

CITY OF HONDO, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2021



Prepared by: Finance Department

CITY OF HONDO, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

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INTRODUCTORY SECTION

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City of Hondo

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

April 20, 2022

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

We are pleased to present the Annual Comprehensive Financial Report of the City of Hondo, Texas (the City) for the fiscal year ended September 30, 2021. State law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Hondo for the fiscal year ended September 30, 2021.

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

The City of Hondo's financial statements have been audited by Pattillo, Brown & Hill, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hondo for the fiscal year ended September 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hondo's financial statements for the fiscal year ended September 30, 2021, are fairly presented in conformity with U.S. GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

Factors Affecting Financial Condition

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

Local Economy

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

Long-term Financial Planning

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

Financial Information

Internal Control

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

Budget Controls

The City also utilizes budgetary controls. Legally expenditures cannot exceed the appropriated amount. The objective of these budgetary controls is to ensure compliance with the adopted budget approved by the City Council as mandated by the city charter and state law. The levels of budgetary control are established at the department basis and at the fund level. Staff believes these controls help monitor and direct approved expenditures to a level within the budget parameters which directly results in a strong financial performance.

Financial Results

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

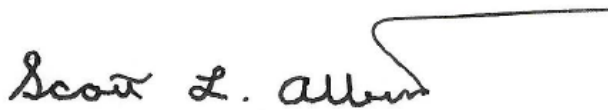
Independent Audit

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

Acknowledgements

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

Respectfully submitted,

A handwritten signature in black ink that reads "Scott L. Albert". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Scott L. Albert
City Manager

A handwritten signature in black ink that reads "Judy Narezo". The signature is cursive and stylized, with the first letters of each name being prominent.

Judy Narezo
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hondo
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

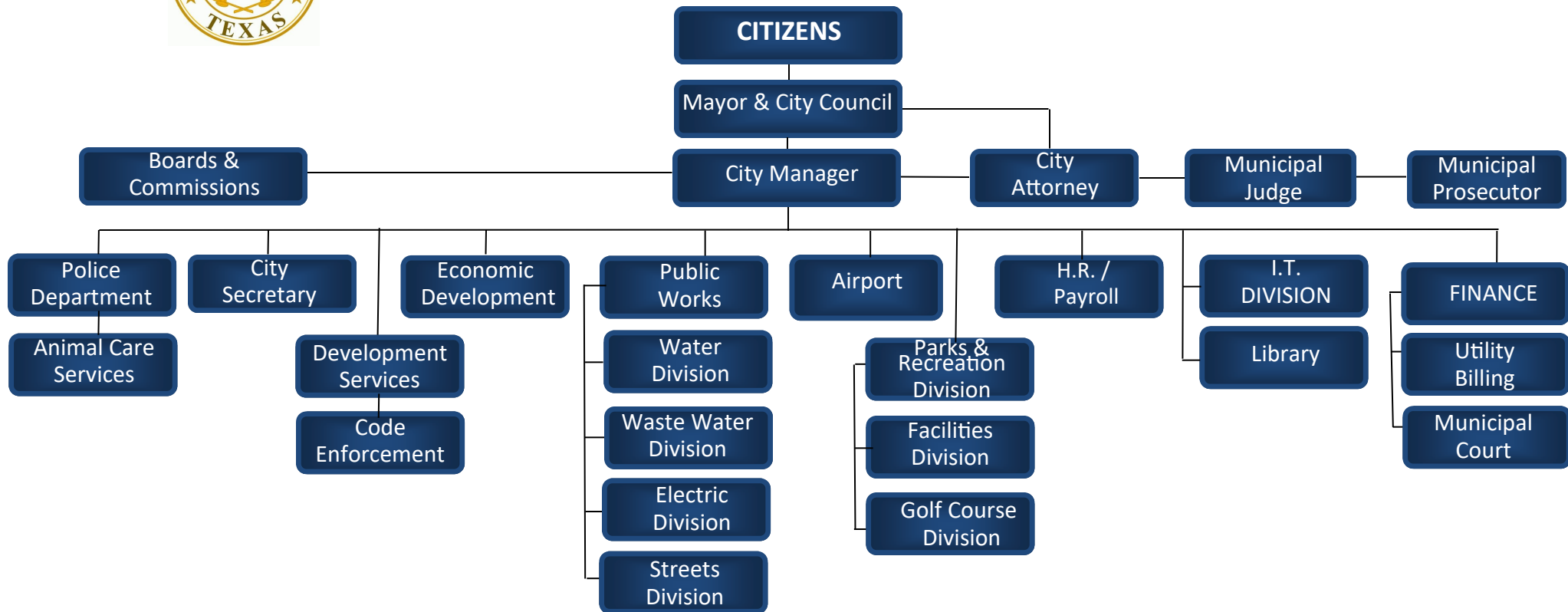
September 30, 2020

Christopher P. Morill

Executive Director/CEO



CITY OF HONDO ORGANIZATIONAL CHART



CITY OF HONDO, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2021

CITY OFFICIALS

Mayor James W. Danner

Council Members John E. Villa

Brett Williams

Bobby Vela

Jose Ytuarte

Wesley Huesser

City Manager Scott Albert

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo, Texas (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OFFICE LOCATIONS

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

Other Matters

Required Supplementary Information

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

Other 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 introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Patillo, Brown & Hill, L.L.P.

Waco, Texas
April 20, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hondo's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net position was \$51,282,467 at September 30, 2021.
- The City's governmental expenses were \$1,226,194 less than the \$10,535,362 generated in general and program revenues for governmental activities, including transfers. The total cost of the City's governmental programs increased 5.4% from the prior year due primarily to increases in public work activities.
- The City's business-type expenses (including transfers) were \$1,516,216 less than the \$17,036,656 generated in charges for services and other revenues. The total cost of the City's business-type activities decreased 7.0% from the prior year primarily from a renegotiated wholesale power agreement.
- The General Fund reported a fund balance of \$3,245,521, an increase of \$383,109, largely due to overall increased revenues and decreased capital outlay.
- The City issued Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2021, for the purpose of reconstruction streets and construction continues in the Water & Sewer fund from the 2017 bond issuance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.

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

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

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

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

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

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

Fund Financial Statements – The fund financial statements provide more detailed information about the City's most significant funds— not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$51,282,467 at September 30, 2021. (See Figure A-1).

Figure A-1
City's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 13,867,807	\$ 8,558,496	\$ 9,508,291	\$ 9,400,312	\$ 23,376,098	\$ 17,958,808
Capital assets	14,053,261	14,796,015	31,085,356	31,402,930	45,138,617	46,198,945
Total assets	27,921,068	23,354,511	40,593,647	40,803,242	68,514,715	64,157,753
Deferred outflows of resources	380,857	347,125	115,644	105,129	496,501	452,254
Long-term liabilities	7,953,761	4,523,939	6,826,326	7,428,990	14,780,087	11,952,929
Other liabilities	920,671	593,403	1,305,952	2,408,610	2,226,623	3,002,013
Total liabilities	8,874,432	5,117,342	8,132,278	9,837,600	17,006,710	14,954,942
Deferred inflows of resources	553,865	628,904	168,174	178,148	722,039	807,052
Net position:						
Net investment in capital assets	11,515,548	11,284,765	25,962,052	25,744,316	37,477,600	37,029,081
Restricted	4,636,555	3,650,503	-	-	4,636,555	3,650,503
Unrestricted	2,721,525	3,020,122	6,446,787	5,148,307	9,168,312	8,168,429
Total net position	\$ 18,873,628	\$ 17,955,390	\$ 32,408,839	\$ 30,892,623	\$ 51,282,467	\$ 48,848,013

Governmental Activities

- Property tax rates for the fiscal year ending September 30, 2021 decreased, but increasing property values led to an increase in ad valorem tax revenue of 5.4%.
- Sales tax collections increased 8.9% to \$1,883,673. Inflation and additional consumer spending contributed to the increase in the current year.
- Expenses increased somewhat due to higher general government expenses of \$495,408.

Business-Type Activities

- Expenses decreased slightly by an average of 7.0%. The largest expense decrease occurred in the Water and Sewer expenses due to decreases in materials and supplies of \$414,586.
- Total revenues from all business-type activities decreased from the prior year by \$393,720, or 2.3%. The customer base and usage is fairly flat.

Figure A-2
Changes in City's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 715,536	\$ 1,502,717	\$ 16,364,357	\$ 16,992,775	\$ 17,079,893	\$ 18,495,492
Operating grants and contributions	1,191,787	690,274	-	-	1,191,787	690,274
Capital grants and contributions	102,879	162,618	311,965	134,602	414,844	297,220
General revenues:						
Property tax	1,785,669	1,694,073	-	-	1,785,669	1,694,073
Sales tax	1,883,673	1,729,403	-	-	1,883,673	1,729,403
Other taxes	190,201	127,592	-	-	190,201	127,592
Investment earnings	19,081	83,300	399	30,987	19,480	114,287
Gain on sale of capital assets	37,830	322,914	-	105,000	37,830	427,914
Miscellaneous	46,772	74,240	359,935	167,012	406,707	241,252
Total revenues	<u>5,973,428</u>	<u>6,387,131</u>	<u>17,036,656</u>	<u>17,430,376</u>	<u>23,010,084</u>	<u>23,817,507</u>
Expenses:						
General government	3,106,383	2,610,975	-	-	3,106,383	2,610,975
Public safety	2,198,655	2,094,485	-	-	2,198,655	2,094,485
Judicial	114,812	100,901	-	-	114,812	100,901
Public works	2,472,981	2,477,122	-	-	2,472,981	2,477,122
Culture and recreation	1,244,278	1,268,470	-	-	1,244,278	1,268,470
Interest on long-term debt	172,059	276,529	-	-	172,059	276,529
Electric utility	-	-	5,976,797	6,231,640	5,976,797	6,231,640
Water and sewer	-	-	2,492,616	2,907,202	2,492,616	2,907,202
Airport	-	-	1,202,003	1,311,027	1,202,003	1,311,027
Sanitation	-	-	1,287,090	1,331,743	1,287,090	1,331,743
Total expenses	<u>9,309,168</u>	<u>8,828,482</u>	<u>10,958,506</u>	<u>11,781,612</u>	<u>20,267,674</u>	<u>20,610,094</u>
Increases in net position before transfers	(3,335,740)	(2,441,351)	6,078,150	5,648,764	2,742,410	3,207,413
Transfers	<u>4,561,934</u>	<u>3,861,178</u>	<u>(4,561,934)</u>	<u>(3,861,178)</u>	<u>-</u>	<u>-</u>
Change in net position	1,226,194	1,419,827	1,516,216	1,787,586	2,742,410	3,207,413
Net position, beginning	17,955,390	16,535,563	30,892,623	29,105,037	48,848,013	45,640,600
Prior period adjustment	(307,956)	-	-	-	(307,956)	-
Net position, ending	<u>\$ 18,873,628</u>	<u>\$ 17,955,390</u>	<u>\$ 32,408,839</u>	<u>\$ 30,892,623</u>	<u>\$ 51,282,467</u>	<u>\$ 48,848,013</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- The General Fund increased its fund balance by \$383,109, which is less than last year's increase of \$999,219. Intergovernmental revenue increased by \$207,881 but was offset by increases in General Government expenditures (\$623,777) and Capital Outlay expenditures (\$251,818). These differences were largely caused by the COVID-19 pandemic and City Hall remodel expenses.
- All of the proprietary funds generated sufficient operating revenues to cover operating expenses and debt service, except for the Airport. The Airport continues to sell available land and pursue rental agreements to cover operations. Electric charges for services decreased \$669,787 from 2020 totals of \$9,760,677. This was largely attributed to a decrease in electric consumption throughout the City.

