* |
|-------------|---------------------------------|--------------------------|---------------------------------|--------------|----------------------------------|--|-------------|
| | Certificates of Obligation | General Obligation Bonds | Available in Debt Service Funds | Total | | | |
| 2024 | \$ 5,352,380 | \$ 613,440 | \$ (202,092) | \$ 5,763,728 | \$ 465,578,101 | 1.24% | 577 |
| 2023 | 4,680,000 | 847,470 | (213,259) | 5,314,211 | 427,346,902 | 1.24% | 538 |
| 2022 | 5,140,942 | 1,067,090 | (189,475) | 6,018,557 | 353,187,382 | 1.70% | 615 |
| 2021 | 4,950,000 | 2,392,000 | (193,852) | 7,148,148 | 352,056,748 | 2.03% | 745 |
| 2020 | 1,405,000 | 2,775,000 | (169,725) | 4,010,275 | 329,798,889 | 1.22% | 425 |
| 2019 | 1,050,000 | 3,682,000 | (160,421) | 4,571,579 | 309,488,192 | 1.48% | 487 |
| 2018 | 1,090,000 | 4,210,000 | (160,094) | 5,139,906 | 291,332,824 | 1.76% | 552 |
| 2017 | 1,260,000 | 4,545,000 | (166,158) | 5,638,842 | 253,904,187 | 2.22% | 613 |
| 2016 | 1,317,314 | 4,871,000 | (162,788) | 6,025,526 | 258,477,135 | 2.33% | 664 |
| 2015 | 1,395,814 | 1,624,000 | (167,495) | 2,852,319 | 257,702,415 | 1.11% | 317 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Per Capita was derived using population data on Table 21.

CITY OF HONDO, TEXAS

TABLE 16

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2024

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|--|--|
| <i>Debt repaid with property taxes:</i> | | | |
| Hondo ISD | \$ 30,768,000 | 45.25% | \$ 13,922,520 |
| Medina County | 22,795,000 | 7.63% | <u>1,739,259</u> |
| Subtotal, Overlapping Debt | | | 15,661,779 |
| City Governmental Activities Direct Debt | | | <u>8,353,219</u> |
| TOTAL NET OVERLAPPING DEBT | | | <u><u>\$ 24,014,998</u></u> |
| Total Direct and Overlapping Debt % of A.V. | | | 34.78% |
| Total Direct and Overlapping Debt per Capita | | | \$ 2,405 |

TABLE 17

CITY OF HONDO, TEXAS

LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

| | | |
|-------------------------------|--|-----------------------|
| Assessed Value, 2024 Tax Roll | | <u>\$ 465,578,101</u> |
|-------------------------------|--|-----------------------|

| | | |
|--|--|---------------|
| Debt Limit - Texas statues do not provide a legal debt limit for cities; however, through accepted practice a practical "economic" debt limit is considered to be 10% of the assessed value. | | \$ 46,557,810 |
|--|--|---------------|

Amount of Applicable Debt:

| | | |
|--------------------------------|------------------|------------------|
| General Bonded Debt | \$ 5,965,820 | |
| Less Debt Service Net Position | <u>(202,092)</u> | <u>5,763,728</u> |

| | | |
|-------------|--|----------------------|
| DEBT MARGIN | | <u>\$ 40,794,082</u> |
|-------------|--|----------------------|

| | | |
|---|--|-----|
| Total Net Debt as a Percentage of Debt Margin | | 14% |
|---|--|-----|

| | Fiscal Year | | |
|------------------------------------|----------------------|----------------------|----------------------|
| | 2021 | 2022 | 2023 |
| Assessed Value | \$ 352,056,748 | \$ 353,187,382 | \$ 427,346,902 |
| Debt Limit | 35,205,675 | 35,318,738 | 42,734,690 |
| Total Net Debt Applicable to Limit | <u>4,010,275</u> | <u>6,018,557</u> | <u>5,314,211</u> |
| Total Debt Margin | <u>\$ 31,195,400</u> | <u>\$ 29,300,181</u> | <u>\$ 37,420,479</u> |
| | 2018 | 2019 | 2020 |
| Assessed Value | \$ 291,332,824 | \$ 309,488,192 | \$ 329,798,889 |
| Debt Limit | 29,133,282 | 30,948,819 | 32,979,889 |
| Total Net Debt Applicable to Limit | <u>5,139,906</u> | <u>4,571,579</u> | <u>4,010,275</u> |
| Total Debt Margin | <u>\$ 23,993,376</u> | <u>\$ 26,377,240</u> | <u>\$ 28,969,614</u> |
| | 2015 | 2016 | 2017 |
| Assessed Value | \$ 257,702,415 | \$ 258,477,135 | \$ 253,904,187 |
| Debt Limit | 25,770,242 | 25,847,714 | 25,390,419 |
| Total Net Debt Applicable to Limit | <u>2,852,319</u> | <u>6,025,526</u> | <u>5,638,842</u> |
| Total Debt Margin | <u>\$ 22,917,923</u> | <u>\$ 19,822,188</u> | <u>\$ 19,751,577</u> |

