

City of Lorena, Texas
Financial Statements and
Supplementary Information
September 30, 2024
(With Independent Auditor's Report Thereon)

City of Lorena, Texas

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City of Lorena, Texas

Current Elected Officials and Staff Contacts

September 30, 2024

Mayor Tommy Ross

Mayor Pro Tem.....Kelly Yarbrough

AldermanBrad Wetzel

AldermanJason Blank

Alderman Emily McKenzie

AldermanCarla Pendergraft

City ManagerKevin Neal

City SecretaryMonica Hendrix

Finance Officer Linda Klump



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INDEPENDENT AUDITOR'S REPORT

The Mayor and Honorable Members of the City Council
City of Lorena, Texas:

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lorena, 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 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows 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"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vi through xii, the schedule of budgetary comparisons for the General Fund on page 39, the schedules of changes in the net pension liability and related ratios and schedule of pension contributions on pages 40 and 41, and the schedules of changes in the total OPEB liability and related ratios and OPEB contributions on pages 42 and 43 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 GAAS, 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 supplementary information on pages 44 through 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate 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 the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The schedules of Interest and Sinking Balances – Proprietary Fund, Insurance Coverage, and Water and Sewer Connections and Water Accountability have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

January 15, 2025

Management's Discussion and Analysis

The management of the City of Lorena (the “City”) offers the following overview and analysis of the financial statements and financial activities for the fiscal year ending September 30, 2024.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,363,409, an increase of \$736,331 from prior year. Of the \$8,363,409, \$4,889,533 may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of 2024, the City’s governmental funds reported combined ending fund balances of \$3,458,891, a decrease of \$1,650,752 in comparison with the prior year.
- At the end of 2024, unassigned fund balance for the general fund was \$804,534, or 47.2% of total 2024 general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by property tax, sales tax, franchise tax, and fine revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, and streets and parks. The business-type activities of the City include a water distribution operation and wastewater treatment services and sanitation services.

The government-wide financial statements can be found on pages 1 and 2 of this report.

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

Governmental Funds. *Governmental funds* are used to account for essentially the functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Debt Service Fund, and TIRZ Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the supplementary information section of this report.

The basic governmental fund financial statements can be found on pages 3 through 5 of this report.

Proprietary Funds. The City maintains one type of proprietary fund – an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water distribution operations and wastewater treatment services, and sanitation services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer fund, and the sanitation fund.

The basic proprietary fund financial statements can be found on pages 6 through 8 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 through 38 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget. The Capital Projects Fund, Debt Service Fund, and TIRZ Fund are not budgeted. Required supplementary information can be found on pages 39 – 43 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 44 – 45 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,363,409 at the close of the most recent fiscal year.

City of Lorena's Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 3,550,160	6,337,901	4,713,476	4,355,000	8,263,636	10,692,901
Capital assets, net	6,179,595	4,272,137	5,450,883	5,556,742	11,630,478	9,828,879
Total assets	9,729,755	10,610,038	10,164,359	9,911,742	19,894,114	20,521,780
Total deferred outflows of resources	154,156	189,814	31,274	45,036	185,430	234,850
Current liabilities	124,676	1,257,665	688,607	609,410	813,283	1,867,075
Noncurrent liabilities	9,780,072	9,937,390	1,061,665	1,253,989	10,841,737	11,191,379
Total liabilities	9,904,748	11,195,055	1,750,272	1,863,399	11,655,020	13,058,454
Total deferred inflows of resources	56,729	66,380	4,386	4,718	61,115	71,098
Net position:						
Net investment in capital assets	(2,213,194)	(2,417,667)	4,294,118	4,356,742	2,080,924	1,939,075
Restricted	693,430	693,989	699,522	671,370	1,392,952	1,365,359
Unrestricted	1,442,198	1,262,095	3,447,335	3,060,549	4,889,533	4,322,644
Total net position	\$ (77,566)	(461,583)	8,440,975	8,088,661	8,363,409	7,627,078

The City has investments in capital assets, net of related debt of \$2,080,924 at September 30, 2024 – an increase of \$141,849 from the prior year, primarily due to additions to capital assets for general government use offset by current year depreciation, disposals, and unspent bond proceeds. The City decided not to report general infrastructure assets acquired prior to October 1, 2003 (as permitted when Governmental Accounting Standards Board Statement No. 34 was adopted). The amount of unreported infrastructure is not currently determinable. The City reports newly acquired or constructed general infrastructure assets after October 1, 2003 in the statement of net position in the period they acquire or construct those assets.

Approximately \$1,392,952 of the City’s net position at September 30, 2024 represents resources that are subject to external restrictions on how they may be used.

The remaining balance of net position of \$4,889,533 or *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.

City of Lorena’s Statements of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Program revenues:						
Charges for services	\$ 547,523	382,500	2,714,618	2,511,868	3,262,141	2,894,368
Capital grants and contributions	88,615	99,812	-	-	88,615	99,812
General revenues:						
Property taxes	1,068,612	915,856	-	-	1,068,612	915,856
Sales taxes	482,597	379,748	-	-	482,597	379,748
Franchise taxes	173,587	163,177	-	-	173,587	163,177
Unrestricted investment earnings	176,078	314,364	137,271	91,819	313,349	406,183
Gain on sale of capital assets	-	15,900	12,858	91,328	12,858	107,228
Miscellaneous	44,902	490,374	-	-	44,902	490,374
Total revenues	<u>2,581,914</u>	<u>2,761,731</u>	<u>2,864,747</u>	<u>2,695,015</u>	<u>5,446,661</u>	<u>5,456,746</u>
Expenses:						
General government	651,357	1,023,322	-	-	651,357	1,023,322
Public safety	1,191,318	1,035,739	-	-	1,191,318	1,035,739
Streets and parks	134,662	92,521	-	-	134,662	92,521
Interest and other charges	357,760	322,291	-	-	357,760	322,291
Water and sewer	-	-	2,133,982	1,867,043	2,133,982	1,867,043
Sanitation	-	-	241,251	229,247	241,251	229,247
Total expenses	<u>2,335,097</u>	<u>2,473,873</u>	<u>2,375,233</u>	<u>2,096,290</u>	<u>4,710,330</u>	<u>4,570,163</u>
Increase in net position before transfers	246,817	287,858	489,514	598,725	736,331	886,583
Transfers	<u>137,200</u>	<u>107,100</u>	<u>(137,200)</u>	<u>(107,100)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>384,017</u>	<u>394,958</u>	<u>352,314</u>	<u>491,625</u>	<u>736,331</u>	<u>886,583</u>
Net position, beginning of year	<u>(461,583)</u>	<u>(856,541)</u>	<u>8,088,661</u>	<u>7,597,036</u>	<u>7,627,078</u>	<u>6,740,495</u>
Net position, end of year	<u>\$ (77,566)</u>	<u>(461,583)</u>	<u>8,440,975</u>	<u>8,088,661</u>	<u>8,363,409</u>	<u>7,627,078</u>

The increase in net position of governmental activities before transfers of \$246,817 is a decrease of \$41,041 from prior year. The variance is primarily the result of a decrease in development review revenues and expenses as compared to 2023 and an increase in intergovernmental revenues and expenditures resulting from additional school resource officer requirements at Lorena Independent School District (“LISD”). In addition, the Police Department saw increases department-wide related to a growing department to attract and retain officers and supply the needs of LISD. The increase in net position before transfers of business-type activities of \$489,514 is a decrease of \$109,211 from the comparable amount in 2023. The variance is primarily the result of increases in expenses for purchased water and sewer services and costs for professional services including a rate study for utility services and financial advisor services for debt requirements.

Financial Analysis of the City’s Funds

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

Governmental funds. The focus of the City’s *government funds* is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City’s financing requirements. In particular, *unassigned fund balance* may be a useful measure of a government’s net resources available for spending at the end of the fiscal year. As of the end of 2024, the City’s general fund reported an ending fund balance of \$1,112,192, an increase of \$57,391 in comparison with the prior year. Property tax revenue increased by 6.8% due to rising property values within the City and sales tax revenue increased by 27.1% due to more consumer spending. Intergovernmental revenues increased by \$215,923 due to additional school resource officer requirements at LISD. These increases were offset by a decrease of \$250,948 in expenditures that was primarily attributable to less development expenditures incurred as compared to 2023. Of this amount, \$804,534 constitutes an *unassigned fund balance*, which is available for spending at the government’s discretion.

The capital projects fund reported a decrease in fund balance of \$1,746,893. The decrease was the result of the spending of the prior year bond issuance for the street project. The debt service fund reported an increase in fund balance of \$3,468. The TIRZ fund reported a decrease in fund balance of \$56,544, due primarily from transfers out of \$248,097 to the TIRZ debt service fund for debt service principal and interest payments and \$8,750 to the general fund to finance general fund expenditures.

Other governmental funds relate to the funds restricted to a specific purpose such as bond funds, Tax Increment Reinvestment Zone debt service funds, and police department forfeitures. The \$91,826 increase to other governmental fund balance is the result of transfers into these funds that exceeded expenditures during the year.

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

Unrestricted net position of the water and sewer fund at the end of the year amounted to \$3,297,644. Net position for the water and sewer fund increased by \$337,061 during 2024. The change is the result of increases in water and wastewater rates in comparison to the previous year offset by an increase in expenses due to higher costs for services and increases in investment earnings.

Unrestricted net position of the sanitation fund at the end of the year amounted to \$146,691. Net position for the sanitation fund increased \$15,253 from prior year, resulting primarily from increased sanitation rates to cover increasing costs from the City's sanitation services provider.