Budgetary Highlights

- General Fund budgeted revenues exceeded actual amounts by \$34,735, mostly due to intergovernmental revenue (\$44,224) and investment income (\$37,471). Sales tax varies from year to year and the sales tax was greater than budgeted amounts. Most other revenue line items were within budgeted amounts.
- General Fund expenditures were \$1,279,820 under budget. A large portion of the savings was from the police department, development services, facilities, and public works. Four of five departments saw significant salary savings from budgeted amounts.
- The General Fund balance increased \$383,109, which was \$427,979 better than what the final budget projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2021, the City had invested \$45,138,617 in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant changes in fiscal year 2021 included \$224,116 of additions to Governmental vehicles and equipment. Significant additions were also made to the City's Water and Sewer vehicles and equipment, as well as various construction projects, the largest of which was the cemetery water line. (See Figure A-4)

Figure A-4
City's Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 628,148	\$ 628,148	\$ 2,284,349	\$ 2,284,348	\$ 2,912,497	\$ 2,912,496
Water rights	-	-	199,541	199,541	199,541	199,541
Buildings and improvements	10,494,833	10,494,833	19,164,586	19,339,571	29,659,419	29,834,404
Infrastructure	17,428,500	17,428,500	27,248,348	27,147,941	44,676,848	44,576,441
Vehicles and equipment	3,277,501	3,053,385	2,573,842	2,166,320	5,851,343	5,219,705
Construction in progress	-	-	1,612,213	1,097,649	1,612,213	1,097,649
Accumulated depreciation	(17,775,721)	(16,808,851)	(21,997,523)	(20,832,440)	(39,773,244)	(37,641,291)
Total	\$ 14,053,261	\$ 14,796,015	\$ 31,085,356	\$ 31,402,930	\$ 45,138,617	\$ 46,198,945

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

Long Term Debt – The City had bonds payable at year end as outlined in Figure A-5. \$3,725,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation were issued during the fiscal year. More detailed information about the City's debt is presented in the VII to the financial statements.

Table A-5
City's Long-Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Bonds payable	\$ 6,798,560	\$ 3,511,250	\$ 6,588,440	\$ 7,123,750	\$ 13,387,000	\$ 10,635,000
Compensated absences	110,475	122,672	23,244	30,054	133,719	256,391
	\$ 6,909,035	\$ 3,633,922	\$ 6,611,684	\$ 7,153,804	\$ 13,520,719	\$ 10,787,726

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Hondo has continued to aim to expand the commercial development in the City, specifically within the Airport property area. The City continues to strive to create economic growth that will result in more employment opportunities for the community. The City has also begun to invest heavily into economic development to bring jobs and more businesses to the community.

The City faced many obstacles with the COVID-19 pandemic, fortunately many of our sources of revenue remain constant. The City's sales tax revenue continues to exceed budgeted expectations. The increase in inflation contributed to an increase in sales tax. Looking forward to 2022, we expect similar inflation as well as additional consumer spending to continue our sales tax increases.

Returning in 2022, the City will again have an opportunity to host events such as Red, White, & Boom, The Heritage Festival, and Christmas in God's Country. The City looks forward to the normalcy of tourist traffic and the economic growth those events create in the City.

The fiscal year 2022 budget aims to continue to be conservative in our financial matters. The balanced budget adopted by Council will allow for conservative estimated revenues while keeping spending in line. The budget will take into consideration the affect the pandemic has had on the current economic environment. This approach will allow for the City to aim to maintain a healthy financial standing.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (830) 426-3378 or visit the City's website at www.hondo-tx.org.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF HONDO, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,741,614	\$ 4,408,643	\$ 14,150,257
Investments	2,761,419	-	2,761,419
Receivables, net:			
Taxes	104,338	-	104,338
Accounts	499,257	3,955,590	4,454,847
Internal balances	136,446	(136,446)	-
Due from other governments	41,945	-	41,945
Inventory	-	547,936	547,936
Prepaid expenses	4,336	-	4,336
Total current assets	<u>13,289,355</u>	<u>8,775,723</u>	<u>22,065,078</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments	578,452	732,568	1,311,020
Capital assets (net of accumulated depreciation):			
Non-depreciable	628,148	4,096,103	4,724,251
Depreciable	<u>13,425,113</u>	<u>26,989,253</u>	<u>40,414,366</u>
Total noncurrent assets	<u>14,631,713</u>	<u>31,817,924</u>	<u>46,449,637</u>
Total assets	<u>27,921,068</u>	<u>40,593,647</u>	<u>68,514,715</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	306,282	93,000	399,282
Deferred outflows related to OPEB -SDBF	74,575	22,644	97,219
Total deferred outflows of resources	<u>380,857</u>	<u>115,644</u>	<u>496,501</u>
LIABILITIES			
Current liabilities:			
Accounts payable	648,418	778,936	1,427,354
Accrued liabilities	185,468	51,019	236,487
Interest payable	27,987	26,801	54,788
Unearned revenue	58,798	4,635	63,433
Customer deposits	-	444,561	444,561
Long-term liabilities:			
Due in one year:			
Bonds payable	401,470	537,530	939,000
Bonds premium	16,892	-	16,892
Compensated absences	22,095	4,648	26,743
Due in more than one year:			
Bonds payable	6,397,090	6,050,910	12,448,000
Bonds premium	320,942	-	320,942
Compensated absences	88,380	18,596	106,976
Total OPEB liability - SDBF	328,943	99,880	428,823
Total OPEB liability - health plan	53,101	16,124	69,225
Net pension liability	<u>324,848</u>	<u>98,638</u>	<u>423,486</u>
Total liabilities	<u>8,874,432</u>	<u>8,132,278</u>	<u>17,006,710</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	462,482	140,428	602,910
Deferred inflows related to OPEB - SDBF	16,624	5,047	21,671
Deferred inflows related to OPEB - health plan	74,759	22,699	97,458
Total deferred inflows of resources	<u>553,865</u>	<u>168,174</u>	<u>722,039</u>
NET POSITION			
Net investment in capital assets	11,515,548	25,962,052	37,477,600
Restricted for:			
Nonexpendable perpetual care trust	560,479	-	560,479
Debt service	193,852	-	193,852
Economic development	2,451,561	-	2,451,561
Police, municipal court, and library	6,228	-	6,228
Public health	1,210,999	-	1,210,999
Tourism development	195,963	-	195,963
Community programs	17,473	-	17,473
Unrestricted	<u>2,721,525</u>	<u>6,446,787</u>	<u>9,168,312</u>
Total net position	<u>\$ 18,873,628</u>	<u>\$ 32,408,839</u>	<u>\$ 51,282,467</u>

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

CITY OF HONDO, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,106,383	\$ 390,501	\$ 418,968	\$ 93,600
Public safety	2,198,655	100,215	769,099	-
Judicial	114,812	54,134	-	-
Culture and recreation	1,244,278	170,651	3,720	9,279
Public works	2,472,981	35	-	-
Interest on long-term debt	<u>172,059</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>9,309,168</u>	<u>715,536</u>	<u>1,191,787</u>	<u>102,879</u>
Business-type activities:				
Electric Utility	5,976,797	9,090,890	-	-
Water and Sewer	2,492,616	5,089,597	-	263,632
Airport	1,202,003	750,247	-	48,333
Sanitation	<u>1,287,090</u>	<u>1,433,623</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>10,958,506</u>	<u>16,364,357</u>	<u>-</u>	<u>311,965</u>
Total primary government	<u>\$ 20,267,674</u>	<u>\$ 17,079,893</u>	<u>\$ 1,191,787</u>	<u>\$ 414,844</u>

General revenues:

Taxes:
 Property
 Sales
 Other
 Unrestricted investment income
 Miscellaneous
 Gain on sale of capital assets
 Transfers
 Total general revenues and transfers

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$(2,203,314)	\$ -	\$(2,203,314)
(1,329,341)	-	(1,329,341)
(60,678)	-	(60,678)
(1,060,628)	-	(1,060,628)
(2,472,946)	-	(2,472,946)
(172,059)	-	(172,059)
<u>(7,298,966)</u>	<u>-</u>	<u>(7,298,966)</u>
-	3,114,093	3,114,093
-	2,860,613	2,860,613
-	(403,423)	(403,423)
<u>-</u>	<u>146,533</u>	<u>146,533</u>
<u>-</u>	<u>5,717,816</u>	<u>5,717,816</u>
\$(<u>7,298,966</u>)	\$ <u>5,717,816</u>	\$(<u>1,581,150</u>)
\$ 1,785,669	\$ -	\$ 1,785,669
1,883,673	-	1,883,673
190,201	-	190,201
19,081	399	19,480
46,772	359,935	406,707
37,830	-	37,830
<u>4,561,934</u>	<u>(4,561,934)</u>	<u>-</u>
<u>8,525,160</u>	<u>(4,201,600)</u>	<u>4,323,560</u>
1,226,194	1,516,216	2,742,410
17,955,390	30,892,623	48,848,013
<u>(307,956)</u>	<u>-</u>	<u>(307,956)</u>
\$ <u>18,873,628</u>	\$ <u>32,408,839</u>	\$ <u>51,282,467</u>