TABLE 18**CITY OF HONDO, TEXAS****PLEDGED REVENUE COVERAGE - WATER AND SEWER REVENUE BONDS****LAST TEN FISCAL YEARS**

| Fiscal Year | Water and Sewer Revenue Bonds | | | | | |
|----------------|-------------------------------|--------------------------------|-----------------------------|--------------|----------|----------|
| | Utility Service Charges | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2024 | \$ 4,911,428 | \$ 2,132,153 | \$ 2,779,275 | 436,970 | 265,895 | 3.95 |
| 2023 | 4,657,996 | 3,441,573 | 1,216,423 | 494,630 | 140,783 | 1.91 |
| 2022 | 5,391,545 | 1,592,829 | 3,798,716 | 472,530 | 149,385 | 6.11 |
| 2021 | 5,089,597 | 2,337,031 | 2,752,566 | 470,310 | 158,350 | 4.38 |
| 2020 | 5,039,847 | 2,843,919 | 2,195,928 | 470,310 | 164,767 | 3.46 |
| 2019 | 4,147,768 | 1,561,953 | 2,585,815 | 456,610 | 169,107 | 4.13 |
| 2018 | 4,075,548 | 1,473,489 | 2,602,059 | 450,500 | 173,069 | 4.17 |
| 2017 | 3,876,333 | 1,520,862 | 2,355,471 | 957,888 | 153,823 | 2.12 |
| 2016 | 2,867,187 | 1,556,267 | 1,310,920 | 188,299 | 71,937 | 5.04 |
| 2015 | 2,354,102 | 1,635,959 | 718,143 | 130,828 | 46,916 | 4.04 |

TABLE 19**CITY OF HONDO, TEXAS****PLEDGED REVENUE COVERAGE - ELECTRIC REVENUE BONDS****LAST TEN FISCAL YEARS**

| Fiscal Year | Electric Revenue Bonds | | | | | |
|----------------|-------------------------------|--------------------------------|-----------------------------|--------------|----------|----------|
| | Utility Service Charges | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2024 | \$ 10,781,660 | \$ 6,841,450 | \$ 3,940,210 | 75,000 | 16,447 | 43.09 |
| 2023 | 10,484,737 | 6,944,846 | 3,539,891 | 90,000 | 10,215 | 35.32 |
| 2022 | 9,513,989 | 5,973,147 | 3,540,842 | 50,000 | 5,981 | 63.25 |
| 2021 | 9,090,890 | 5,970,117 | 3,120,773 | 50,000 | 6,791 | 54.95 |
| 2020 | 9,760,677 | 6,231,743 | 3,528,934 | 50,000 | 6,791 | 62.14 |
| 2019 | 9,360,015 | 5,719,139 | 3,640,876 | 50,000 | 7,939 | 62.84 |
| 2018 | 9,487,016 | 6,543,267 | 2,943,749 | 45,000 | 8,470 | 55.05 |
| 2017 | 9,178,970 | 6,535,110 | 2,643,860 | 613,868 | 18,424 | 4.18 |
| 2016 | 10,163,815 | 6,072,879 | 4,090,936 | 35,389 | 29,039 | 63.50 |
| 2015 | 9,128,350 | 5,705,769 | 3,422,581 | 130,828 | 19,476 | 22.77 |

TABLE 20

CITY OF HONDO, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

| Year | Population | Total Personal Income | Per Capita Personal Income | Median Age | Unemployment Rate |
|------|------------|-----------------------------|----------------------------------|---------------|----------------------|
| 2024 | 9,985 | 217,236,187 | 21,757 | 31.2 | 3.5% |
| 2023 | 9,886 | 205,585,080 | 20,796 | 31.3 | 6.2% |
| 2022 | 9,788 | 176,437,046 | 18,026 | 34.7 | 4.0% |
| 2021 | 9,596 | 181,124,500 | 18,875 | 32.4 | 6.2% |
| 2020 | 9,436 | 178,104,500 | 18,875 | 32.4 | 3.3% |
| 2019 | 9,387 | 167,830,173 | 17,879 | 30.1 | 3.0% |
| 2018 | 9,305 | 154,267,595 | 16,579 | 30.1 | 3.4% |
| 2017 | 9,206 | 144,304,050 | 15,675 | 30.5 | 3.6% |
| 2016 | 9,079 | 131,246,024 | 14,456 | 30.0 | 4.7% |
| 2015 | 9,002 | 123,210,374 | 13,687 | 29.6 | 4.4% |

Note: Information for this schedule was obtained from the United States Census Bureau.