General Fund Budgetary Highlights

Original budget compared to final budget. Budgeted use of funds, inclusive of expenditures and transfers out, increased by \$178,257 between original budget and final General Fund budget. The increase in uses was attributable to additional costs of attracting additional police personnel in a growing police department due in part to increased need by LISD for additional school resource officers and unexpected increase in development costs. Budgeted sources of funds, inclusive of revenues and other financial sources, increased by \$178,257 between original and final General Fund budget. The increase in sources was attributable to increases in reimbursement of school resource officer expenses from the LISD and unexpected increases in sales tax and development review.

Final budget compared to actual results. For the General Fund, actual revenues surpassed budgeted revenues by \$144,168, primarily driven by increases in sales tax and development related revenues. Actual expenditures ended the year \$106,036 over budget due to unbudgeted transfer of end of year excess of revenue over expenditures to the General Fund Capital Project Fund.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounts to \$11,630,478 (net of accumulated depreciation) and is an increase of \$1,801,599 from the prior year, primarily due to capital additions of equipment and infrastructure for the street project offset by current year depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, water and sewer facilities, and construction in process.

City of Lorena's Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 21,006	21,006	14,128	14,128	35,134	35,134
Construction in process	13,455	3,379,756	236,328	-	249,783	3,379,756
Buildings and improvements	300,229	348,900	116,630	114,691	416,859	463,591
Infrastructure	5,554,799	190,834	-	-	5,554,799	190,834
Machinery and equipment	290,106	331,641	160,738	261,087	450,844	592,728
Water and sewer facilities	-	-	4,923,059	5,166,836	4,923,059	5,166,836
	<u>\$ 6,179,595</u>	<u>4,272,137</u>	<u>5,450,883</u>	<u>5,556,742</u>	<u>11,630,478</u>	<u>9,828,879</u>

Additional information on the City's capital assets can be found in Note 7 on pages 20 to 22.

Long-Term Debt. The City’s long-term debt as of September 30, 2024 includes general obligation and revenue bonds, bonds from direct placement, arbitrage rebate liability, refundable contracts, compensated absences, net pension liability, and total OPEB liability. The amount of long-term debt decreased from the previous year primarily due to scheduled principal repayments of \$410,000 and a reduction in premiums of \$21,053. These decreases were offset by an addition of \$38,397 in arbitrage rebate liability and \$97,450 in refundable contracts.

City of Lorena’s Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation and revenue bonds	\$ 8,573,014	8,829,067	425,000	455,000	8,998,014	9,284,067
Bonds from direct placement	-	-	600,000	745,000	600,000	745,000
Arbitrage rebate liability	38,397	-	-	-	38,397	-
Refundable contracts	923,250	825,800	-	-	923,250	825,800
Net pension liability	169,897	214,709	36,665	53,989	206,562	268,698
Total OPEB liability	43,860	39,033	-	-	43,860	39,033
Compensated absences	31,654	28,781	-	-	31,654	28,781
	<u>\$ 9,780,072</u>	<u>9,937,390</u>	<u>1,061,665</u>	<u>1,253,989</u>	<u>10,841,737</u>	<u>11,191,379</u>

Additional information on the City’s long-term debt can be found in Note 8 on pages 22 to 25.

Economic Factors and Next Year’s Budget

The 2025 budget includes an increase in the property tax rate from \$0.537289 per \$100 assessed value to \$0.537832 per \$100 assessed value. The tax rate increase was approved based on the expected increase in assessed property valuations for 2024.

The City has been awarded funds of \$660,723 through the American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds. These funds were partially received directly from the U.S. Department of the Treasury and a portion was passed through from McLennan County, Texas. The City plans to utilize those funds to complete deferred utility infrastructure projects including a water line relocation, wastewater line rehabilitation, and installation of back-up generators at all water and sewer locations.

Requests for Information

This financial report is designed to provide a general overview of the City of Lorena’s finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, City of Lorena, 107-A South Frontage Road, Lorena, Texas 76655.

Basic Financial Statements

City of Lorena, Texas
Statement of Net Position
September 30, 2024

	Primary Government			Component Unit
	Governmental	Business-type		Lorena Economic
	Activities	Activities	Total	Development
				Corporation
Assets				
Cash and cash equivalents	\$ 3,678,752	2,734,900	6,413,652	853,101
Accounts receivable, net of allowance	155,453	359,320	514,773	309,775
Lease receivable	18,609	-	18,609	-
Internal balances	(305,450)	305,450	-	-
Due from component unit	2,796	-	2,796	-
Prepaid expenses	-	228,021	228,021	-
Restricted cash and cash equivalents	-	1,085,785	1,085,785	-
Capital assets, not being depreciated:				
Land	21,006	14,128	35,134	-
Construction in process	13,455	236,328	249,783	-
Capital assets, net of accumulated depreciation:				
Buildings and improvements	300,229	116,630	416,859	-
Machinery and equipment	290,106	160,738	450,844	-
Infrastructure	5,554,799	-	5,554,799	-
Water and sewer facilities	-	4,923,059	4,923,059	-
Total assets	<u>9,729,755</u>	<u>10,164,359</u>	<u>19,894,114</u>	<u>1,162,876</u>
Deferred Outflows of Resources				
Deferred outflows of resources	<u>154,156</u>	<u>31,274</u>	<u>185,430</u>	<u>-</u>
Liabilities				
Accounts payable	60,857	166,652	227,509	-
Accrued interest payable	63,819	32,000	95,819	-
Due to primary government	-	-	-	2,796
Unearned revenues	-	354,263	354,263	-
Customer deposits payable	-	135,692	135,692	-
Noncurrent liabilities:				
Due within one year	286,654	175,000	461,654	-
Due in more than one year	9,493,418	886,665	10,380,083	-
Total liabilities	<u>9,904,748</u>	<u>1,750,272</u>	<u>11,655,020</u>	<u>2,796</u>
Deferred Inflows of Resources				
Deferred inflows of resources	<u>56,729</u>	<u>4,386</u>	<u>61,115</u>	<u>-</u>
Net Position				
Net investment in capital assets	(2,213,194)	4,294,118	2,080,924	-
Restricted for:				
Debt service	110,252	699,522	809,774	-
Public safety	583,178	-	583,178	-
Unrestricted	<u>1,442,198</u>	<u>3,447,335</u>	<u>4,889,533</u>	<u>1,160,080</u>
Total net position	<u>\$ (77,566)</u>	<u>8,440,975</u>	<u>8,363,409</u>	<u>1,160,080</u>

See accompanying notes to financial statements.

City of Lorena, Texas
Statement of Activities
Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 651,357	44,982	-	-
Public safety	1,191,318	502,541	-	688
Streets and parks	134,662	-	-	87,927
Interest and other charges	357,760	-	-	-
Total governmental activities	<u>2,335,097</u>	<u>547,523</u>	<u>-</u>	<u>88,615</u>
Business-type activities:				
Water and sewer	2,133,982	2,428,679	-	-
Sanitation	241,251	285,939	-	-
Total business-type activities	<u>2,375,233</u>	<u>2,714,618</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 4,710,330</u>	<u>3,262,141</u>	<u>-</u>	<u>88,615</u>
Component unit:				
Lorena Economic Development Corporation	<u>\$ 78,665</u>	<u>-</u>	<u>-</u>	<u>-</u>
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Lorena Economic Development Corporation
(606,375)		(606,375)	
(688,089)		(688,089)	
(46,735)		(46,735)	
(357,760)		(357,760)	
<u>(1,698,959)</u>		<u>(1,698,959)</u>	
	294,697	294,697	
	44,688	44,688	
	<u>339,385</u>	<u>339,385</u>	
<u>(1,698,959)</u>	<u>339,385</u>	<u>(1,359,574)</u>	
			<u>(78,665)</u>
1,068,612	-	1,068,612	-
482,597	-	482,597	241,189
173,587	-	173,587	-
176,078	137,271	313,349	23,558
-	12,858	12,858	-
44,902	-	44,902	-
137,200	(137,200)	-	-
<u>2,082,976</u>	<u>12,929</u>	<u>2,095,905</u>	<u>264,747</u>
384,017	352,314	736,331	186,082
<u>(461,583)</u>	<u>8,088,661</u>	<u>7,627,078</u>	<u>973,998</u>
\$ <u>(77,566)</u>	<u>8,440,975</u>	<u>8,363,409</u>	<u>1,160,080</u>

City of Lorena, Texas

Balance Sheet Governmental Funds

September 30, 2024

	General	Capital Projects	Debt Service	TIRZ	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,008,973	1,895,585	105,659	271,945	396,590	3,678,752
Receivables, net of allowances	170,039	-	4,023	-	-	174,062
Due from component unit	2,796	-	-	-	-	2,796
Total assets	<u>\$ 1,181,808</u>	<u>1,895,585</u>	<u>109,682</u>	<u>271,945</u>	<u>396,590</u>	<u>3,855,610</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$ 43,227	1,565	3,955	12,110	-	60,857
Due to other funds	-	-	-	305,450	-	305,450
Total liabilities	<u>43,227</u>	<u>1,565</u>	<u>3,955</u>	<u>317,560</u>	<u>-</u>	<u>366,307</u>
Deferred inflows of resources	<u>26,389</u>	<u>-</u>	<u>4,023</u>	<u>-</u>	<u>-</u>	<u>30,412</u>
Fund balances:						
Restricted for:						
Public safety	307,658	-	-	-	275,520	583,178
Debt service	-	-	101,704	-	-	101,704
Capital projects	-	180,225	-	-	-	180,225
Committed	-	1,713,795	-	-	4,525	1,718,320
Assigned	-	-	-	-	116,545	116,545
Unassigned	804,534	-	-	(45,615)	-	758,919
Total fund balances	<u>1,112,192</u>	<u>1,894,020</u>	<u>101,704</u>	<u>(45,615)</u>	<u>396,590</u>	<u>3,458,891</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,181,808</u>	<u>1,895,585</u>	<u>109,682</u>	<u>271,945</u>	<u>396,590</u>	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						6,179,595
The net pension liability (\$169,897) and pension-related deferred outflows of resources less deferred inflows of resources (\$124,592) are not due and payable in the current period and, therefore, are not reported in the funds.						(45,305)
The total OPEB liability (\$43,860) and OPEB-related deferred outflows of resources less deferred inflows of resources (\$8,556) are not due and payable in the current period, and therefore, are not reported in the funds.						(52,416)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.						11,803
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of long-term debt (\$9,566,315) and accrued interest payable (\$63,819).						(9,630,134)
Net position of governmental activities					\$	<u>(77,566)</u>

See accompanying notes to financial statements.