CITY OF HONDO, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	General	American Rescue Plan	General Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,497,237	\$ 1,169,054	\$ 4,826,954	\$ 1,248,369	\$ 9,741,614
Investments	889,025	-	-	1,872,394	2,761,419
Receivables (net of allowances for uncollectibles):					
Accounts	339,163	-	-	160,094	499,257
Taxes	78,459	-	-	25,879	104,338
Due from other governments	41,945	-	-	-	41,945
Due from other funds	155,447	-	-	-	155,447
Prepaid items	4,336	-	-	-	4,336
Restricted cash and investments	-	-	-	578,452	578,452
Total assets	<u>4,005,612</u>	<u>1,169,054</u>	<u>4,826,954</u>	<u>3,885,188</u>	<u>13,886,808</u>
LIABILITIES					
Accounts payable	387,648	-	228,273	32,497	648,418
Accrued liabilities	181,316	-	-	4,152	185,468
Due to other funds	-	-	-	19,001	19,001
Unearned revenue	38,272	-	-	20,526	58,798
Total liabilities	<u>607,236</u>	<u>-</u>	<u>228,273</u>	<u>76,176</u>	<u>911,685</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	69,753	-	-	23,172	92,925
Unavailable revenue - grant	41,945	1,169,054	-	-	1,210,999
Unavailable revenue - court fines	41,157	-	-	-	41,157
Total deferred inflows of resources	<u>152,855</u>	<u>1,169,054</u>	<u>-</u>	<u>23,172</u>	<u>1,345,081</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Prepaid items	4,336	-	-	-	4,336
Perpetual care trust	-	-	-	560,479	560,479
Restricted for:					
Debt service	-	-	-	198,667	198,667
Economic development	-	-	-	2,451,561	2,451,561
Police department	-	-	-	6,228	6,228
Tourism development	-	-	-	195,963	195,963
Capital projects	-	-	4,598,681	-	4,598,681
Community programs	-	-	-	17,473	17,473
Committed for:					
South TX regional training center	-	-	-	353,455	353,455
Other	-	-	-	2,014	2,014
Unassigned	3,241,185	-	-	-	3,241,185
Total fund balances	<u>3,245,521</u>	<u>-</u>	<u>4,598,681</u>	<u>3,785,840</u>	<u>11,630,042</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,005,612</u>	<u>\$ 1,169,054</u>	<u>\$ 4,826,954</u>	<u>\$ 3,885,188</u>	<u>\$ 13,886,808</u>

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

CITY OF HONDO, TEXAS

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

SEPTEMBER 30, 2021

Total fund balances - governmental funds balance sheet	\$ 11,630,042
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	14,053,261
Certain receivables will not be collected soon enough to pay for the current period's expenditures and are, therefore, reported as deferred inflows of resources in the funds:	
Property taxes	69,753
Property tax penalties and interest	23,172
Intergovernmental receivables	1,210,999
Accrued bond interest is not due and payable in the current period and, therefore, is not reported in the funds.	(27,987)
Long-term liabilities and deferred losses on bond refundings, reported as deferred outflows of resources, are not due and payable in the current period and, therefore, are not reported in the funds. A summary of these items are as follows:	
Long-term liabilities:	
Bonds payable	(6,798,560)
Bonds premium	(337,834)
Compensated absences	(110,475)
Included in the items related to long-term liabilities is the recognition of the City's net pension liability. The net position related to pensions included a deferred outflows of resources in the amount of \$306,282, a deferred inflows of resources in the amount of \$462,482, and the net pension liability of \$324,848.	(481,048)
The total OPEB liability and related deferred inflows and outflows are not included in the fund financial statements.	(398,852)
Net position of governmental activities	\$ <u>18,873,628</u>

CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General	American Rescue Plan	General Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$ 1,360,705	\$ -	\$ -	\$ 433,238	\$ 1,793,943
Sales tax	1,256,370	-	-	627,303	1,883,673
Other taxes	69,670	-	-	120,531	190,201
Licenses and permits	124,549	-	-	-	124,549
Intergovernmental	427,776	-	-	93,600	521,376
Charges for services	365,189	-	-	146,450	511,639
Fines and forfeitures	54,969	-	-	6,426	61,395
Investment income	3,529	-	147	15,405	19,081
Miscellaneous	40,272	-	-	6,500	46,772
Total revenues	<u>3,703,029</u>	<u>-</u>	<u>147</u>	<u>1,449,453</u>	<u>5,152,629</u>
EXPENDITURES					
Current:					
General government	2,132,680	-	404,628	347,325	2,884,633
Public safety	2,049,454	-	-	4,351	2,053,805
Judicial	118,515	-	-	-	118,515
Culture and recreation	1,057,236	-	-	2,460	1,059,696
Public works	2,081,668	-	-	-	2,081,668
Capital outlay	500,131	-	-	-	500,131
Debt service:					
Principal	-	-	-	437,690	437,690
Interest	-	-	62,834	96,576	159,410
Total expenditures	<u>7,939,684</u>	<u>-</u>	<u>467,462</u>	<u>888,402</u>	<u>9,295,548</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,236,655)</u>	<u>-</u>	<u>(467,315)</u>	<u>561,051</u>	<u>(4,142,919)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of bonds	-	-	3,725,000	-	3,725,000
Premium on bonds	-	-	337,834	-	337,834
Transfers in	4,581,934	-	-	129,941	4,711,875
Transfers out	-	-	-	(149,941)	(149,941)
Sale of capital assets	37,830	-	-	-	37,830
Total other financing sources and uses	<u>4,619,764</u>	<u>-</u>	<u>4,062,834</u>	<u>(20,000)</u>	<u>8,662,598</u>
NET CHANGE IN FUND BALANCES	<u>383,109</u>	<u>-</u>	<u>3,595,519</u>	<u>541,051</u>	<u>4,519,679</u>
FUND BALANCES, BEGINNING	<u>3,016,855</u>	<u>-</u>	<u>1,003,162</u>	<u>3,398,302</u>	<u>7,418,319</u>
PRIOR PERIOD ADJUSTMENT	<u>(154,443)</u>	<u>-</u>	<u>-</u>	<u>(153,513)</u>	<u>(307,956)</u>
FUND BALANCES, ENDING	<u>\$ 3,245,521</u>	<u>\$ -</u>	<u>\$ 4,598,681</u>	<u>\$ 3,785,840</u>	<u>\$ 11,630,042</u>

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

CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds	\$ 4,519,679
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount of capital outlay recorded in the current period.	287,656
Depreciation on capital assets is reported in the Statement of Activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(1,031,180)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	770
Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.	437,690
Interest is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	(12,649)
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences liability	12,197
Net OPEB liability	28,246
Net Pension liability	263,650
Bonds premium	(337,834)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>782,969</u>
Change in net position of governmental activities	\$ <u><u>1,226,194</u></u>

CITY OF HONDO, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,600,952	\$ 300,355	\$ -	\$ 507,336	\$ 4,408,643
Receivables, net	1,438,157	2,318,333	60,623	138,477	3,955,590
Inventory	110,554	410,167	27,215	-	547,936
Total current assets	<u>5,149,663</u>	<u>3,028,855</u>	<u>87,838</u>	<u>645,813</u>	<u>8,912,169</u>
Noncurrent assets:					
Restricted cash and investments	732,568	-	-	-	732,568
Capital assets:					
Nondepreciable	2,149,479	137,104	1,809,520	-	4,096,103
Depreciable	12,382,020	1,458,893	13,148,340	-	26,989,253
Total noncurrent assets	<u>15,264,067</u>	<u>1,595,997</u>	<u>14,957,860</u>	<u>-</u>	<u>31,817,924</u>
Total assets	<u>20,413,730</u>	<u>4,624,852</u>	<u>15,045,698</u>	<u>645,813</u>	<u>40,730,093</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	40,520	36,480	16,000	-	93,000
Deferred outflows related to OPEB - SDBF	<u>9,866</u>	<u>8,882</u>	<u>3,896</u>	<u>-</u>	<u>22,644</u>
Total deferred outflows of resources	<u>50,386</u>	<u>45,362</u>	<u>19,896</u>	<u>-</u>	<u>115,644</u>

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

CITY OF HONDO, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(Continued)**

SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 112,300	\$ 523,172	\$ 28,447	\$ 115,017	\$ 778,936
Accrued liabilities	22,568	18,024	10,427	-	51,019
Due to other funds	-	-	136,446	-	136,446
Accrued interest payable	25,400	1,076	325	-	26,801
Unearned revenue	-	-	4,615	20	4,635
Customer deposits	112,245	332,316	-	-	444,561
Noncurrent liabilities:					
Due in one year:					
Bonds payable	472,530	50,000	15,000	-	537,530
Compensated absences	2,540	936	1,172	-	4,648
Total current liabilities	<u>747,583</u>	<u>925,524</u>	<u>196,432</u>	<u>115,037</u>	<u>1,984,576</u>
Due in more than one year:					
Bonds payable	5,640,910	315,000	95,000	-	6,050,910
Compensated absences	10,160	3,746	4,690	-	18,596
Total OPEB liability - SDBF	43,518	39,179	17,183	-	99,880
Total OPEB liability - health plan	7,025	6,325	2,774	-	16,124
Net pension liability	<u>42,977</u>	<u>38,691</u>	<u>16,970</u>	<u>-</u>	<u>98,638</u>
Total noncurrent liabilities	<u>5,744,590</u>	<u>402,941</u>	<u>136,617</u>	<u>-</u>	<u>6,284,148</u>
Total liabilities	<u>6,492,173</u>	<u>1,328,465</u>	<u>333,049</u>	<u>115,037</u>	<u>8,268,724</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to to pensions	61,185	55,084	24,159	-	140,428
Deferred inflows related to OPEB - SDBF	2,199	1,980	868	-	5,047
Deferred inflows related to OPEB - health plan	<u>9,890</u>	<u>8,904</u>	<u>3,905</u>	<u>-</u>	<u>22,699</u>
Total deferred inflows of resources	<u>73,274</u>	<u>65,968</u>	<u>28,932</u>	<u>-</u>	<u>168,174</u>
NET POSITION					
Net investment in capital assets	9,883,195	1,230,997	14,847,860	-	25,962,052
Unrestricted	<u>4,015,474</u>	<u>2,044,784</u>	<u>(144,247)</u>	<u>530,776</u>	<u>6,446,787</u>
Total net position	<u>\$ 13,898,669</u>	<u>\$ 3,275,781</u>	<u>\$ 14,703,613</u>	<u>\$ 530,776</u>	<u>\$ 32,408,839</u>