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TABLE 21

CITY OF HONDO, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

| Employer | 2024 | | | | 2015 | | | |
|---------------------------|-----------|------|---|-------------------------------------|-----------|------|--|-------------------------------------|
| | Employees | Rank | | Percentage of Total City Employment | Employees | Rank | | Percentage of Total City Employment |
| Medina County | 340 | 2 | 1 | 3.41% | 205 | 4 | | 2.30% |
| Medina Healthcare System | 336 | 3 | 2 | 3.37% | 150 | 5 | | 1.69% |
| James Avery | 329 | 4 | 3 | 3.30% | 475 | 2 | | 5.34% |
| Texas Dept of Corrections | 297 | 1 | 4 | 2.97% | 497 | 1 | | 5.59% |
| Walmart | 155 | 5 | 5 | 1.55% | 260 | 3 | | 2.92% |
| City of Hondo | 131 | 6 | 6 | 1.31% | 98 | 8 | | 1.10% |
| HEB | 115 | 7 | 7 | 1.15% | 115 | 7 | | 1.29% |
| Medina Electric | 56 | 8 | 8 | 0.56% | 66 | 9 | | 0.74% |
| Hondo Rail | 48 | 9 | 9 | 0.48% | 124 | 6 | | 1.39% |
| Total | 1,807 | | | 18.10% | 1,990 | | | 22.37% |

Note: Information for this schedule was obtained from the City of Hondo Economic Development Corporation.

CITY OF HONDO, TEXAS

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

| Function | Fiscal Year | | | |
|---|-------------|------------|------------|------------|
| | 2015 | 2016 | 2017 | 2018 |
| <u>General Government</u> | | | | |
| Building Permits Issued | 607 | 498 | 612 | 477 |
| <u>Police</u> | | | | |
| Citations Issued | 2,598 | 1,067 | 1,106 | 865 |
| <u>Park and Civic Center</u> | | | | |
| Park User Reservations | 85 | 96 | 100 | 122 |
| Civic Center Rentals | 111 | 100 | 108 | 142 |
| <u>Library</u> | | | | |
| Annual Circulation | 18,689 | 14,292 | 18,748 | 23,703 |
| Library Visits | 50,917 | 46,932 | 46,380 | 44,808 |
| Items in Collection | 25,069 | 20,153 | 14,607 | 14,637 |
| <u>Water & Sewer</u> | | | | |
| Water Customers | 2,723 | 2,762 | 2,731 | 2,735 |
| Sewer Customers | 2,530 | 2,566 | 2,548 | 2,536 |
| Total Consumption (hundreds of gallons) | 4,835,725 | 3,784,767 | 5,261,944 | 4,475,348 |
| Average Monthly Consumption | 14,799 | 11,419 | 16,056 | 13,636 |
| <u>Electric Utility</u> | | | | |
| Electric Customers | 2,981 | 3,012 | 2,990 | 2,987 |
| Total Consumption | 74,378,945 | 73,555,397 | 72,464,108 | 76,206,703 |
| <u>Sanitation</u> | | | | |
| Customers | 2,346 | 2,368 | 2,354 | 2,350 |
| <u>Airport</u> | | | | |
| Gallons of Fuel Sold | 76,248 | 100,989 | 76,862 | 96,602 |
| Number of Flights | 1,454 | 2,222 | 1,669 | 1,880 |

TABLE 22

| Fiscal Year | | | | | |
|-------------|------------|------------|------------|------------|------------|
| 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| 507 | 700 | 1,080 | 387 | 526 | 455 |
| 604 | 432 | 578 | 510 | 915 | 2,832 |
| 103 | 44 | 83 | 140 | 89 | 68 |
| 117 | 135 | 111 | 140 | 165 | 112 |
| 24,978 | 16,145 | 15,212 | 23,258 | 32,427 | 29,369 |
| 45,106 | 25,934 | 16,937 | 28,740 | 33,815 | 39,370 |
| 16,168 | 17,208 | 17,654 | 16,776 | 18,779 | 17,517 |
| 2,736 | 2,813 | 2,841 | 2,716 | 2,698 | 2,843 |
| 2,530 | 2,752 | 2,763 | 2,523 | 2,433 | 2,728 |
| 4,768,534 | 5,365,643 | 5,368,103 | 6,144,747 | 4,792,952 | 5,140,074 |
| 14,524 | 15,895 | 15,746 | 18,851 | 14,800 | 14,850 |
| 2,893 | 2,721 | 2,751 | 2,968 | 2,959 | 3,065 |
| 73,616,091 | 75,767,613 | 73,038,220 | 78,286,807 | 74,989,989 | 76,761,236 |
| 2,353 | 2,368 | 2,153 | 2,373 | 2,367 | 2,386 |
| 95,878 | 80,545 | 70,414 | 85,424 | 70,495 | 68,631 |
| 4,208 | 4,581 | 8,312 | 13,625 | 15,990 | 17,203 |