City of Lorena, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended September 30, 2024

	General	Capital Projects	Debt Service	TIRZ	Formerly Major Fund TIRZ Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 630,517	-	328,592	108,434	-	-	1,067,543
Sales taxes	482,597	-	-	-	-	-	482,597
Franchise taxes	173,587	-	-	-	-	-	173,587
Fines	245,808	-	-	-	-	-	245,808
Intergovernmental	250,176	-	-	-	-	-	250,176
Investment earnings	42,737	110,305	4,031	11,293	-	7,712	176,078
Miscellaneous	96,426	21,835	-	-	-	703	118,964
Total revenues	<u>1,921,848</u>	<u>132,140</u>	<u>332,623</u>	<u>119,727</u>	<u>-</u>	<u>8,415</u>	<u>2,514,753</u>
Expenditures:							
Current:							
General government	607,029	5,565	-	-	-	-	612,594
Public safety	1,036,449	-	-	-	-	9,738	1,046,187
Streets and parks	40,502	-	-	-	-	-	40,502
Debt service:							
Principal	-	-	135,000	-	-	100,000	235,000
Interest and other charges	-	-	194,155	-	-	148,097	342,252
Capital outlay	19,905	2,049,990	-	16,874	-	36,851	2,123,620
Total expenditures	<u>1,703,885</u>	<u>2,055,555</u>	<u>329,155</u>	<u>16,874</u>	<u>-</u>	<u>294,686</u>	<u>4,400,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>217,963</u>	<u>(1,923,415)</u>	<u>3,468</u>	<u>102,853</u>	<u>-</u>	<u>(286,271)</u>	<u>(1,885,402)</u>
Other financing sources (uses):							
Proceeds from refundable contracts	-	-	-	97,450	-	-	97,450
Transfers in	145,950	306,522	-	-	-	378,097	830,569
Transfers out	<u>(306,522)</u>	<u>(130,000)</u>	<u>-</u>	<u>(256,847)</u>	<u>-</u>	<u>-</u>	<u>(693,369)</u>
Total other financing sources (uses)	<u>(160,572)</u>	<u>176,522</u>	<u>-</u>	<u>(159,397)</u>	<u>-</u>	<u>378,097</u>	<u>234,650</u>
Net change in fund balances	57,391	(1,746,893)	3,468	(56,544)	-	91,826	(1,650,752)
Fund balances, beginning - previously stated	1,355,040	3,640,913	98,236	10,929	4,525	-	5,109,643
Change within reporting entity (creation of special revenue fund)	(300,239)	-	-	-	-	300,239	-
Change within reporting entity (from major to nonmajor fund)	-	-	-	-	(4,525)	4,525	-
Fund balances, beginning - restated	<u>1,054,801</u>	<u>3,640,913</u>	<u>98,236</u>	<u>10,929</u>	<u>-</u>	<u>304,764</u>	<u>5,109,643</u>
Fund balances, ending	<u>\$ 1,112,192</u>	<u>1,894,020</u>	<u>101,704</u>	<u>(45,615)</u>	<u>-</u>	<u>396,590</u>	<u>3,458,891</u>

See accompanying notes to financial statements.

City of Lorena, Texas
**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities**

Year Ended September 30, 2024

Amounts reported for governmental activities in the statement of activities (page 2) are different because:

Net change in fund balances - total governmental funds (page 4)	\$ (1,650,752)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$2,172,838) exceeded depreciation (\$265,380) in the current period.

1,907,458

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

1,069

The issuance of long-term debt (e.g., bonds, refundable contracts) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount by which principal repayments (\$235,000) exceeded increases to long-term debt less the change in accrued interest payable (\$112,958).

122,042

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

4,200

Change in net position of governmental activities (page 2)	\$ <u><u>384,017</u></u>
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See accompanying notes to financial statements.

City of Lorena, Texas
Statement of Net Position
Proprietary Funds
September 30, 2024

	Enterprise Funds		
	Water and Sewer	Sanitation	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,610,185	124,715	2,734,900
Accounts receivable, net of allowance	332,818	26,502	359,320
Due from other funds	305,450	-	305,450
Prepaid expenses	228,021	-	228,021
Total current assets	<u>3,476,474</u>	<u>151,217</u>	<u>3,627,691</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,085,785	-	1,085,785
Capital assets:			
Land	14,128	-	14,128
Buildings and improvements	456,965	-	456,965
Water and sewer facilities	10,936,066	-	10,936,066
Machinery and equipment	805,463	-	805,463
Construction in progress	236,328	-	236,328
Less accumulated depreciation	<u>(6,998,067)</u>	<u>-</u>	<u>(6,998,067)</u>
Total capital assets, net of accumulated depreciation	<u>5,450,883</u>	<u>-</u>	<u>5,450,883</u>
Total noncurrent assets	<u>6,536,668</u>	<u>-</u>	<u>6,536,668</u>
Total assets	<u>10,013,142</u>	<u>151,217</u>	<u>10,164,359</u>
Deferred Outflows of Resources			
Deferred outflow of resources	<u>31,274</u>	<u>-</u>	<u>31,274</u>
Liabilities			
Current liabilities:			
Accounts payable	165,126	1,526	166,652
Accrued interest payable	32,000	-	32,000
Unearned revenues	354,263	-	354,263
Customer deposits payable	135,692	-	135,692
Bonds payable - current	<u>175,000</u>	<u>-</u>	<u>175,000</u>
Total current liabilities	<u>862,081</u>	<u>1,526</u>	<u>863,607</u>
Noncurrent liabilities:			
Bonds payable	850,000	-	850,000
Net pension liability	<u>36,665</u>	<u>-</u>	<u>36,665</u>
Total noncurrent liabilities	<u>886,665</u>	<u>-</u>	<u>886,665</u>
Total liabilities	<u>1,748,746</u>	<u>1,526</u>	<u>1,750,272</u>
Deferred Inflows of Resources			
Deferred inflows of resources	<u>4,386</u>	<u>-</u>	<u>4,386</u>
Net Position			
Net investment in capital assets	4,294,118	-	4,294,118
Restricted for debt service	699,522	-	699,522
Unrestricted	<u>3,297,644</u>	<u>149,691</u>	<u>3,447,335</u>
Total net position	<u>\$ 8,291,284</u>	<u>149,691</u>	<u>8,440,975</u>

See accompanying notes to financial statements.

City of Lorena, Texas

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds

Year Ended September 30, 2024

	Enterprise Funds		
	Water and Sewer	Sanitation	Total
Operating revenues:			
Charges for sales and services pledged for security for general obligation bonds:			
Water sales	\$ 1,624,850	-	1,624,850
Sewer charges	572,439	-	572,439
Sanitation charges	-	285,846	285,846
Water and sewer tap fees	7,650	-	7,650
Penalties	37,199	-	37,199
Intergovernmental revenue	181,427	-	181,427
Other	5,114	93	5,207
Total operating revenue	<u>2,428,679</u>	<u>285,939</u>	<u>2,714,618</u>
Operating expenses:			
Cost of sales and services	1,246,839	241,251	1,488,090
Depreciation	433,743	-	433,743
Administration	424,741	-	424,741
Total operating expenses	<u>2,105,323</u>	<u>241,251</u>	<u>2,346,574</u>
Operating income	<u>323,356</u>	<u>44,688</u>	<u>368,044</u>
Nonoperating revenues (expenses):			
Interest income	136,606	665	137,271
Interest expense and fiscal charges	(28,659)	-	(28,659)
Gain on sale of capital assets	12,858	-	12,858
Total nonoperating revenue (expenses)	<u>120,805</u>	<u>665</u>	<u>121,470</u>
Income before transfers	444,161	45,353	489,514
Transfers in	13,000	-	13,000
Transfers out	<u>(120,100)</u>	<u>(30,100)</u>	<u>(150,200)</u>
Change in net position	337,061	15,253	352,314
Net position, beginning	<u>7,954,223</u>	<u>134,438</u>	<u>8,088,661</u>
Net position, ending	<u>\$ 8,291,284</u>	<u>149,691</u>	<u>8,440,975</u>

See accompanying notes to financial statements.