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CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
OPERATING REVENUES					
Charges for services					
Utility service	\$ 5,089,597	\$ 9,090,890	\$ -	\$ 1,433,623	\$ 15,614,110
Fuel sales	-	-	282,512	-	282,512
Rentals and leases	-	-	467,735	-	467,735
Miscellaneous	<u>197,995</u>	<u>147,252</u>	<u>-</u>	<u>14,688</u>	<u>359,935</u>
Total operating revenues	<u>5,287,592</u>	<u>9,238,142</u>	<u>750,247</u>	<u>1,448,311</u>	<u>16,724,292</u>
OPERATING EXPENSES					
Personnel services	674,662	567,158	262,498	-	1,504,318
Materials and supplies	675,762	520,904	209,268	-	1,405,934
Contractual services	453,545	4,759,725	218,498	1,287,090	6,718,858
Depreciation	<u>533,062</u>	<u>122,330</u>	<u>509,693</u>	<u>-</u>	<u>1,165,085</u>
Total operating expenses	<u>2,337,031</u>	<u>5,970,117</u>	<u>1,199,957</u>	<u>1,287,090</u>	<u>10,794,195</u>
OPERATING INCOME (LOSS)	<u>2,950,561</u>	<u>3,268,025</u>	<u>(449,710)</u>	<u>161,221</u>	<u>5,930,097</u>
NONOPERATING REVENUES (EXPENSES)					
Capital contributions - Intergovernmental	263,632	-	48,333	-	311,965
Investment income	310	51	-	38	399
Interest expense	<u>(155,585)</u>	<u>(6,680)</u>	<u>(2,046)</u>	<u>-</u>	<u>(164,311)</u>
Total nonoperating revenues (expenses)	<u>108,357</u>	<u>(6,629)</u>	<u>46,287</u>	<u>38</u>	<u>148,053</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>3,058,918</u>	<u>3,261,396</u>	<u>(403,423)</u>	<u>161,259</u>	<u>6,078,150</u>
Transfers out	<u>(1,319,644)</u>	<u>(3,104,305)</u>	<u>(80,563)</u>	<u>(57,422)</u>	<u>(4,561,934)</u>
Total capital contributions and transfers	<u>(1,319,644)</u>	<u>(3,104,305)</u>	<u>(80,563)</u>	<u>(57,422)</u>	<u>(4,561,934)</u>
CHANGE IN NET POSITION	1,739,274	157,091	(483,986)	103,837	1,516,216
TOTAL NET POSITION, BEGINNING	<u>12,159,395</u>	<u>3,118,690</u>	<u>15,187,599</u>	<u>426,939</u>	<u>30,892,623</u>
TOTAL NET POSITION, ENDING	<u>\$ 13,898,669</u>	<u>\$ 3,275,781</u>	<u>\$ 14,703,613</u>	<u>\$ 530,776</u>	<u>\$ 32,408,839</u>

CITY OF HONDO, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 5,062,522	\$ 9,296,652	\$ 718,546	\$ 1,468,082	\$ 16,545,802
Cash paid to employees	(699,262)	(621,866)	(272,201)	(740)	(1,594,069)
Cash paid to suppliers for goods and services	(1,439,622)	(6,034,453)	(397,036)	(1,285,142)	(9,156,253)
Net cash provided by operating activities	<u>2,923,638</u>	<u>2,640,333</u>	<u>49,309</u>	<u>182,200</u>	<u>5,795,480</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants	263,632	-	48,333	-	311,965
Principal repayment on bonds	(470,310)	(50,000)	(15,000)	-	(535,310)
Interest and related fees paid on long-term debt	(158,043)	(6,791)	(2,079)	-	(166,913)
Acquisition and construction of capital assets	(847,511)	-	-	-	(847,511)
Net cash used by capital and related financing activities	<u>(1,212,232)</u>	<u>(56,791)</u>	<u>31,254</u>	<u>-</u>	<u>(1,237,769)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on investments and cash equivalents	<u>310</u>	<u>51</u>	<u>-</u>	<u>38</u>	<u>399</u>
Net cash provided by investing activities	<u>310</u>	<u>51</u>	<u>-</u>	<u>38</u>	<u>399</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payments in lieu of taxes and transfers	(1,319,644)	(3,104,305)	(80,563)	(57,422)	(4,561,934)
Net cash used by noncapital financing activities	<u>(1,319,644)</u>	<u>(3,104,305)</u>	<u>(80,563)</u>	<u>(57,422)</u>	<u>(4,561,934)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	392,072	(520,712)	-	124,816	(3,824)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3,941,448</u>	<u>821,067</u>	<u>-</u>	<u>382,520</u>	<u>5,145,035</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 4,333,520</u>	<u>\$ 300,355</u>	<u>\$ -</u>	<u>\$ 507,336</u>	<u>\$ 5,141,211</u>

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

CITY OF HONDO, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income	\$ 2,950,561	\$ 3,299,561	\$(434,654)	\$ 161,221	\$ 5,976,689
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	533,062	122,330	509,693	-	1,165,085
(Increase) decrease in:					
Accounts receivable	(240,664)	12,529	(32,132)	19,771	(240,496)
Interfund receivables	12,594	45,729	-	-	58,323
Inventories	29,045	(53,814)	-	-	(24,769)
Deferred outflows of resources	(7,173)	(1,073)	(2,385)	116	(10,515)
Increase (decrease) in:					
Accounts payable	(339,360)	(731,546)	(32,873)	1,948	(1,101,831)
Accrued liabilities	693	(3,636)	1,035	-	(1,908)
Unearned revenue	-	(9,424)	431	-	(8,993)
Customer deposits	3,000	9,676	-	-	12,676
Deferred inflows of resources	(62)	(12,549)	3,493	(856)	(9,974)
Net OPEB liability	10,113	4,616	2,874	-	17,603
Net pension liability	(29,658)	(34,768)	(13,721)	-	(78,147)
Compensated absences	<u>1,487</u>	<u>(7,298)</u>	<u>(999)</u>	<u>-</u>	<u>(6,810)</u>
Total adjustments	<u>(26,923)</u>	<u>(659,228)</u>	<u>483,963</u>	<u>20,979</u>	<u>(181,209)</u>
Net cash provided by operating activities	<u>\$ 2,923,638</u>	<u>\$ 2,640,333</u>	<u>\$ 49,309</u>	<u>\$ 182,200</u>	<u>\$ 5,795,480</u>

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CITY OF HONDO, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Blended Component Unit

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

B. Government-wide Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

Governmental Funds

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

The City reports the following major governmental funds:

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

The **American Rescue Plan Fund** is used to account for grant receipts and expenditures related to the American Rescue Plan grant related to COVID-19.

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

Proprietary Funds

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

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

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

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

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

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

1. Cash and cash equivalents and restricted cash

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

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

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

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

2. *Investments*

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

3. *Property Taxes and Other Receivables*

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2020 and past due after January 31, 2021. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectibles of \$24,460 and \$8,068 in the general and debt service funds, respectively.

Assessed values are established by the Medina County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2020, upon which the fiscal 2021 levy was based, was \$352 million (i.e., market value less exemptions). The estimated market value was \$391 million, making the taxable value 90% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2021, was \$0.4940 per \$100 of assessed value. The City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

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

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

4. *Inventories and Prepaid Items*

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

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

5. *Capital Assets*

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 40
Streets, utilities, and infrastructure	10 - 60
Furniture, fixtures, and vehicles	5 - 30

6. *Deferred Inflows and Outflows of Resources*

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

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

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

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

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

7. Compensated Absences

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

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

8. Long-term Debt

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

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

9. *Pensions*

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

10. *Other Postemployment Benefits (OPEB)*

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

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

11. *Fund Balance Classification*

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City Manager and Finance Director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

12. *Fund balance flow assumptions*

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

13. *Net position flow assumption*

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

II. **STEWARDSHIP, OCMPLIANCE AND ACCOUNTABILITY**

A. **Budgetary Compliance**

For the year ended September 30, 2021, expenditures exceeded appropriations in the following funds:

- General Fund – General Government – Administration by \$33,055
- General Fund – General Government – Finance by \$1,700
- General Fund – Judicial – Municipal Court by \$3,542
- General Fund – Culture and Recreation – Library by \$11,042
- General Fund – Capital Outlay by \$29,595
- Perpetual Care Fund – General Government – Perpetual Care by \$1,961

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

III. **DEPOSITS AND INVESTMENTS**

A. **Deposits**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2021, the carrying amount of the City's deposits were fully collateralized.

B. **Investments**

The City's investments at September 30, 2021 consist of \$3,341,333 in certificates of deposit covered by pledged securities from the City's depository. The certificates are reported at amortized cost.

C. **Analysis of Specific Deposit and Investment Risks**

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

IV. RECEIVABLES

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

	General	Nonmajor Governmental	Water and Sewer	Electric Utility	Airport	Sanitation
Sales and Mixed Beverage	\$ 230,714	\$ 114,916	\$ -	\$ 32,592	\$ -	\$ 9,307
Taxes	102,919	33,947	-	-	-	-
Franchise Fees	7,058	-	-	-	-	-
Hotel Occupancy	-	42,534	-	-	-	-
Customer Charges	-	-	1,442,006	2,356,616	85,153	132,841
Court Fines	537,665	-	-	-	-	-
Gross Receivables	68,805	2,644	313	17,924	-	20
Less Allowance for Uncollectibles	(529,539)	(8,068)	(4,162)	(88,799)	(24,530)	(3,691)
Total	<u>\$ 417,622</u>	<u>\$ 185,973</u>	<u>\$ 1,438,157</u>	<u>\$ 2,318,333</u>	<u>\$ 60,623</u>	<u>\$ 138,477</u>

V. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

Primary Government

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 628,148	\$ -	\$ -	\$ -	\$ 628,148
Total assets not being depreciated	<u>628,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>628,148</u>
Capital assets, being depreciated:					
Buildings and improvements	10,494,833	-	-	-	10,494,833
Infrastructure	17,428,500	-	-	-	17,428,500
Vehicles and equipment	3,053,385	287,656	(64,310)	770	3,277,501
Total capital assets being depreciated	<u>30,976,718</u>	<u>287,656</u>	<u>(64,310)</u>	<u>770</u>	<u>31,200,834</u>
Less accumulated depreciation:					
Buildings and improvements	(3,217,552)	(268,201)	-	-	(3,485,753)
Infrastructure	(11,566,212)	(430,551)	-	-	(11,996,763)
Vehicles and equipment	(2,025,087)	(332,428)	64,310	-	(2,293,205)
Total accumulated depreciation	<u>(16,808,851)</u>	<u>(1,031,180)</u>	<u>64,310</u>	<u>-</u>	<u>(17,775,721)</u>
Total capital assets being depreciated, net	<u>14,167,867</u>	<u>(743,524)</u>	<u>-</u>	<u>770</u>	<u>13,425,113</u>
Governmental activities capital assets, net	<u>\$ 14,796,015</u>	<u>\$ (743,524)</u>	<u>\$ -</u>	<u>\$ 770</u>	<u>\$ 14,053,261</u>

	Beginning Balance	Transfers and Additions	Adjustments/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,284,349	\$ -	\$ -	\$ 2,284,349
Water rights	199,541	-	-	199,541
Construction in progress	1,097,649	514,564	-	1,612,213
Total assets not being depreciated	3,581,539	514,564	-	4,096,103
Capital assets, being depreciated:				
Buildings and improvements	19,164,586	-	-	19,164,586
Infrastructure	27,229,520	18,828	-	27,248,348
Vehicles and equipment	2,259,725	314,117	-	2,573,842
Total capital assets being depreciated	48,653,831	332,945	-	48,986,776
Less accumulated depreciation:				
Buildings and improvements	(7,373,252)	(459,818)	-	(7,833,070)
Infrastructure	(12,227,219)	(513,240)	(5,439)	(12,745,898)
Vehicles and equipment	(1,231,969)	(192,025)	5,439	(1,418,555)
Total accumulated depreciation	(20,832,440)	(1,165,083)	-	(21,997,523)
Total capital assets being depreciated, net	27,821,391	(832,138)	-	26,989,253
Business-type activities capital assets, net	\$ 31,402,930	\$ (317,574)	\$ -	\$ 31,085,356