CITY OF HONDO, TEXAS

CAPITAL ASSET STATISTICS

LAST TEN FISCAL YEARS

| Function | Fiscal Year | | | |
|-------------------------------|--------------------|-------------|-------------|-------------|
| | 2015 | 2016 | 2017 | 2018 |
| <u>Streets</u> | | | | |
| Streets, paved (miles) | 63.59 | 63.59 | 63.59 | 63.59 |
| Streets, unpaved (miles) | 55.39 | 55.39 | 55.39 | 55.39 |
| Alleys, unpaved (miles) | 13.28 | 13.28 | 13.28 | 13.28 |
| <u>Police</u> | | | | |
| Stations | 1 | 1 | 1 | 1 |
| Patrol Units | 31 | 32 | 32 | 34 |
| <u>Animal Control</u> | | | | |
| Facility | 1 | 1 | 1 | 1 |
| Control Vehicle | 2 | 2 | 2 | 2 |
| <u>Library</u> | | | | |
| Facility | 1 | 1 | 1 | 1 |
| Volumes in Collection | 25,069 | 20,153 | 14,607 | 14,637 |
| <u>Parks and Recreation</u> | | | | |
| Parks | 16 | 16 | 16 | 16 |
| Swimming Pools | 1 | 1 | 1 | 1 |
| Baby Pools | 1 | 1 | 1 | 1 |
| Baseball/Softball Diamonds | 5 | 5 | 5 | 5 |
| Soccer Fields | 2 | 2 | 2 | 2 |
| Community Centers | 1 | 1 | 1 | 1 |
| <u>Water & Sewer</u> | | | | |
| Number of Storage Tanks | 5 | 5 | 5 | 5 |
| Number of Pump Stations | 3 | 3 | 3 | 3 |
| Water Mains (Miles) | 70 | 70 | 70 | 70 |
| Sewer Mains (Miles) | 50 | 50 | 50 | 50 |
| Sewer Treatment Plants | 1 | 1 | 1 | 1 |
| <u>Electric</u> | | | | |
| Facility | 1 | 1 | 1 | 1 |
| Substations | 1 | 1 | 1 | 1 |
| Power Lines (Miles) | 69 | 69 | 69 | 69 |
| <u>Facilities Maintenance</u> | | | | |
| City Buildings (Square Feet) | 381,868 | 381,868 | 385,034 | 385,034 |

TABLE 23

| Fiscal Year | | | | | |
|-------------|---------|---------|---------|---------|---------|
| 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| 63.59 | 63.59 | 63.59 | 63.59 | 63.59 | 63.59 |
| 55.39 | 55.39 | 55.39 | 55.39 | 55.39 | 55.39 |
| 13.28 | 13.28 | 13.28 | 13.28 | 13.28 | 13.28 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 34 | 36 | 37 | 27 | 27 | 27 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 16,168 | 16,168 | 16,168 | 16,776 | 18,779 | 17,517 |
| 16 | 16 | 16 | 16 | 16 | 16 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 70 | 70 | 70 | 70 | 70 | 70 |
| 50 | 50 | 70 | 50 | 50 | 50 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 69 | 69 | 69 | 69 | 69 | 69 |
| 385,034 | 385,034 | 385,034 | 385,034 | 385,034 | 385,034 |