City of Lorena, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2024

	Enterprise Funds		
	Water and Sewer	Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and others	\$ 2,465,804	282,553	2,748,357
Payments to employees	(237,806)	-	(237,806)
Payments to suppliers and others	(1,661,879)	(259,001)	(1,920,880)
Net cash provided by operating activities	<u>566,119</u>	<u>23,552</u>	<u>589,671</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(107,100)</u>	<u>(30,100)</u>	<u>(137,200)</u>
Net cash used in noncapital financing activities	<u>(107,100)</u>	<u>(30,100)</u>	<u>(137,200)</u>
Cash flows from capital and related financing activities:			
Proceeds from disposal of capital assets	12,858	-	12,858
Acquisition and construction of capital assets	(327,884)	-	(327,884)
Principal paid on capital debt	(175,000)	-	(175,000)
Interest and fiscal charges paid on capital debt	<u>(28,659)</u>	<u>-</u>	<u>(28,659)</u>
Net cash used in capital and related financing activities	<u>(518,685)</u>	<u>-</u>	<u>(518,685)</u>
Cash flows from investing activities:			
Interest received	<u>136,606</u>	<u>665</u>	<u>137,271</u>
Net cash provided by investing activities	<u>136,606</u>	<u>665</u>	<u>137,271</u>
Net increase (decrease) in cash and cash equivalents	76,940	(5,883)	71,057
Cash and cash equivalents, beginning of year	<u>3,619,030</u>	<u>130,598</u>	<u>3,749,628</u>
Cash and cash equivalents, end of year	<u>\$ 3,695,970</u>	<u>124,715</u>	<u>3,820,685</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 323,356	44,688	368,044
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	433,743	-	433,743
Change in assets and liabilities:			
Decrease (increase) in receivables	37,495	(3,386)	34,109
Increase in prepaid expenses	(142,313)	-	(142,313)
Increase in due from other funds	(47,450)	-	(47,450)
Decrease in net pension liability	(3,894)	-	(3,894)
Increase (decrease) in accounts payable	15,214	(17,750)	(2,536)
Decrease in unearned revenue	(49,662)	-	(49,662)
Decrease in customer deposits	<u>(370)</u>	<u>-</u>	<u>(370)</u>
Net cash provided by operating activities	<u>\$ 566,119</u>	<u>23,552</u>	<u>589,671</u>

See accompanying notes to financial statements.

City of Lorena, Texas

Notes to Financial Statements

September 30, 2024

(1) Summary of Significant Accounting Policies(a) Reporting entity

The City of Lorena, Texas (the “City”) was incorporated under the provisions of the laws of the State of Texas. The City operates under a Mayor-Council and City Manager form of government and provides the following services: public safety, highways and streets, public improvements, planning and general administrative services. The accompanying financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

Blended component unit – The Heart of Texas Education Finance Corporation was created by the City and acts on behalf of the City to provide financing for the acquisition or construction of educational facilities or housing facilities for educational institutions. The City appoints a voting majority of the Corporation’s board and may remove them at will. Further, the Corporation’s board is substantively the same as the City Council. The Corporation is reported as a special revenue fund.

Discretely presented component unit – The Lorena Economic Development Corporation (“EDC”) is an industrial development corporation authorized to act on behalf of the City to promote and develop commercial, industrial and manufacturing enterprises. The members of the governing board of the Corporation are appointed by the City Council and the Corporation’s operational budget is reviewed and approved by the City Council. The Corporation is prohibited from issuing bonded debt without the approval of the City Council.

Additional financial information for each component unit may be obtained at the City’s administrative office.

(b) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. 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.

City of Lorena, TexasNotes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(b) Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 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.

(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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases and subscription-based information technology arrangements are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue is considered to be measurable and available only when cash is received by the City.

City of Lorena, TexasNotes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(c) Measurement focus, basis of accounting
and financial statement presentation (continued)

The City reports the following major governmental funds:

General Fund - The general fund is the City's primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

Capital Projects Fund – The capital projects fund accounts for bond resources accumulated and payments made for capital acquisitions.

Debt Service Fund – The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

TIRZ Fund – The TIRZ fund accounts for the resources accumulated and payments made for capital acquisitions in the City's tax increment and reinvestment zone.

The City reports the following major proprietary funds:

Water and Sewer Fund - The water and sewer fund accounts for the activities of the water distribution system, the sewage treatment plant, sewage pumping stations and collection systems.

Sanitation Fund – The sanitation fund accounts for the activities of the City's solid waste collection system.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

City of Lorena, Texas

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (continued)

(c) Measurement focus, basis of accounting and financial statement presentation (continued)

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

(d) Deposits and investments

For purposes of the statement of cash flows, the City's proprietary fund type considers all highly liquid investments (including restricted assets) with original maturities less than 90 days to be cash equivalents.

State statutes authorize the City to invest in obligations of the United States or its agencies and instrumentalities and state or local governments, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The City's local investment policy limits the City to invest in obligations of the United States or its agencies and instrumentalities, fully collateralized repurchase agreements by obligations of the United States or its agencies and instrumentalities, money market mutual funds, and local government investment pools.

Investments are reported at fair value except for governmental pools. The governmental pools operate in accordance with appropriate state laws and regulations. The pools use amortized cost rather than fair value to report net asset share price.

(e) Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion). All other outstanding balances between funds are reported as "due to/from other funds."

All accounts receivable are shown net of an allowance for uncollectibles.

City of Lorena, Texas

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (continued)

(f) Restricted assets

Certain proceeds of the enterprise fund bonds and certain resources set aside for their repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

(g) Capital assets

Capital assets, which include land, construction in progress, buildings and improvements, machinery and equipment, water and sewer facilities, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The City chose not to retroactively report general infrastructure assets prior to the adoption of Governmental Accounting Standards Board Statement No. 34 on October 1, 2003. The City reports general infrastructure assets acquired or constructed after October 1, 2003, in the statement of net position in the period they acquire or construct those assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 30
Machinery and equipment	3 - 20
Infrastructure	5 - 40
Water and sewer facilities	40

City of Lorena, TexasNotes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(h) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

(i) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

(j) Postemployment Benefits Other than Pensions ("OPEB")

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan.

(k) Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City of Lorena, TexasNotes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(k) Compensated Absences (continued)

Accumulated vacation leave, which is expected to be liquidated with expendable available resources, is reported as a program expense and fund liability in the general fund. Amounts of accumulated vacation leave within the governmental funds that are not expected to be liquidated with expendable available financial resources are reported as long-term liability on the statement of net position. No expenditure is reported for these amounts in the fund financial statements.

(l) Long-term obligations

In the government-wide financial statements and proprietary fund types 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 using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 received, are reported as debt service expenditures.

(m) Fund balance and net position

In the fund financial statements, governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's management based on City Council direction. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

In the government-wide and proprietary fund financial statements, net position represents the difference between assets and deferred outflows of resources against liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of

City of Lorena, Texas

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (continued)

(m) Fund balance and net position (continued)

those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(2) Budgetary Information

Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. Formal budgetary integration is employed for the general fund, capital projects fund and debt service fund. The budget includes proposed expenditures and the means of financing those expenditures. Public hearings are conducted at which all interested persons' comments concerning the budget are heard. The budget is legally enacted by the City Council. Budgetary control is maintained at the fund level. Budget revisions are made during the year. All annual appropriations lapse at fiscal year-end.

The City prepares its budget on a basis of accounting that differs from generally accepted accounting principles ("GAAP"). The actual results of operations are presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis of accounting and GAAP are that (1) other financing sources and related expenditures are not budgeted for new capital lease and subscription-based information technology arrangement obligations; (2) transfers are recorded as revenues and expenditures; (3) payments in lieu of taxes from the enterprise fund are recorded as revenue; and (4) the financial activity of restricted fine revenues is not budgeted. Below is a reconciliation of the net change in fund balances for the year ended September 30, 2024:

Net change in fund balance - budgetary basis	\$ 38,132
Adjustment related to financial activity of fine revenues restricted for public safety	<u>19,259</u>
Net change in fund balance - GAAP basis	<u><u>\$ 57,391</u></u>

During 2024, expenditures exceeded budgetary appropriations in the general fund by \$106,036 due to an unbudgeted transfer of end year excess of revenue over expenditures to the general fund capital projects fund.

City of Lorena, Texas

Notes to Financial Statements (Continued)

(3) Deposits and Investments

A summary of the City's cash and cash equivalents follows:

Cash on hand	\$ 1,450
Cash in bank	2,152,504
Certificates of deposit	1,085,650
Local government investment pools	<u>4,259,833</u>
Total cash and cash equivalents	<u>\$ 7,499,437</u>

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City policy requires all deposits to be fully secured in accordance with the Texas Government Code, Chapter 2257, by either letters of credit of the United States or its agencies and instrumentalities or by eligible securities held by an independent third-party custodian.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City would not be able to recover the value of its investment or collateralized securities that are in the possession of an outside party. The City's investment policy requires that the purchase of investment securities be settled on a delivery basis and that ownership of all securities be perfected in the name of the City.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value by: (a) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, (b) investing operating funds primarily in shorter-term certificates of deposit, securities, money market mutual funds or government investment pools, and (c) diversifying maturities and staggering purchase dates to minimize the impact of market movements over time. It is the City's policy not to invest in securities maturing more than two years from the date of purchase. For repurchase agreements, the maximum maturity is 120 days; and money market mutual funds must have a dollar weighted average maturity of 90 days or less. Finally, the composite portfolio must maintain a weighted average maturity of 365 days or less. The weighted average maturity of TexPool is 26 days as of September 30, 2024. The weighted average maturity of TexSTAR is 26 days as of September 30, 2024.