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

Governmental activities:	
General government	\$ 167,970
Public safety	203,599
Public works	478,070
Culture and recreation	181,541
Total depreciation expense - governmental activities	\$ 1,031,180
Business-type activities:	
Electric utility	\$ 122,330
Water and sewer	533,060
Airport	509,693
Total depreciation expense - business-type activities	\$ 1,165,083

VI. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2021, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Airport	\$ 136,446
General	Nonmajor Governmental	19,001
		\$ 155,447

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

Interfund Transfers

Interfund transfers during the year ending September 30, 2021 were as follows:

Transfer In	Transfer Out	Amount	Purpose
Nonmajor	Nonmajor	\$ 129,941	Contributions toward debt payments
General	Nonmajor	20,000	Various operating expenditures
General	Water and Sewer	1,319,644	Various operating expenditures
General	Electric Utility	3,104,305	Various operating expenditures
General	Airport	80,563	Various operating expenditures
General	Sanitation	57,422	Various operating expenditures
		<u>\$ 4,711,875</u>	

VII. LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2021:

	Balance 9/30/2020	Increases	Reductions	Balance 9/30/2021	Due Within One Year
Governmental activities:					
General obligation bonds -					
Private placement	\$ 1,496,250	\$ -	\$ (207,690)	\$ 1,288,560	\$ 221,470
Certificates of obligation -					
Private placement	1,405,000	3,725,000	(180,000)	4,950,000	130,000
Sales tax revenue bonds	610,000	-	(50,000)	560,000	50,000
Bond premium	-	337,834	-	337,834	16,892
Compensated absences	<u>122,672</u>	<u>110,349</u>	<u>(122,546)</u>	<u>110,475</u>	<u>22,095</u>
Total governmental					
long-term liabilities	<u>\$ 3,633,922</u>	<u>\$ 4,173,183</u>	<u>\$ (560,236)</u>	<u>\$ 7,246,869</u>	<u>\$ 440,457</u>
Business-type activities:					
General obligation bonds -					
Private placement	\$ 1,278,750	\$ -	\$ (175,310)	\$ 1,103,440	\$ 177,530
Certificates of obligation -					
Private placement	5,845,000	-	(360,000)	5,485,000	360,000
Compensated absences	<u>30,054</u>	<u>40,760</u>	<u>(47,570)</u>	<u>23,244</u>	<u>4,648</u>
Total business-type					
long-term liabilities	<u>\$ 7,153,804</u>	<u>\$ 40,760</u>	<u>\$ (582,880)</u>	<u>\$ 6,611,684</u>	<u>\$ 542,178</u>

Accrued Compensated Absences

Accrued compensated absences are payable from the fund responsible for the employee's compensation. Of the liability attributed to governmental activities at September 30, 2021, significantly all is payable from the General Fund.

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

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

Bonds Payable

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

Sales Tax Revenue Bonds, Series 2010

The City (through the Economic Development Corporation) issued \$1,000,000 in revenue bonds in 2010 for improvements to the South Texas Regional Training Center. The debt service is funded by the sales tax collections of the Economic Development Corporation. The bonds mature serially through February 1, 2030 and bear interest at rates between 2.75% and 5.00%. These bonds were privately placed through a bank and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2013

The City issued \$490,000 in certificates of obligation in May 2013 for utility system improvements. The debt service on the certificates are to be paid by the water/sewer utility fund. The bonds mature serially through February 1, 2023 and bear interest at rates between 0.38% and 1.86%. These bonds were privately placed through the Texas Water Development Board and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

General Obligation Refunding Bonds, Series 2014

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

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

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

General Obligation Refunding Bonds, Series 2016

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

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

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

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

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

Changes in Bonds Payable

	Balance 9/30/2020	Increases	Reductions	Balance 9/30/2021	Due Within One Year
Governmental activities:					
Bonds payable					
2010 Series	\$ 610,000	\$ -	\$ (50,000)	\$ 560,000	\$ 50,000
2014 Series - private placement	551,250	-	(102,690)	448,560	106,470
2015 Series - private placement	1,405,000	-	(180,000)	1,225,000	75,000
2016 Series - private placement	945,000	-	(105,000)	840,000	115,000
2021 Series - private placement	-	3,725,000	-	3,725,000	55,000
Total governmental activities	<u>\$ 3,511,250</u>	<u>\$ 3,725,000</u>	<u>\$ (437,690)</u>	<u>\$ 6,798,560</u>	<u>\$ 401,470</u>
Business-type activities:					
Bonds payable					
2013 Series - private placement	\$ 150,000	\$ -	\$ (50,000)	\$ 100,000	\$ 50,000
2014 Series - private placement	323,750	-	(60,310)	263,440	62,530
2015 Series - private placement	1,130,000	-	(65,000)	1,065,000	65,000
2016 Series - private placement	955,000	-	(115,000)	840,000	115,000
2017 Series - private placement	4,565,000	-	(245,000)	4,320,000	245,000
Total business-type activities	<u>\$ 7,123,750</u>	<u>\$ -</u>	<u>\$ (535,310)</u>	<u>\$ 6,588,440</u>	<u>\$ 537,530</u>

The annual requirements to amortize all private placement long-term debt and obligations outstanding as of September 30, 2021, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities		Governmental Activities - Private Placement	
	Principal	Interest	Principal	Interest
2022	\$ 50,000	\$ 25,740	\$ 351,470	\$ 158,356
2023	55,000	23,403	359,620	164,045
2024	55,000	21,620	384,030	155,208
2025	60,000	18,225	408,440	145,459
2026	60,000	15,375	255,000	103,169
2027-2031	280,000	28,718	1,645,000	550,155
2032-2036	-	-	1,580,000	324,355
2037-2041	-	-	1,255,000	96,375
Total	<u>\$ 560,000</u>	<u>\$ 133,081</u>	<u>\$ 6,238,560</u>	<u>\$ 1,697,122</u>

Business-type Activities - Private Placement		
Year Ending September 30,	Principal	Interest
2022	\$ 537,530	\$ 158,702
2023	544,380	149,295
2024	501,970	139,334
2025	514,560	128,925
2026	520,000	118,040
2027-2031	1,995,000	438,478
2032-2036	1,975,000	173,489
Total	<u>\$ 6,588,440</u>	<u>\$ 1,306,263</u>

VIII. DEFINED BENEFIT PENSION PLAN

Plan Description. The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency 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 agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial 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 and disability 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 benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms

At the December 31, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	74
Inactive employees entitled to but not yet receiving benefits	105
Active employees	<u>109</u>
Total	<u><u>288</u></u>

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City was 8.40% and 8.56% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$455,991 and were equal to the required contributions.

Net Pension Liability. The City's net pension liability (NPL) was measured as of December 31, 2020, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%

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. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is 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 Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 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 using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 16,713,824	\$ 15,965,272	\$ 748,552
Changes for the year:			
Service cost	580,429	-	580,429
Interest	1,117,674	-	1,117,674
Difference between expected and actual experience	(166,323)	-	(166,323)
Contributions - employer	-	406,669	i
Contributions - employee	-	247,202	(247,202)
Net investment income	-	1,211,124	(1,211,124)
Benefit payments, including refunds of employee contributions	(891,818)	(891,818)	-
Administrative expense	-	(7,842)	7,842
Other changes	-	(307)	307
Net changes	639,962	965,028	(325,066)
Balance at 12/31/2020	<u>\$ 17,353,786</u>	<u>\$ 16,930,300</u>	<u>\$ 423,486</u>

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 3,082,308	\$ 423,486	\$(1,712,178)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$120,650.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 17,149	\$ 147,799
Changes in actuarial assumptions	47,602	-
Difference between projected and actual investment earnings	-	455,111
Contributions subsequent to the measurement date	334,531	-
Total	<u>\$ 399,282</u>	<u>\$ 602,910</u>

\$334,531 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended <u>September 30,</u>	
2022	\$(207,460)
2023	(14,373)
2024	(289,633)
2025	(26,693)
Total	<u>\$(538,159)</u>

IX. OTHER POSTEMPLOYMENT BENEFITS

Retiree Insurance

Plan Description. The plan qualifies as a single employer defined benefit plan and is accounted for in the City's Insurance Fund and in the fund where the retiree last worked. A separate financial statement is not issued for the plan and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. Eligible retirees of the City and their dependents may participate in the health insurance plan of the City. The City contributes \$200 per month towards the retiree's premiums for those that are at or over age 50 with 20 years of service. Eligible employees are those that attain age 60 with 5 years of service or 20 years of service regardless of age. Benefits terminate at age 65. As of October 1, 2015, the City terminated the benefit for any current or future employees with less than 18 years of service.

Membership in the plan as of September 30, 2021, was as follows:

	Employee Only
Active	1
Retired	1
Total	<u>2</u>

This City does not maintain a separate trust for this plan and is not accumulating assets to service the other post-employment benefit. Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Valuation Date	9/30/2020
Actuarial Cost Method	Entry age normal actuarial cost method
Discount Rate	2.00% (plus 2.50% inflation)
Mortality	RPH-2014 Total Table with Projection MP-2019
Health care cost trend rates	Level 4.5%

Changes in the City's TOL for the measurement period ending September 30, 2021 were as follows:

	<u>Increase (Decrease Total OPEB Liability (a)</u>
Balance at 10/01/2020	\$ 72,969
Changes for the year:	
Service cost	798
Interest	1,591
Benefit payments	(6,133)
Net changes	(3,744)
Balance at 09/30/2021	\$ <u>69,225</u>

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.25%) in measuring the total OPEB liability.

	<u>1% Decrease in Discount Rate (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase in Discount Rate (3.25%)</u>
City's total OPEB liability	\$ 74,119	\$ 69,225	\$ 64,596

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the Net OPEB liability.

	<u>1% Decrease (3.50%)</u>	<u>Current Trend Rate (4.50%)</u>	<u>1% Increase (5.50%)</u>
City's total OPEB liability	\$ 64,093	\$ 69,225	\$ 74,936

For the year ended September 30, 2021, the City recognized OPEB expense of \$73,160.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$(12,647)
Changes in actuarial assumptions	(84,811)
Total	\$ <u>(97,458)</u>

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

For the Year Ended September 30,	
2022	\$(75,548)
2023	(21,910)
Total	<u><u>\$(97,458)</u></u>

Defined Other Post-Employment Benefit Plans

TMRS Supplemental Death Benefits Fund

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

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

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

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	15
Active members	<u>109</u>
Total	<u><u>182</u></u>

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.21% for 2021 and 0.18% for 2020, of which 0.12% and 0.05%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered-employee payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2021 and 2020 were \$5,544 and \$2,182, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	2.00%
Projected salary increases	3.5% to 11.5% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases were based on a service-related table.