TABLE 24

CITY OF HONDO, TEXAS

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

| Function | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>General Government</u> | | | | | | | | | | |
| Administration | 4 | 3 | 3 | 3 | 3 | 3 | 4 | 1 | 2 | 1 |
| Finance | 3 | 3 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 |
| Police | 23 | 23 | 23 | 23 | 24 | 25 | 25 | 25 | 25 | 27 |
| Crossing Guards | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Legal & Courts | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Animal Control | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Streets | 10 | 10 | 10 | 10 | 10 | 10 | 11 | 11 | 11 | 11 |
| Library | 7 | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 5 |
| Parks | 12 | 12 | 12 | 12 | 13 | - | - | 10 | 10 | 10 |
| Facilities Maintenance | 4 | 6 | 6 | 6 | 6 | - | - | 7 | 7 | 7 |
| Building & Grounds Maintenance | - | - | - | - | - | 19 | 19 | - | - | - |
| Recreation | 19 | 19 | 21 | 21 | 21 | 21 | 21 | 21 | 22 | 21 |
| Golf Course | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 4 |
| Development Services | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| City Secretary | 4 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| Public Works | 1 | 2 | 2 | 2 | 2 | 3 | 3 | 2 | 2 | 2 |
| Human Resources | - | - | - | - | - | - | - | 1 | 1 | 1 |
| Information Technology | - | - | - | - | - | - | - | 2 | 2 | 2 |
| <u>Electric</u> | 10 | 10 | 10 | 10 | 10 | 10 | 9 | 9 | 9 | 9 |
| <u>Water & Sewer</u> | | | | | | | - | | | |
| Water | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Sewer | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 |
| Utility Billing | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| <u>Airport</u> | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 |
| <u>Sanitation</u> | 1 | 1 | 1 | 1 | - | - | - | - | - | - |
| <u>STRTC (Training Center)</u> | - | - | - | - | - | - | - | 1 | 1 | 1 |
| <u>Fair Hall</u> | - | - | - | - | - | - | - | 1 | - | - |
| <u>Economic Development</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>2</u> | <u>-</u> | <u>-</u> | <u>2</u> |
| TOTAL | <u>130</u> | <u>137</u> | <u>137</u> | <u>138</u> | <u>139</u> | <u>140</u> | <u>141</u> | <u>142</u> | <u>140</u> | <u>143</u> |

COMPLIANCE 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**

Honorable Mayor and
Members of the City Council
City of Hondo, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo, Texas (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 24, 2025



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Honorable Mayor and
Members of the City Council
City of Hondo, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Hondo's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 24, 2025

CITY OF HONDO, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Federal Grantor/Pass-through Grantor/ Program Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|--|--|-------------------------|
| <u>U. S. Department of Agriculture</u> | | | |
| Direct: | | | |
| Police Vehicle Grants - Community Facilities Loans and Grants Cluster | 10.766 | NA | \$ 77,130 |
| Total U. S. Department of Agriculture | | | <u>77,130</u> |
| <u>U. S. Department of Housing and Urban Development</u> | | | |
| Passed through Texas Department of Agriculture: | | | |
| Community Development Block Grant | 14.228 | CDM21-0402 | \$ 308,500 |
| Community Development Block Grant | 14.228 | CDV21-0401 | <u>44,980</u> |
| Total Passed through Texas Department of Agriculture | | | <u>353,480</u> |
| Passed through Texas Department of Housing and Community Affairs: | | | |
| Home Investment Partnerships Program | 14.239 | 2021-0005 | <u>515,320</u> |
| Total Passed through Texas Department of Housing and Community Affairs | | | <u>515,320</u> |
| Total U. S. Department of Housing and Urban Development | | | <u>868,800</u> |
| <u>U. S. Department of Treasury</u> | | | |
| Passed through Texas Division of Emergency Management: | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery | 21.027 | 091703843 | <u>220,829</u> |
| Total Passed through Texas Division of Emergency Management | | | <u>220,829</u> |
| Total U. S. Department of Treasury | | | <u>220,829</u> |
| <u>U. S. Institute of Museum and Library Services</u> | | | |
| Passed through Texas State Library and Archives Commission: | | | |
| Grants to States | 45.310 | LS-2252486-OLS-22 | <u>48,023</u> |
| Total Passed through Texas State Library and Archives Commission | | | <u>48,023</u> |
| Total U. S. Institute of Museum and Library Services | | | <u>48,023</u> |
| Total Expenditures of Federal Awards | | | \$ <u>1,214,782</u> |

CITY OF HONDO, TEXAS

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

SEPTEMBER 30, 2024

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal award programs of the City of Hondo, Texas. The City's reporting entity is defined in Note I of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the City were provided to subrecipients.

4. INDIRECT COSTS

The City did not elect to apply the de minimis indirect cost rate.

CITY OF HONDO, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? None

Significant deficiency(ies) identified? None

Noncompliance material to financial statements noted?

None

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? None

Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance?

None

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster:

14.239

Home Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs

\$750,000

Auditee qualified as low-risk auditee for federal single audit:

No

Findings Relating to the Financial Statements
Which Are Required to be Reported in Accordance
With Government Auditing Standards

None

Findings and Questioned Costs for
Federal Awards

None

CITY OF HONDO, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

None

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