Credit risk. For an investment, credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations. The City's investment policy limits investments in government investment pools and money market mutual funds to those that are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2024, the City's investments in TexPool and TexSTAR were rated AAAM by Standard & Poor's.

City of Lorena, Texas**Notes to Financial Statements
(Continued)****(3) Deposits and Investments (continued)**

TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The City has delegated the authority to hold legal title to the Pool as custodians and to make investment purchases with the City's funds. The State Comptroller of Public Accounts is the sole officer, director, and shareholder of TexPool and exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. There are no maximum transaction amounts and withdrawals from TexPool may be made daily. TexPool uses amortized cost rather than fair value to report net asset share price.

TexSTAR is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The City has delegated the authority to hold legal title to the Pool as custodians and to make investment purchases with the City's funds. TexSTAR's governing body is a five-member Board of Directors consisting of representatives of three participants and one member designated by each of the co-administrators. JPMorgan Investment Management, Inc. (the investment manager) and Hilltop Securities, Inc. serve as co-administrators for TexSTAR. There are no maximum transaction amounts and withdrawals from TexSTAR may be made daily. TexSTAR uses amortized cost rather than fair value to report net asset share price.

At September 30, 2024, the discretely presented component unit's cash and cash equivalents of \$853,101 consisted of cash in bank of \$425,332 and investment in TexPool in the amount of \$427,769. At September 30, 2024, and at various points throughout the year then ended, the discretely presented component unit periodically maintained balances at financial institutions in excess of federally insured amounts.

(4) Property Taxes

The appraisal of property within the City is the responsibility of the McLennan County Appraisal District (the "District"). The District is required under the Property Tax Code to assess all property on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property must be reviewed by the District every four years.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The net assessed value upon which the fiscal 2024 levy was based was \$189,777,910.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2024 were 93% of the tax levy.

City of Lorena, Texas

Notes to Financial Statements (Continued)

(5) Receivables

Receivables as of year-end for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Receivables:					
Taxes	\$ 96,442	4,023	-	1,537	102,002
Leases	18,609	-	-	-	18,609
Intergovernmental	54,988	-	131,765	-	186,753
Accounts	<u>-</u>	<u>-</u>	<u>201,903</u>	<u>25,146</u>	<u>227,049</u>
Gross receivables	170,039	4,023	333,668	26,683	534,413
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>850</u>	<u>181</u>	<u>1,031</u>
Net total receivables	<u>\$ 170,039</u>	<u>4,023</u>	<u>332,818</u>	<u>26,502</u>	<u>533,382</u>

(6) Lease Receivables

The City leases land to a corporation in order that the corporation can install and maintain a wireless internet tower. They also lease equipment to a local bank. The leases have an imputed interest rate of 4.0% and have initial terms of up to five years expiring in 2026 and 2027. Annual rents ranging from \$3,000 to \$4,800 are made on a monthly basis throughout the term. For the year ended September 30, 2024, the total amount of lease revenues and interest income recognized was \$6,905 and \$895, respectively.

The future payments that are included in the measurement of the lease receivable through maturity as of September 30, 2024 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 7,186	614	7,800
2026	6,727	323	7,050
2027	<u>4,696</u>	<u>102</u>	<u>4,798</u>
Totals	<u>\$ 18,609</u>	<u>1,039</u>	<u>19,648</u>

City of Lorena, Texas
Notes to Financial Statements
(Continued)

(7) Capital Assets

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

Primary Government

	Balance October 1, 2023	Additions	Deletions	Balance September 30, 2024
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 21,006	-	-	21,006
Construction in process	3,379,756	13,455	(3,379,756)	13,455
Total capital assets, not being depreciated	3,400,762	13,455	(3,379,756)	34,461
Capital assets, being depreciated:				
Buildings and improvements	886,596	-	-	886,596
Machinery and equipment	924,572	94,696	(6,792)	1,012,476
Infrastructure	759,554	5,444,443	-	6,203,997
Total capital assets, being depreciated	2,570,722	5,539,139	(6,792)	8,103,069
Less: accumulated depreciation for:				
Buildings and improvements	(537,696)	(48,671)	-	(586,367)
Machinery and equipment	(592,931)	(136,231)	6,792	(722,370)
Infrastructure	(568,720)	(80,478)	-	(649,198)
Total accumulated depreciation	(1,699,347)	(265,380)	6,792	(1,957,935)
Total capital assets, being depreciated, net	871,375	5,273,759	-	6,145,134
Governmental activities capital assets, net	\$ 4,272,137	5,287,214	(3,379,756)	6,179,595

City of Lorena, Texas

Notes to Financial Statements (Continued)

(7) Capital Assets (continued)

Primary Government (continued)

	Balance October 1, 2023	Additions	Deletions	Balance September 30, 2024
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 14,128	-	-	14,128
Construction in progress	-	236,328	-	236,328
Total capital assets not being depreciated	14,128	236,328	-	250,456
Capital assets, being depreciated:				
Buildings and improvements	440,884	16,081	-	456,965
Water and sewer facilities	10,936,066	-	-	10,936,066
Machinery and equipment	750,988	75,475	(21,000)	805,463
Total capital assets being depreciated	12,127,938	91,556	(21,000)	12,198,494
Less accumulated depreciation for:				
Buildings and improvements	(322,760)	(17,575)	-	(340,335)
Water and sewer facilities	(5,645,191)	(367,816)	-	(6,013,007)
Machinery and equipment	(617,373)	(48,352)	21,000	(644,725)
Total accumulated depreciation	(6,585,324)	(433,743)	21,000	(6,998,067)
Total capital assets, being depreciated, net	5,542,614	(342,187)	-	5,200,427
Business-type activities capital assets, net	\$ 5,556,742	(105,859)	-	5,450,883

Depreciation expense was charged to functions/programs of governmental activities as follows: \$24,508 to general government, \$146,712 to public safety, and \$94,160 to streets and parks.

City of Lorena, Texas

Notes to Financial Statements
(Continued)

(7) Capital Assets (continued)

Primary Government (continued)

The City has active construction projects as of September 30, 2024. At year-end, the City's construction commitments for governmental activities are as follows:

<u>Project Title</u>	<u>Expended to Date</u>	<u>Remaining Commitment</u>
Cindy Lane - Street Maintenance Fund	\$ <u>13,455</u>	<u>189,245</u>

The project is funded with bond proceeds from the 2022 series bond.

At September 30, 2024, the City's construction commitments for business-type activities are as follows:

<u>Project Title</u>	<u>Expended to Date</u>	<u>Remaining Commitment</u>
IH-35 Water Improvement (ARPA)	\$ 49,158	158,401
Generator (ARPA - McLennan County)	<u>187,170</u>	<u>483,194</u>
Total	\$ <u>236,328</u>	<u>641,595</u>

The projects will be funded with American Rescue Plan Act monies passed through from McLennan County and U.S Department of the Treasury.

(8) Long-Term Debt

Long-term debt consists of bonded indebtedness, arbitrage rebate liability, refundable contracts, net pension liability, total OPEB liability, and compensated absences. The City generally issues general obligation and revenue bonds to provide funds for the acquisition and construction of major capital facilities and pledges income derived from the acquired or constructed assets to pay debt service. For the governmental activities, compensated absences, the net pension liability, and total OPEB liability are generally liquidated by the general fund.

City of Lorena, Texas
Notes to Financial Statements
(Continued)

(8) Long-Term Debt

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

	Balance October 1, 2023	Additions	Reductions	Balance September 30, 2024	Due Within One Year
Governmental activities:					
General obligation and revenue bonds	\$ 8,585,332	-	235,000	8,350,332	255,000
Premiums	243,735	-	21,053	222,682	-
Arbitrage rebate liability	-	38,397	-	38,397	-
Refundable contracts	825,800	97,450	-	923,250	-
Net pension liability	214,709	111,157	155,969	169,897	-
Total OPEB liability	39,033	5,745	918	43,860	-
Compensated absences	28,781	31,654	28,781	31,654	31,654
	<u>9,937,390</u>	<u>284,403</u>	<u>441,721</u>	<u>9,780,072</u>	<u>286,654</u>
Business-type activities:					
General obligation bonds	455,000	-	30,000	425,000	30,000
Bonds from direct placement	745,000	-	145,000	600,000	145,000
Net pension liability	53,989	42,972	60,296	36,665	-
	<u>1,253,989</u>	<u>42,972</u>	<u>235,296</u>	<u>1,061,665</u>	<u>175,000</u>
	<u>\$ 11,191,379</u>	<u>327,375</u>	<u>677,017</u>	<u>10,841,737</u>	<u>461,654</u>

General obligation bonds for governmental activities at September 30, 2024 are comprised of the following issues:

Series 2017 \$690,000 combination tax and revenue bonds due in annual installments of \$40,000 to \$65,000 through February 2035; interest at 3.00% to 3.70%	\$ 570,000
Series 2017 \$1,735,000 combination tax and revenue bonds due in annual installments of \$20,000 to \$150,000 through February 2046; interest at 2.00% to 4.00%	1,675,332
Series 2018 \$1,505,000 combination tax and revenue bonds due in annual installments of \$35,000 to \$90,000 through February 2047; interest at 3.00% to 4.00%	1,430,000
Series 2021 \$4,930,000 combination tax and revenue bonds due in annual installments of \$120,000 to \$360,000 through February 2042; interest at 4.00%	<u>4,675,000</u>
	<u>\$ 8,350,332</u>

City of Lorena, Texas

Notes to Financial Statements
(Continued)

(8) Long-Term Debt (continued)

General obligation bonds for business-type activities at September 30, 2024 are comprised of the following issues:

Series 2017 \$635,000 combination tax and revenue bonds	
due in annual installments of \$25,000 to \$45,000	
through February 2036; interest at 2.00% to 4.00%	\$ <u>425,000</u>

Bonds from direct placement related to business-type activities are comprised of the Series 2020 \$1,170,000 refunding bonds due in annual installments of \$140,000 to \$155,000 through July 2028 at an interest rate of 1.16%.