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with both male and female rates multiplied by 107.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used for males and females with both multiplied by 107.5% with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3%% minimum mortality rate is applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.00% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.00%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's total OPEB liability	\$ 532,159	\$ 428,823	\$ 350,292

OPEB Liability, Expense, and Deferred Outflows of Resources Related to OPEB. The City's total OPEB liability of \$428,823 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date. For the year ended September 30, 2021, the City recognized OPEB expense of \$47,519. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability (a)
Balance at 12/31/2019	\$ 343,682
Changes for the year:	
Service cost	18,787
Interest	9,676
Difference between expected and actual experience	(1,748)
Changes of assumptions	60,898
Benefit payments	(2,472)
Net changes	85,141
Balance at 12/31/2020	\$ 428,823

Changes in assumptions and other inputs reflect a change in the discount rate from 2.75% to 2.00%.

At September 30, 2021, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 12,469
Changes in actuarial assumptions	92,414	9,202
Contributions subsequent to the measurement date	4,805	-
Total	\$ 97,219	\$ 21,671

\$4,805 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts of the reported as deferred outflows and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2022	\$ 19,058
2023	16,169
2024	18,498
2025	14,524
2026	2,494
Total	\$ 70,743

X. EDUCATION FACILITY CORPORATIONS

On August 6, 2013, the City created City of Hondo, Texas Higher Education Facilities Corporation (HHEFC), a nonprofit corporation under Section 53.35(b) of The Texas Education code. The HHEFC was established for the purpose of assisting in the financing of accredited primary and secondary schools as provided by state law. In accordance with the terms establishing the nonprofit corporation, the City is not liable for any expenses incurred in establishing or administering the HHEFC. The HHEFC is not consolidated into the financial statements of City because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards. As of September 30, 2021, the HHEFC had issued three series of bonds:

Issue	Original Principal	Amount Outstanding	Maturity
2013 Series	\$ 2,500,000	\$ 2,500,000	2028
2016 Series	5,000,000	4,219,000	2035
2019 Series	5,000,000	4,562,500	2024

XI. COMMITMENTS AND CONTINGENCIES

Litigation

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

Commitments

The City has entered into several contracts related to construction projects. The amounts as of September 30, 2021 were as follows:

<u>Commitment</u>	<u>Estimated Project Cost to City</u>	<u>Expended to Date</u>	<u>Estimated Future Commitment</u>
Street Improvements	\$ <u>1,144,726</u>	\$ <u>936,268</u>	\$ <u>208,458</u>
	\$ <u>1,144,726</u>	\$ <u>936,268</u>	\$ <u>208,458</u>

XII. RISK MANAGEMENT

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

XIII. PRIOR PERIOD ADJUSTMENT

In previous years, the insurance payable amount was paid but the liability was not removed, resulting in the balance being stated incorrectly. The City corrected the overstated balance by proposing a prior period adjustment of \$154,443 to the General Fund fund balance as presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.

A prior period adjustment of \$153,513 was recorded to the Economic Development Fund to clear out the grant receivable balance that was received in the prior year. This is presented in both the Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities.

The total prior period adjustments of \$307,956 is presented on the Statement of Activities.

XIV. SIGNIFICANT FORTHCOMING STANDARDS

Statement No. 87, Leases – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective in fiscal year 2022.

Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period – The objectives of this statement are to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement will become effective in fiscal year 2022.

Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61 – The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement will become effective in fiscal year 2021.

Statement No. 91, Conduit Debt Obligations – This Statement provides a single method of reporting conduit debt obligation by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 92, Omnibus 2020 – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 92 will be implemented by the County in fiscal year 2022 and the impact has not yet been determined.

Statement No. 93, Replacement of Interbank Offered Rates – Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)-most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. GASB 93 will be implemented in fiscal year 2022 and the impact has not yet been determined.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 96, Subscription-Based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting/or Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASE Statements No. 14 and No. 84, and a supersession of GASE Statement No. 32 – The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB 97 will be implemented in fiscal year 2022 and the impact has not yet been determined.

XV. SUBSEQUENT EVENTS

In October 2021, the City issued \$615,000 in sales tax refunding bonds. The bonds mature serially through February 1, 2030 and bear interest at a rate of 2%.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF HONDO, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property tax	\$ 1,282,406	\$ 1,344,906	\$ 1,360,705	\$ 15,799
Sales tax	1,000,000	1,234,000	1,256,370	22,370
Other taxes	42,000	68,500	69,670	1,170
Licenses and permits	134,000	134,000	124,549	(9,451)
Intergovernmental	789,032	472,000	427,776	(44,224)
Charges for services	350,458	350,458	365,189	14,731
Fines and forfeitures	62,900	62,900	54,969	(7,931)
Investment income	41,000	41,000	3,529	(37,471)
Miscellaneous	30,000	30,000	40,272	10,272
Total revenues	<u>3,731,796</u>	<u>3,737,764</u>	<u>3,703,029</u>	<u>(34,735)</u>
EXPENDITURES				
Current:				
General government				
Council	65,725	65,725	55,812	9,913
Administration	942,358	1,193,894	1,226,949	(33,055)
Tax	37,500	37,500	37,005	495
Finance	307,984	329,175	330,875	(1,700)
Code compliance	448,057	454,241	334,012	120,229
City secretary	126,395	178,936	132,647	46,289
Nonprofits	19,880	19,880	15,380	4,500
Total general government	<u>1,947,899</u>	<u>2,279,351</u>	<u>2,132,680</u>	<u>146,671</u>
Public safety				
Police	1,905,628	2,028,815	1,924,044	104,771
Emergency	19,650	21,250	21,219	31
Animal control	131,327	133,144	104,191	28,953
Total public safety	<u>2,056,605</u>	<u>2,183,209</u>	<u>2,049,454</u>	<u>133,755</u>
Judicial				
Municipal court	113,885	114,973	118,515	(3,542)
Total judicial	<u>113,885</u>	<u>114,973</u>	<u>118,515</u>	<u>(3,542)</u>
Culture and recreation				
Library	339,730	345,194	356,236	(11,042)
Recreation	494,245	501,323	444,103	57,220
Golf	281,288	288,226	256,897	31,329
Total culture and recreation	<u>1,115,263</u>	<u>1,134,743</u>	<u>1,057,236</u>	<u>77,507</u>
Public works				
Streets	1,842,117	1,369,357	655,945	713,412
Buildings and grounds	1,143,218	1,171,652	1,042,945	128,707
Utility building	250,132	255,379	238,871	16,508
Public works administration	235,124	240,304	143,907	96,397
Total public works	<u>3,470,591</u>	<u>3,036,692</u>	<u>2,081,668</u>	<u>955,024</u>
Capital outlay	<u>358,236</u>	<u>470,536</u>	<u>500,131</u>	<u>(29,595)</u>
Total expenditures	<u>9,062,479</u>	<u>9,219,504</u>	<u>7,939,684</u>	<u>1,279,820</u>

The accompanying notes are an integral part of this schedule.

CITY OF HONDO, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(5,330,683)	(5,481,740)	(4,236,655)	<u>1,245,085</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,274,870	5,416,870	4,581,934	(834,936)
Sale of capital assets	<u>20,000</u>	<u>20,000</u>	<u>37,830</u>	<u>17,830</u>
Total other				
financing sources (uses)	<u>5,294,870</u>	<u>5,436,870</u>	<u>4,619,764</u>	(817,106)
NET CHANGE IN FUND BALANCES	(35,813)	(44,870)	383,109	427,979
FUND BALANCES, BEGINNING	3,016,855	3,016,855	3,016,855	-
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	(154,443)	(154,443)
FUND BALANCES, ENDING	<u>\$ 2,981,042</u>	<u>\$ 2,971,985</u>	<u>\$ 3,245,521</u>	<u>\$ 273,536</u>

The accompanying notes are an integral part of this schedule.

CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Plan Year	2014	2015
A. Total pension liability		
Service Cost	\$ 380,720	\$ 454,101
Interest (on the total pension liability)	876,063	928,615
Difference between expected and actual experience	(9,620)	(333,876)
Changes of assumptions	-	66,360
Benefit payments, including refunds of employee contributions	(530,190)	(536,015)
Net change in total pension liability	716,973	579,185
Total pension liability - beginning	<u>12,589,918</u>	<u>13,306,891</u>
Total pension liability - ending (a)	<u>\$ 13,306,891</u>	<u>\$ 13,886,076</u>
B. Plan fiduciary net position		
Contributions - employer	\$ 367,137	\$ 375,069
Contributions - employee	191,417	199,868
Net investment income	652,089	17,814
Benefit payments, including refunds of employee contributions	(530,190)	(536,015)
Administrative expense	(6,808)	(10,850)
Other	(560)	(538)
Net change in plan fiduciary net position	673,085	45,348
Plan fiduciary net position - beginning	<u>11,399,193</u>	<u>12,072,278</u>
Plan fiduciary net position - ending (b)	<u>12,072,278</u>	<u>12,117,626</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 1,234,613</u>	<u>\$ 1,768,450</u>
D. Plan fiduciary net position as a percentage of total pension liability	90.72%	87.26%
E. Covered payroll	\$ 3,828,342	\$ 3,997,364
F. Net pension liability as a percentage of covered payroll	32.25%	44.24%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2021, only 7 years are included and additional years will be added in the future as the information becomes available.

2016	2017	2018	2019	2020
\$ 451,176	\$ 529,405	\$ 525,962	\$ 536,045	\$ 580,429
930,512	966,146	1,003,207	1,052,133	1,117,674
(147,843)	(199,900)	(140,952)	39,421	(166,323)
-	-	-	109,421	-
(652,613)	(837,486)	(652,242)	(684,644)	(891,818)
581,232	458,165	735,975	1,052,376	639,962
<u>13,886,076</u>	<u>14,467,308</u>	<u>14,925,473</u>	<u>15,661,448</u>	<u>16,713,824</u>
\$ <u>14,467,308</u>	\$ <u>14,925,473</u>	\$ <u>15,661,448</u>	\$ <u>16,713,824</u>	\$ <u>17,353,786</u>
\$ 361,571	\$ 388,643	\$ 398,019	\$ 380,018	\$ 406,669
199,981	221,323	222,300	227,138	247,202
819,014	1,778,722	(430,504)	2,149,110	1,211,124
(652,613)	(837,486)	(652,242)	(684,644)	(891,818)
(9,249)	(9,220)	(8,323)	(12,148)	(7,842)
(497)	(466)	(436)	(365)	(307)
718,207	1,541,516	(471,186)	2,059,109	965,028
<u>12,117,626</u>	<u>12,835,833</u>	<u>14,377,349</u>	<u>13,906,163</u>	<u>15,965,272</u>
<u>12,835,833</u>	<u>14,377,349</u>	<u>13,906,163</u>	<u>15,965,272</u>	<u>16,930,300</u>
\$ <u>1,631,475</u>	\$ <u>548,124</u>	\$ <u>1,755,285</u>	\$ <u>748,552</u>	\$ <u>423,486</u>
88.72%	96.33%	88.79%	95.52%	97.56%
\$ 3,869,430	\$ 4,426,466	\$ 4,445,998	\$ 4,542,753	\$ 4,944,033
42.16%	12.38%	39.48%	16.48%	8.57%

CITY OF HONDO, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2021, only 7 years are included and additional years will be added in the future as the information becomes available.

2018	2019	2020	2021
\$ 409,452	\$ 381,972	\$ 378,922	\$ 455,991
<u>409,452</u>	<u>381,972</u>	<u>378,922</u>	<u>455,991</u>
-	-	-	-
4,586,352	4,482,180	4,587,930	5,481,700
8.93%	8.52%	8.26%	8.32%

CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Plan Year	2017	2018	2019	2020
Total OPEB liability				
Service Cost	\$ 11,951	\$ 13,338	\$ 12,265	\$ 18,787
Interest (on the total OPEB liability)	9,304	9,615	10,314	9,676
Difference between expected and actual experience	-	(12,219)	(9,076)	(1,748)
Changes of assumptions	24,197	(20,899)	59,222	60,898
Benefit payments	(1,771)	(1,778)	(1,817)	(2,472)
Net change in total OPEB liability	43,681	(11,943)	70,908	85,141
Total OPEB liability - beginning	<u>241,036</u>	<u>284,717</u>	<u>272,774</u>	<u>343,682</u>
Total OPEB liability - ending	\$ <u>284,717</u>	\$ <u>272,774</u>	\$ <u>343,682</u>	\$ <u>428,823</u>
Covered-employee payroll	\$ 4,426,466	\$ 4,445,998	\$ 4,542,753	\$ 4,944,033
Total OPEB liability as a percentage of Covered-employee payroll	6.43%	6.14%	7.57%	8.67%

Notes to Schedule:

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. As of September 30, 2021, only 4 years are included. Additional years will be added in the future as the information becomes available.

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

CITY OF HONDO, TEXAS

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
RETIREE INSURANCE**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Plan Year	2018	2019	2020	2021
Total OPEB liability				
Service Cost	\$ 1,022	\$ 1,063	\$ 1,063	\$ 798
Interest (on the total OPEB liability)	12,458	12,453	12,664	1,591
Changes of benefit terms	-	-		
Difference between expected and actual experience	-	-	(32,254)	-
Changes of assumptions	-	-	(216,301)	-
Benefit payments	(12,598)	(12,598)	(6,133)	(6,133)
Net change in total OPEB liability	882	918	(240,961)	(3,744)
Total OPEB liability - beginning	<u>312,130</u>	<u>313,012</u>	<u>313,930</u>	<u>72,969</u>
Total OPEB liability - ending	\$ <u>313,012</u>	\$ <u>313,930</u>	\$ <u>72,969</u>	\$ <u>69,225</u>
Covered-employee payroll	\$ 146,284	\$ 146,284	\$ 39,214	\$ 39,214
Total OPEB liability as a percentage of Covered-employee payroll	213.98%	214.60%	186.08%	176.53%

Notes to Schedule:

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. As of September 30, 2021, only 4 years are included. Additional years will be added in the future as the information becomes available.

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

CITY OF HONDO, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The City does not use encumbrances.

**COMBINING AND INDIVIDUAL
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUND

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

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

PERMANENT FUNDS

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

CITY OF HONDO, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	<u>Special Revenue</u>		
	<u>Debt Service</u>	<u>Seizure & Forfeiture</u>	<u>Unclaimed Funds</u>
ASSETS			
Cash and cash equivalents	\$ 195,960	\$ 26,485	\$ 10,327
Investments	-	-	7,994
Receivables:			
Taxes	25,879	-	-
Accounts, net	-	-	-
Restricted cash and investments	-	-	-
Total assets	<u>221,839</u>	<u>26,485</u>	<u>18,321</u>
LIABILITIES			
Liabilities:			
Accounts payable	-	1,447	16,307
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	18,810	-
Total liabilities	<u>-</u>	<u>20,257</u>	<u>16,307</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>23,172</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>23,172</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable:			
Perpetual Care Trust	-	-	-
Restricted:			
Debt service	198,667	-	-
Economic development	-	-	-
Police department	-	6,228	-
Tourism development	-	-	-
Community programs	-	-	-
Committed for:			
South TX regional training center	-	-	-
Other	-	-	2,014
Total fund balances	<u>198,667</u>	<u>6,228</u>	<u>2,014</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 221,839</u>	 <u>\$ 26,485</u>	 <u>\$ 18,321</u>

Special Revenue				Permanent Fund	
Economic Development	STRTC Fund	Hotel Tax	Fair Hall & Livestock	Perpetual Care	Total Other Governmental Funds
\$ 486,478	\$ 355,547	\$ 153,429	\$ 18,923	\$ 1,220	\$ 1,248,369
1,864,400	-	-	-	-	1,872,394
-	-	-	-	-	25,879
114,916	2,644	42,534	-	-	160,094
-	-	-	-	578,452	578,452
<u>2,465,794</u>	<u>358,191</u>	<u>195,963</u>	<u>18,923</u>	<u>579,672</u>	<u>3,885,188</u>
10,081	3,020	-	1,450	192	32,497
4,152	-	-	-	-	4,152
-	-	-	-	19,001	19,001
-	1,716	-	-	-	20,526
<u>14,233</u>	<u>4,736</u>	<u>-</u>	<u>1,450</u>	<u>19,193</u>	<u>76,176</u>
-	-	-	-	-	23,172
-	-	-	-	-	23,172
-	-	-	-	560,479	560,479
-	-	-	-	-	198,667
2,451,561	-	-	-	-	2,451,561
-	-	-	-	-	6,228
-	-	195,963	-	-	195,963
-	-	-	17,473	-	17,473
-	353,455	-	-	-	353,455
-	-	-	-	-	2,014
<u>2,451,561</u>	<u>353,455</u>	<u>195,963</u>	<u>17,473</u>	<u>560,479</u>	<u>3,785,840</u>
<u>\$ 2,465,794</u>	<u>\$ 358,191</u>	<u>\$ 195,963</u>	<u>\$ 18,923</u>	<u>\$ 579,672</u>	<u>\$ 3,885,188</u>

CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

		<u>Special Revenue</u>	
	<u>Debt Service</u>	<u>Seizure & Forfeiture</u>	<u>Unclaimed Funds</u>
REVENUES			
Property tax	\$ 433,238	\$ -	\$ -
Sales tax	-	-	-
Other taxes	-	-	-
Charges for services	-	-	-
Intergovernmental	-	-	-
Fines and forfeitures	-	6,426	-
Investment income	29	-	51
Miscellaneous	-	-	-
Total revenues	<u>433,267</u>	<u>6,426</u>	<u>51</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	4,351	-
Culture and recreation	-	-	-
Debt service:			
Principal	437,690	-	-
Interest	96,576	-	-
Total expenditures	<u>534,266</u>	<u>4,351</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(100,999)</u>	<u>2,075</u>	<u>51</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	129,941	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>129,941</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	28,942	2,075	51
FUND BALANCES, BEGINNING	169,725	4,153	1,963
PRIOR PERIOD ADJUSTMENT	-	-	-
FUND BALANCES, ENDING	\$ <u>198,667</u>	\$ <u>6,228</u>	\$ <u>2,014</u>

Special Revenue				Permanent Fund	
Economic Development	STRTC Fund	Hotel Tax	Fair Hall & Livestock	Perpetual Care	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 433,238
627,303	-	-	-	-	627,303
-	-	120,531	-	-	120,531
-	106,017	-	13,433	27,000	146,450
-	93,600	-	-	-	93,600
-	-	-	-	-	6,426
11,784	-	-	-	3,541	15,405
-	-	-	6,500	-	6,500
<u>639,087</u>	<u>199,617</u>	<u>120,531</u>	<u>19,933</u>	<u>30,541</u>	<u>1,449,453</u>
189,320	63,744	89,800	-	4,461	347,325
-	-	-	-	-	4,351
-	-	-	2,460	-	2,460
-	-	-	-	-	437,690
-	-	-	-	-	96,576
<u>189,320</u>	<u>63,744</u>	<u>89,800</u>	<u>2,460</u>	<u>4,461</u>	<u>888,402</u>
<u>449,767</u>	<u>135,873</u>	<u>30,731</u>	<u>17,473</u>	<u>26,080</u>	<u>561,051</u>
-	-	-	-	-	129,941
(129,941)	-	-	-	(20,000)	(149,941)
(129,941)	-	-	-	(20,000)	(20,000)
319,826	135,873	30,731	17,473	6,080	541,051
2,285,248	217,582	165,232	-	554,399	3,398,302
(153,513)	-	-	-	-	(153,513)
<u>\$ 2,451,561</u>	<u>\$ 353,455</u>	<u>\$ 195,963</u>	<u>\$ 17,473</u>	<u>\$ 560,479</u>	<u>\$ 3,785,840</u>

CITY OF HONDO, TEXAS

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property tax	\$ 405,000	\$ 405,000	\$ 433,238	\$ 28,238
Investment income	-	-	29	29
Total revenues	<u>405,000</u>	<u>405,000</u>	<u>433,267</u>	<u>28,267</u>
EXPENDITURES				
Debt service:				
Principal	973,000	973,000	437,690	535,310
Interest	<u>263,456</u>	<u>263,456</u>	<u>96,576</u>	<u>166,880</u>
Total expenditures	<u>1,236,456</u>	<u>1,236,456</u>	<u>534,266</u>	<u>702,190</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(831,456)</u>	<u>(831,456)</u>	<u>(100,999)</u>	<u>730,457</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>832,438</u>	<u>832,438</u>	<u>129,941</u>	<u>(702,497)</u>
Total other financing sources and uses	<u>832,438</u>	<u>832,438</u>	<u>129,941</u>	<u>(702,497)</u>
NET CHANGES IN FUND BALANCE	982	982	28,942	27,960
FUND BALANCE, BEGINNING	<u>169,725</u>	<u>169,725</u>	<u>169,725</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 170,707</u>	<u>\$ 170,707</u>	<u>\$ 198,667</u>	<u>\$ 27,960</u>