Annual debt service requirements to maturity for governmental activities are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 255,000	326,551
2026	275,000	316,724
2027	295,000	305,910
2028	315,000	293,930
2029	335,000	280,961
2030 - 2034	1,910,000	1,184,175
2035 - 2039	2,330,000	757,105
2040 - 2044	2,075,000	271,875
2045 - 2047	<u>560,332</u>	<u>25,988</u>
	<u>\$ 8,350,332</u>	<u>3,763,219</u>

Annual debt service requirements to maturity for business-type activities are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 175,000	22,122
2026	175,000	19,540
2027	185,000	16,940
2028	185,000	14,205
2029	35,000	11,369
2030 - 2034	185,000	36,100
2035 - 2039	<u>85,000</u>	<u>3,500</u>
	<u>\$ 1,025,000</u>	<u>123,776</u>

City of Lorena, Texas

Notes to Financial Statements (Continued)

(8) Long-Term Debt (continued)

The various bond indentures contain significant restrictions on maintenance and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds. The City is in compliance with all such significant financial limitations and restrictions.

There is no specific maximum debt limit established by law for the City; therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt.

(9) 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 is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report ("Annual Report") that can be obtained at www.tmr.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 based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring member may select one of seven 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	11
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>20</u>
	<u>42</u>

City of Lorena, Texas

Notes to Financial Statements (Continued)

(9) Defined Benefit Pension Plan (continued)

Contributions

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

Employees for the City were required to contribute 6.0% of their annual gross earnings during the fiscal year. The contribution rate for the City was 10.31% and 10.14% in the calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$103,195 and were equal to the required contributions.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2023, and the total pension liability 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, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and 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.

City of Lorena, Texas

Notes to Financial Statements
(Continued)

(9) Defined Benefit Pension Plan (continued)

Net Pension Liability (continued)

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 real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

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

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

City of Lorena, Texas

Notes to Financial Statements
(Continued)

(9) Defined Benefit Pension Plan (continued)

Net Pension Liability (continued)

Changes in the Net Pension Liability –

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2022	\$ 2,462,137	2,193,439	268,698
Changes for the year:			
Service cost	135,509	-	135,509
Interest on the total pension liability	166,639	-	166,639
Difference between expected and actual experience	53,497	-	53,497
Change in assumptions	(17,388)	-	(17,388)
Contributions - employer	-	93,094	(93,094)
Contributions - employee	-	55,085	(55,085)
Net investment income	-	253,840	(253,840)
Benefit payments, including refunds of employee contributions	(122,325)	(122,325)	-
Administrative expense	-	(1,615)	1,615
Other changes	-	(11)	11
Net changes	215,932	278,068	(62,136)
Balance at December 31, 2023	\$ 2,678,069	2,471,507	206,562

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point (7.75%) 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 liability (asset)	\$ 591,729	206,562	(110,875)

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

City of Lorena, Texas

Notes to Financial Statements
(Continued)

(9) Defined Benefit Pension Plan (continued)

**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 \$90,238.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 38,677	12,142
Difference between projected and actual investment earnings, net	55,213	-
Changes in assumptions	-	12,571
Contributions subsequent to the measurement date	<u>82,303</u>	<u>-</u>
	<u>\$ 176,193</u>	<u>24,713</u>

The \$82,303 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal 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:

<u>Measurement Year Ended December 31,</u>	
2024	\$ 15,605
2025	25,865
2026	48,864
2027	<u>(21,157)</u>
	<u>\$ 69,177</u>

City of Lorena, Texas

Notes to Financial Statements (Continued)

(10) Other Postemployment Benefits (“OPEB”)

Plan Description

The City also participates in a defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (“SDBF”). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage by adopting an ordinance before November 1 of any year to be effective the following January 1. As the SDBF covers both active and retired members, with no segregation of assets, the SDBF does not meet the definition of a trust under paragraph 4 of Governmental Accounting Standards Board (“GASB”) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (i.e. no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the City’s yearly contributions for retirees.

Benefits Provided

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 a fixed amount of \$7,500.

Employees Covered by Benefit Terms – At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>20</u>
	<u>28</u>

Contributions

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

The City’s contributions to the SDBF for the year ended September 30, 2024 were \$955 and were equal to the required contributions.

Total OPEB Liability

The City’s total OPEB liability was measured as of December 31, 2023 and the total was determined by an actuarial valuation as of that date.

City of Lorena, Texas

Notes to Financial Statements
(Continued)

(10) Other Postemployment Benefits (“OPEB”) (continued)

Total OPEB Liability (continued)

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

Inflation	2.50% per year
Salary increases	3.60% to 11.85%, including inflation
Discount rate	3.77% (based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2023)
Administrative expenses	All administrative expenses are paid through the TMRS Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully general basis with scale MP-2021. For disabled retirees, the 2019 Municipal Retirees of Texas Mortality Tables were used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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

The changes in the total OPEB liability for the measurement period ending December 31, 2023 was as follows:

	Total OPEB Liability
Balance at December 31, 2022	\$ 39,033
Changes for the year:	
Service cost	3,121
Interest on the total OPEB liability	1,625
Difference between expected and actual experience	(857)
Changes in assumption or other inputs	1,856
Benefit payments **	(918)
Net changes	4,827
Balance at December 31, 2023	\$ 43,860

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

City of Lorena, Texas
Notes to Financial Statements
(Continued)

(10) Other Postemployment Benefits (“OPEB”) (continued)

Total OPEB Liability (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.77%) or one percentage point higher (4.77%) than the current rate.

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	\$ 52,727	43,860	36,894

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$2,901.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,150	3,186
Changes in assumptions	7,408	14,607
Contributions subsequent to the measurement date	679	-
	\$ 9,237	17,793

City of Lorena, Texas

Notes to Financial Statements
(Continued)

(10) Other Postemployment Benefits (“OPEB”) (continued)

**OPEB Expense and Deferred Outflows of Resources
and Deferred Inflows of Resources Related to OPEB** (continued)

The \$679 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 fiscal year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ended December 31,	
2024	\$ (2,189)
2025	(1,747)
2026	(2,705)
2027	(2,683)
2028	<u>89</u>
	<u>\$ (9,235)</u>

(11) Deferred Outflows/Inflows of Resources

The statements of financial position and the balance sheet include the following deferred outflows/inflows of resources at September 30, 2024:

	<u>Statements of Net Position</u>		<u>Balance Sheet</u>	
	Governmental Activities	Business-Type Activities - Water and Sewer	General Fund	Debt Service Fund
Deferred outflows of resources:				
Pension - post-measurement date contributions	\$ 67,694	14,609	-	-
Pension - differences between projected and actual earnings, net	45,413	9,800	-	-
Pension - differences between expected and actual experience	31,812	6,865	-	-
OPEB - changes in assumptions	7,408	-	-	-
OPEB - differences between expected and actual experience	1,150	-	-	-
OPEB - post-measurement date contributions	<u>679</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 154,156</u>	<u>31,274</u>	<u>-</u>	<u>-</u>

City of Lorena, Texas

Notes to Financial Statements
(Continued)

(11) Deferred Outflows/Inflows of Resources (continued)

	Statements of Net Position		Balance Sheet	
	Governmental	Business-Type	General	Debt
	Activities	Activities - Water and Sewer	Fund	Service Fund
Deferred inflows of resources:				
Unavailable property tax revenue	\$ -	-	7,780	4,023
Unavailable lease revenue	18,609	-	18,609	-
Pension - differences between expected and actual experience	9,987	2,155	-	-
Pension - changes in assumptions	10,340	2,231	-	-
OPEB - differences between expected and actual experience	3,186	-	-	-
OPEB - changes in assumptions	14,607	-	-	-
	<u>\$ 56,729</u>	<u>4,386</u>	<u>26,389</u>	<u>4,023</u>

(12) Commitments, Contingencies and Concentrations

The City has entered into an agreement with a water authority to have available 1,000 acre-feet of surface water each year at a rate to be determined annually by the authority. The term of the agreement is for a period ending August 2047. The city has entered into a second agreement with a water authority to have available 1,500 acre-feet of surface water each year at a rate to be determined annually by the authority. The term of the agreement is for a period ending August 2050.

The City entered into a water treatment and transportation contract with another incorporated city in April 1998 to share the cost of a water treatment system to divert, treat and transport the surface water purchased for use by the City. The contract was revised and extended in September 2021. Under the contract, the City will pay a proportionate share of the costs of operation and maintenance of the system. The contract is effective for a period of 20 years with optional renewals for three additional 10 year terms. For the year ended September 30, 2024, the contract for this water agreement comprised 70% of the City's total cost of purchased water.

The City entered into an agreement with Frontier Texas Ventures I, LLC, a private firm, to provide the City's solid waste services at a rate to be determined annually by Frontier Texas Ventures I, LLC. The term of the agreement is for a period ending September 30, 2027.

City of Lorena, Texas

Notes to Financial Statements (Continued)

(12) Commitments, Contingencies and Concentrations (continued)

The City maintains a policy of refunding to subdivision developers certain costs for the construction of water and wastewater improvements and streets and drainage facilities, applicable to single family housing developments. The policy was created to encourage the construction of single family residences within the corporate limits of the City. The refunds to the developers are based on the achievement of certain performance metrics as indicated in the contracts with the City. Any disallowed refunds constitute revenue for the City. For the year ended September 30, 2024, amounts under contract which have not yet been refunded of \$923,250 have been recorded as a liability in the accompanying statement of net position. The amount, if any, of refunds payable that may be disallowed by the City cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

(13) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other governments in Texas to form the Texas Municipal League Intergovernmental Risk Pool (the "Pool"), a public entity risk pool currently operating as a common risk management and insurance program for liability, property and workmen's compensation coverage. The City pays a quarterly contribution to the Pool for its insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report, which can be obtained by writing the Texas Municipal League Intergovernmental Risk Pool, 1821 Rutherford Lane, Austin, Texas 78754.

(14) Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and sewer	TIRZ	\$ <u><u>305,450</u></u>

City of Lorena, Texas

Notes to Financial Statements (Continued)

(14) Interfund Receivables and Payables (continued)

The outstanding balances between funds result mainly from the time lag between the dates that payments between funds are made.

(15) Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2024 is as follows:

		Transfers Out:					
		General	Capital Projects	TIRZ	Water and Sewer	Sanitation	Total
Transfers in:							
General	\$	-	-	8,750	120,100	17,100	145,950
Capital projects		306,522	-	-	-	-	306,522
Other governmental		-	130,000	248,097	-	-	378,097
Water and sewer		-	-	-	-	13,000	13,000
	\$	306,522	130,000	256,847	120,100	30,100	843,569

Transfers are used to (1) move resources from the water and sewer and sanitation fund to the general fund to finance general fund expenditures, (2) move resources from the general fund to the capital projects fund to finance certain capital additions, renovations or major repairs, (3) move resources from the sanitation fund to the water and sewer fund to finance certain water and sewer fund expenditures, (4) move resources from the TIRZ fund to the TIRZ debt service fund to finance debt repayments, (5) move resources from the capital projects fund to the street maintenance fund to finance the street maintenance projects, and (6) move resources from the TIRZ fund to general fund to finance general fund expenditures.

(16) Deficit Fund Equity

The TIRZ fund had a deficit fund balance of \$45,615 as of September 30, 2024. The fund's transfers out to the TIRZ debt service fund for principal and interest payments and capital outlay expenditures exceeded revenues recognized during the year. The City expects to cover the expenditures with future property and sales tax revenues generated from the TIRZ.

(17) Restatements of Beginning Balances

Police department forfeitures previously reported in the General Fund were moved to a new special revenue fund. In addition, the TIRZ debt service fund that was previously reported as a major fund is now reported as a non-major fund.

City of Lorena, Texas

Notes to Financial Statements
(Continued)

(17) Restatements of Beginning Balances (continued)

	Reporting Units Affected by Restatements of Beginning Balances		
	Funds		
	General	TIRZ Debt Service	Other Govern- mental
Fund balances, beginning of year, as previously reported	\$ 1,355,040	4,525	-
Change within reporting entity (creation of special revenue fund)	(300,239)	-	300,239
Change within reporting entity (from major to nonmajor fund)	-	(4,525)	4,525
Fund balances, beginning of year, as adjusted or restated	<u>\$ 1,054,801</u>	<u>-</u>	<u>304,764</u>

(18) Authoritative Pronouncements Not Yet Effective

The following pronouncements were issued by the Governmental Accounting Standards Board (“GASB”) which may impact the City but are not yet effective. The City has not yet determined the effects of the adoption on its financial statements.

GASB Statement No. 101, *Compensated Absences* (issued June 2022) – the objective of this statement is to align recognition and measurement guidance for all types of compensated absences under a unified model which will result in entities recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The requirements of this statement are effective for the City’s financial statements for the fiscal year beginning on October 1, 2024.

GASB Statement No. 102, *Certain Risk Disclosures* (issued December 2023) – the objective of this statement is to provide users of the 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. The requirements of this statement are effective for the City’s financial statements for the fiscal year beginning October 1, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements* (issued April 2024) – 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 for decision making and assessing a government’s accountability. This statement also addresses certain application issues. The requirements of this statement are effective for financial statements for the fiscal year beginning October 1, 2025.

City of Lorena, TexasNotes to Financial Statements
(Continued)(18) Authoritative Pronouncements Not Yet Effective (continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (issued September 2024) – the objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for financial statements for the fiscal year beginning October 1, 2025.

Required Supplementary Information

City of Lorena, Texas

**Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – General Fund – Budgetary Basis**

Year Ended September 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Property taxes	\$ 634,313	634,313	630,517	(3,796)
Sales taxes	320,200	380,200	482,597	102,397
Franchise taxes	251,400	251,400	260,987	9,587
Intergovernmental	-	265,457	250,176	(15,281)
Fines	220,000	220,000	226,549	6,549
Investment earnings	25,000	25,000	42,737	17,737
Miscellaneous	275,201	128,001	154,976	26,975
Total revenues	<u>1,726,114</u>	<u>1,904,371</u>	<u>2,048,539</u>	<u>144,168</u>
Expenditures:				
General government	587,515	628,015	802,794	(174,779)
Public safety	1,084,841	1,222,598	1,152,853	69,745
Streets and parks	53,758	53,758	54,760	(1,002)
Total expenditures	<u>1,726,114</u>	<u>1,904,371</u>	<u>2,010,407</u>	<u>(106,036)</u>
Net change in fund balance	-	-	38,132	38,132
Fund balance, beginning - previously stated	1,355,040	1,355,040	1,355,040	-
Change within reporting entity (creation of special revenue fund)	-	-	(300,239)	(300,239)
Fund balances, beginning - restated	<u>1,355,040</u>	<u>1,355,040</u>	<u>1,054,801</u>	<u>(300,239)</u>
Fund balance, ending	<u>\$ 1,355,040</u>	<u>1,355,040</u>	<u>1,092,933</u>	<u>(262,107)</u>

See accompanying independent auditor's report.

City of Lorena, Texas

Schedule of Changes in Net Pension Liability and Related Ratios

Last Ten Measurement Dates

	2023	2022	2021	2020
Total Pension Liability				
Service cost	\$ 135,509	110,766	103,527	106,870
Interest on the total pension liability	166,639	154,627	141,672	129,255
Change in benefit terms including substantively automatic status	-	-	-	-
Difference between expected and actual experience	53,497	(17,327)	(17,755)	(4,692)
Change of assumptions	(17,388)	-	-	-
Benefit payments, including refunds of employee contributions	<u>(122,325)</u>	<u>(42,618)</u>	<u>(35,681)</u>	<u>(55,930)</u>
Net change in Total Pension Liability	215,932	205,448	191,763	175,503
Total Pension Liability - beginning	<u>2,462,137</u>	<u>2,256,689</u>	<u>2,064,926</u>	<u>1,889,423</u>
Total Pension Liability - ending (a)	<u>\$ 2,678,069</u>	<u>2,462,137</u>	<u>2,256,689</u>	<u>2,064,926</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 93,094	80,044	73,750	77,978
Contributions - employee	55,085	45,740	41,970	43,414
Net investment income	253,840	(165,981)	253,626	132,632
Benefit payments, including refunds of employee contributions	(122,325)	(42,618)	(35,681)	(55,930)
Administrative expense	(1,615)	(1,438)	(1,172)	(858)
Other	<u>(11)</u>	<u>1,716</u>	<u>8</u>	<u>(32)</u>
Net change in Plan Fiduciary Net Position	278,068	(82,537)	332,501	197,204
Plan Fiduciary Net Position - beginning	<u>2,193,439</u>	<u>2,275,976</u>	<u>1,943,475</u>	<u>1,746,271</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ 2,471,507</u>	<u>2,193,439</u>	<u>2,275,976</u>	<u>1,943,475</u>
Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ 206,562</u>	<u>268,698</u>	<u>(19,287)</u>	<u>121,451</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	92.29%	89.09%	100.85%	94.12%
Covered payroll	<u>\$ 918,086</u>	<u>762,327</u>	<u>699,505</u>	<u>723,563</u>
Net Pension Liability (Asset) as a percentage of covered payroll	22.50%	35.25%	(2.76%)	16.79%

See accompanying independent auditor's report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
104,955	100,579	74,608	72,892	70,355	70,839
117,183	105,865	86,423	79,759	73,433	65,480
-	149,736	-	-	-	-
(13,787)	(7,773)	(2,295)	(17,503)	(6,338)	(9,510)
12,689	-	-	-	19,312	-
<u>(30,371)</u>	<u>(35,983)</u>	<u>(30,884)</u>	<u>(43,691)</u>	<u>(7,223)</u>	<u>(18,664)</u>
190,669	312,424	127,852	91,457	149,539	108,145
<u>1,698,754</u>	<u>1,386,330</u>	<u>1,258,478</u>	<u>1,167,021</u>	<u>1,017,482</u>	<u>909,337</u>
<u><u>1,889,423</u></u>	<u><u>1,698,754</u></u>	<u><u>1,386,330</u></u>	<u><u>1,258,478</u></u>	<u><u>1,167,021</u></u>	<u><u>1,017,482</u></u>
74,530	45,534	41,992	37,892	36,736	28,314
41,870	40,178	35,443	34,088	33,450	33,376
222,484	(42,932)	168,837	75,366	1,552	54,664
(30,371)	(35,983)	(30,884)	(43,691)	(7,223)	(18,664)
(1,257)	(830)	(875)	(852)	(946)	(571)
<u>(38)</u>	<u>(44)</u>	<u>(43)</u>	<u>(46)</u>	<u>(47)</u>	<u>(47)</u>
307,218	5,923	214,470	102,757	63,522	97,072
<u>1,439,053</u>	<u>1,433,130</u>	<u>1,218,660</u>	<u>1,115,903</u>	<u>1,052,381</u>	<u>955,309</u>
<u><u>1,746,271</u></u>	<u><u>1,439,053</u></u>	<u><u>1,433,130</u></u>	<u><u>1,218,660</u></u>	<u><u>1,115,903</u></u>	<u><u>1,052,381</u></u>
<u>143,152</u>	<u>259,701</u>	<u>(46,800)</u>	<u>39,818</u>	<u>51,118</u>	<u>(34,899)</u>
92.42%	84.71%	103.38%	96.84%	95.62%	103.43%
<u>697,839</u>	<u>669,634</u>	<u>590,721</u>	<u>568,134</u>	<u>557,491</u>	<u>556,265</u>
20.51%	38.78%	(7.92%)	7.01%	9.17%	(6.27%)

City of Lorena, Texas
Schedule of Pension Contributions
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 103,195	90,249	78,287	74,675	80,533
Contributions in relation to the actuarially determined contributions	<u>103,195</u>	<u>90,249</u>	<u>78,287</u>	<u>74,675</u>	<u>80,533</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ <u>1,005,225</u>	<u>868,591</u>	<u>743,190</u>	<u>704,046</u>	<u>749,321</u>
Contributions as a percentage of covered payroll	10.27%	10.39%	10.53%	10.61%	10.75%

Notes to Schedule of Pension Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market, 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes There were no benefit changes during the year.

See accompanying independent auditor's report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
66,840	44,152	40,526	38,050	33,741
<u>66,840</u>	<u>44,152</u>	<u>40,526</u>	<u>38,050</u>	<u>33,741</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>693,814</u>	<u>668,197</u>	<u>590,721</u>	<u>568,134</u>	<u>557,491</u>
9.63%	6.61%	6.86%	6.70%	6.05%

City of Lorena, Texas

Schedule of Changes in Total OPEB Liability and Related Ratios

Last Ten Measurement Dates

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability							
Service cost	\$ 3,121	5,336	4,477	3,618	2,791	2,879	2,245
Interest on the total OPEB liability	1,625	1,022	1,002	1,128	1,133	1,002	922
Difference between expected and actual experience	(857)	1,750	(1,586)	(2,429)	(1,519)	(1,104)	-
Change of assumptions	1,856	(21,683)	1,619	6,604	7,790	(2,330)	2,560
Benefit payments **	<u>(918)</u>	<u>(534)</u>	<u>(420)</u>	<u>(145)</u>	<u>(140)</u>	<u>(134)</u>	<u>(177)</u>
Net change in Total OPEB Liability	4,827	(14,109)	5,092	8,776	10,055	313	5,550
Total OPEB Liability - beginning	<u>39,033</u>	<u>53,142</u>	<u>48,050</u>	<u>39,274</u>	<u>29,219</u>	<u>28,906</u>	<u>23,356</u>
Total OPEB Liability - ending	<u>\$ 43,860</u>	<u>39,033</u>	<u>53,142</u>	<u>48,050</u>	<u>39,274</u>	<u>29,219</u>	<u>28,906</u>
Covered-employee payroll	<u>\$ 918,086</u>	<u>762,327</u>	<u>699,505</u>	<u>723,563</u>	<u>697,839</u>	<u>669,634</u>	<u>590,721</u>
Total OPEB Liability as a percentage of covered-employee payroll	4.78%	5.12%	7.60%	6.64%	5.63%	4.36%	4.89%

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

Note: The City of Lorena adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective October 1, 2017. Information for years prior to 2017 is not available.

See accompanying independent auditor's report.

City of Lorena, Texas
Schedule of OPEB Contributions
Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 955	814	504	356	150	139	177
Contributions in relation to the actuarially determined contributions	<u>955</u>	<u>814</u>	<u>504</u>	<u>356</u>	<u>150</u>	<u>139</u>	<u>177</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	<u>\$ 1,005,225</u>	<u>868,591</u>	<u>743,190</u>	<u>704,046</u>	<u>749,321</u>	<u>693,814</u>	<u>668,197</u>
Contributions as a percentage of covered-employee payroll	0.10%	0.09%	0.07%	0.05%	0.02%	0.02%	0.03%

Notes to Schedule of OPEB Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Discount Rate	3.77%
Retirees' Share of Benefit-related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Note: The City of Lorena adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective October 1, 2017. Information for fiscal years prior to 2018 is not available.

See accompanying independent auditor's report.

Supplementary Information

City of Lorena, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2024

	<u>Street Maintenance</u>	<u>TIRZ Debt Service</u>	<u>Police Department Forfeitures</u>	<u>Total Other Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 116,545	4,525	275,520	396,590
Total assets	<u>\$ 116,545</u>	<u>4,525</u>	<u>275,520</u>	<u>396,590</u>
Fund Balances				
Restricted for:				
Public safety	\$ -	-	275,520	275,520
Debt service	-	-	-	-
Capital projects	-	-	-	-
Committed	-	4,525	-	4,525
Assigned	116,545	-	-	116,545
Total fund balances	<u>116,545</u>	<u>4,525</u>	<u>275,520</u>	<u>396,590</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 116,545</u>	<u>4,525</u>	<u>275,520</u>	<u>396,590</u>

See accompanying independent auditor's report.

City of Lorena, Texas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended September 30, 2024

	Street Maintenance	TIRZ Debt Service	Police Department Forfeitures	Total Other Governmental Funds
Revenues:				
Investment earnings	\$ -	-	7,712	7,712
Miscellaneous	-	-	703	703
Total revenues	<u>-</u>	<u>-</u>	<u>8,415</u>	<u>8,415</u>
Expenditures:				
Current:				
Public safety	-	-	9,738	9,738
Debt service:				
Principal	-	100,000	-	100,000
Interest and other charges	-	148,097	-	148,097
Capital outlay	13,455	-	23,396	36,851
Total expenditures	<u>13,455</u>	<u>248,097</u>	<u>33,134</u>	<u>294,686</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,455)</u>	<u>(248,097)</u>	<u>(24,719)</u>	<u>(286,271)</u>
Other financing sources (uses):				
Transfers in	130,000	248,097	-	378,097
Total other financing sources (uses)	<u>130,000</u>	<u>248,097</u>	<u>-</u>	<u>378,097</u>
Net change in fund balances	116,545	-	(24,719)	91,826
Fund balances, beginning - previously stated	-	-	-	-
Change within reporting entity (creation of special revenue fund)	-	-	300,239	300,239
Change within reporting entity (major to nonmajor fund)	-	4,525	-	4,525
Fund balances, beginning - restated	<u>-</u>	<u>4,525</u>	<u>300,239</u>	<u>304,764</u>
Fund balances, ending	<u>\$ 116,545</u>	<u>4,525</u>	<u>275,520</u>	<u>396,590</u>

See accompanying independent auditor's report.

City of Lorena, Texas

Schedule of Interest and Sinking Balances – Proprietary Fund
(Unaudited)

September 30, 2024

	Next Prorata Interest <u>Payment*</u>	Next Prorata Principal <u>Payment*</u>	<u>Total Required</u>
\$635,000 Combination tax and revenue certifications obligation Series 2017	\$ 3,791	3,781	7,572
\$1,170,000 General obligation refunding bonds Series 2020	<u>3,442</u>	<u>36,151</u>	<u>39,593</u>
Required balance	\$ <u><u>7,233</u></u>	<u><u>39,932</u></u>	47,165
Actual balance included in restricted cash and cash equivalents			<u>731,522</u>
Excess balance			\$ <u><u>684,357</u></u>

* Adequate to pay the principal and interest as such principal and interest comes due.

See accompanying independent auditor's report.

City of Lorena, Texas
Schedule of Insurance Coverage
(Unaudited)

September 30, 2024

Insuror	Type of Coverage	Amount of Coverage
Texas Municipal League Intergovernmental Risk Pool	General liability	\$ 1,000,000
	Law enforcement liability	1,000,000
	Errors and omissions liability	1,000,000
	Cyber liability	1,000,000
	Animal mortality coverage	12,500
	Animal surgical coverage	5,000
	Automobile liability	1,000,000
	Auto physical damage	Actual cash value
	Real and personal property	12,049,612
	Flood and earthquake	1,500,000
	Mobile equipment	382,361
	Boiler and machinery comprehensive coverage	100,000
	Supplemental sewage backup	25,000
	Employee dishonesty coverage	5,000 per employee

See accompanying independent auditor's report.

City of Lorena, Texas
Schedule of Water and Sewer Connections,
and Water Accountability
(Unaudited)
Year Ended September 30, 2024

On September 30, 2024, there were 1,066 active water connections and 630 active sewer connections. The following water schedule indicated the accountability for gallons of water in the system for 2024:

Gallons of water sold	174,315,400
Gallons of water used for municipal purposes	53,800 *
Gallons of water lost	<u>81,104,800 **</u>
Total gallons pumped	<u><u>255,474,000</u></u>

* Fire department and monthly main flushing not metered.

** Seasonal line breaks included in water loss.