CITY OF HONDO, TEXAS

ECONOMIC DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales tax	\$ 480,000	\$ 480,000	\$ 627,303	\$ 147,303
Investment income	<u>10,000</u>	<u>10,000</u>	<u>11,784</u>	<u>1,784</u>
Total revenues	<u>490,000</u>	<u>490,000</u>	<u>639,087</u>	<u>149,087</u>
EXPENDITURES				
Current:				
General government				
Economic development	<u>184,555</u>	<u>304,874</u>	<u>189,320</u>	<u>115,554</u>
Total general government	<u>184,555</u>	<u>304,874</u>	<u>189,320</u>	<u>115,554</u>
Total expenditures	<u>184,555</u>	<u>304,874</u>	<u>189,320</u>	<u>115,554</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>305,445</u>	<u>185,126</u>	<u>449,767</u>	<u>264,641</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(159,941)	(159,941)	(129,941)	30,000
Total other financing sources (uses)	(159,941)	(159,941)	(129,941)	30,000
NET CHANGE IN FUND BALANCES	145,504	25,185	319,826	294,641
FUND BALANCES, BEGINNING	2,285,248	2,285,248	2,285,248	-
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>(153,513)</u>	<u>(153,513)</u>
FUND BALANCES, ENDING	<u>\$ 2,430,752</u>	<u>\$ 2,310,433</u>	<u>\$ 2,451,561</u>	<u>\$ 141,128</u>

CITY OF HONDO, TEXAS

PERPETUAL CARE
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 20,000	\$ 20,000	\$ 27,000	\$ 7,000
Investment income	<u>5,000</u>	<u>5,000</u>	<u>3,541</u>	<u>(1,459)</u>
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>30,541</u>	<u>5,541</u>
EXPENDITURES				
Current:				
General government				
Perpetual care	<u>2,500</u>	<u>2,500</u>	<u>4,461</u>	<u>(1,961)</u>
Total general government	<u>2,500</u>	<u>2,500</u>	<u>4,461</u>	<u>(1,961)</u>
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>4,461</u>	<u>(1,961)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>22,500</u>	<u>22,500</u>	<u>26,080</u>	<u>3,580</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(38,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(38,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(15,500)</u>	<u>2,500</u>	<u>6,080</u>	<u>3,580</u>
FUND BALANCES, BEGINNING	<u>554,399</u>	<u>554,399</u>	<u>554,399</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 485,399</u>	<u>\$ 539,399</u>	<u>\$ 560,479</u>	<u>\$ 21,080</u>

CITY OF HONDO, TEXAS**SOUTH TEXAS REGIONAL TRAINING CENTER
BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 119,864	\$ 119,864	\$ 106,017	\$(13,847)
Intergovernmental	<u>-</u>	<u>-</u>	<u>93,600</u>	<u>93,600</u>
Total revenues	<u>119,864</u>	<u>119,864</u>	<u>199,617</u>	<u>79,753</u>
EXPENDITURES				
Current:				
General government				
Supplies	48,565	49,565	36,872	12,693
Services	32,210	42,833	26,872	15,961
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>100,775</u>	<u>112,398</u>	<u>63,744</u>	<u>48,654</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>19,089</u>	<u>7,466</u>	<u>135,873</u>	<u>128,407</u>
FUND BALANCES, BEGINNING	<u>217,582</u>	<u>217,582</u>	<u>217,582</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 236,671</u>	<u>\$ 225,048</u>	<u>\$ 353,455</u>	<u>\$ 128,407</u>

CITY OF HONDO, TEXAS**HOTEL TAX FUND
BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Occupancy tax	\$ <u>120,000</u>	\$ <u>120,000</u>	\$ <u>120,531</u>	\$ <u>531</u>
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>120,531</u>	<u>531</u>
EXPENDITURES				
Current:				
General government				
Administration	<u>115,000</u>	<u>115,000</u>	<u>89,800</u>	<u>25,200</u>
Total general government	<u>115,000</u>	<u>115,000</u>	<u>89,800</u>	<u>25,200</u>
Total expenditures	<u>115,000</u>	<u>115,000</u>	<u>89,800</u>	<u>25,200</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>5,000</u>	<u>5,000</u>	<u>30,731</u>	<u>25,731</u>
FUND BALANCES, BEGINNING	<u>165,232</u>	<u>165,232</u>	<u>165,232</u>	<u>-</u>
FUND BALANCES, ENDING	\$ <u>165,232</u>	\$ <u>165,232</u>	\$ <u>195,963</u>	\$ <u>30,731</u>

STATISTICAL SECTION

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STATISTICAL SECTION

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

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
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These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales tax.	
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Principal Electric Consumers	
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	
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Full-time Equivalent City Employees by Function	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

CITY OF HONDO, TEXAS

NET POSITION BY COMPONENT

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

	Fiscal Year			
	2012	2013	2014	2015
Governmental activities:				
Net investment in capital assets	\$ 8,854,700	\$ 8,868,905	\$ 8,339,222	\$ 6,850,373
Restricted	2,585,591	1,713,408	1,415,138	3,185,244
Unrestricted	<u>802,462</u>	<u>859,873</u>	<u>1,275,488</u>	<u>1,254,484</u>
Total governmental activities net position	\$ <u>12,242,753</u>	\$ <u>11,442,186</u>	\$ <u>11,029,848</u>	\$ <u>11,290,101</u>
Business-type activities:				
Net investment in capital assets	\$ 20,614,145	\$ 22,941,746	\$ 23,910,599	\$ 23,941,373
Restricted	466,590	586,691	210,020	-
Unrestricted	<u>1,398,216</u>	<u>88,369</u>	<u>1,099,641</u>	<u>1,417,576</u>
Total business-type activities net position	\$ <u>22,478,951</u>	\$ <u>23,616,806</u>	\$ <u>25,220,260</u>	\$ <u>25,358,949</u>
Primary government:				
Net investment in capital assets	\$ 29,468,845	\$ 31,810,651	\$ 32,249,821	\$ 30,791,746
Restricted	3,052,181	2,300,099	1,625,158	3,185,244
Unrestricted	<u>2,200,678</u>	<u>948,242</u>	<u>2,375,129</u>	<u>2,672,060</u>
Total primary government net position	\$ <u>34,721,704</u>	\$ <u>35,058,992</u>	\$ <u>36,250,108</u>	\$ <u>36,649,050</u>

Source: Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 7,122,538	\$ 8,182,720	\$ 9,422,569	\$ 11,207,516	\$ 11,284,765	\$ 11,515,548
3,880,549	2,697,464	3,645,681	3,321,276	3,650,503	4,636,555
<u>1,332,046</u>	<u>2,009,275</u>	<u>989,918</u>	<u>2,006,771</u>	<u>3,020,122</u>	<u>2,721,525</u>
<u>\$ 12,335,133</u>	<u>\$ 12,889,459</u>	<u>\$ 14,058,168</u>	<u>\$ 16,535,563</u>	<u>\$ 17,955,390</u>	<u>\$ 18,873,628</u>
\$ 25,154,199	\$ 23,843,466	\$ 24,902,646	\$ 25,074,025	\$ 25,744,316	\$ 25,962,052
-	-	-	-	-	-
<u>1,260,092</u>	<u>2,693,999</u>	<u>2,555,856</u>	<u>4,031,012</u>	<u>5,148,307</u>	<u>6,446,787</u>
<u>\$ 26,414,291</u>	<u>\$ 26,537,465</u>	<u>\$ 27,458,502</u>	<u>\$ 29,105,037</u>	<u>\$ 30,892,623</u>	<u>\$ 32,408,839</u>
\$ 32,276,737	\$ 32,026,186	\$ 34,325,215	\$ 36,281,541	\$ 37,029,081	\$ 37,477,600
3,880,549	2,697,464	3,645,681	3,321,276	3,650,503	4,636,555
<u>2,592,138</u>	<u>4,703,274</u>	<u>3,545,774</u>	<u>6,037,783</u>	<u>8,168,429</u>	<u>9,168,312</u>
<u>\$ 38,749,424</u>	<u>\$ 39,426,924</u>	<u>\$ 41,516,670</u>	<u>\$ 45,640,600</u>	<u>\$ 48,848,013</u>	<u>\$ 51,282,467</u>

CITY OF HONDO, TEXAS

CHANGES IN NET POSITION

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

	Fiscal Year			
	2012	2013	2014	2015
EXPENSES				
Governmental activities:				
General government	\$ 1,053,924	\$ 1,584,053	\$ 1,932,881	\$ 1,341,414
Public safety	1,472,529	1,429,390	1,539,701	1,629,587
Judicial	72,347	72,587	95,117	133,077
Culture and recreation	1,431,045	1,454,435	1,593,578	1,511,370
Public works	2,768,570	1,318,524	1,567,434	1,328,843
Interest on long-term debt	101,363	95,841	-	141,642
Total governmental activities expenses	<u>6,899,778</u>	<u>5,954,830</u>	<u>6,728,711</u>	<u>6,085,933</u>
Business-type activities:				
Electric	6,067,577	6,001,541	5,744,881	6,052,647
Water and sewer	1,868,575	1,899,773	2,093,799	2,322,578
Airport	1,883,172	1,260,199	1,490,499	1,383,178
Sanitation	-	1,170,246	1,217,815	1,175,650
Total business-type activities expenses	<u>9,819,324</u>	<u>10,331,759</u>	<u>10,546,994</u>	<u>10,934,053</u>
Total primary government expenses	<u>\$ 16,719,102</u>	<u>\$ 16,286,589</u>	<u>\$ 17,275,705</u>	<u>\$ 17,019,986</u>
PROGRAM REVENUES				
Governmental activities:				
Fees, fines, and charges for services:				
General government	\$ 265,618	\$ 374,376	\$ 822,324	\$ 208,224
Public safety	26,809	16,181	19,701	54,803
Judicial	93,501	72,360	110,065	159,637
Culture and recreation	68,271	120,150	126,683	178,880
Public works	1,058,377	-	-	-
Operating grants and contributions	13,838	-	54,465	7,871
Capital grants and contributions	80,449	695,573	-	-
Total governmental activities program revenues	<u>1,606,863</u>	<u>1,278,640</u>	<u>1,133,238</u>	<u>609,415</u>
Business-type activities:				
Charges for services:				
Electric	8,392,116	8,144,304	9,203,394	9,128,350
Water and sewer	2,025,592	2,311,614	2,397,845	2,354,102
Airport	1,468,433	1,149,867	841,029	840,819
Sanitation	-	772,920	1,239,036	1,254,646
Capital grants and contributions	2,304,658	587,380	1,507,203	292,272
Total business-type activities program revenues	<u>14,190,799</u>	<u>12,966,085</u>	<u>15,188,507</u>	<u>13,870,189</u>
Total primary government program revenues	<u>\$ 15,797,662</u>	<u>\$ 14,244,725</u>	<u>\$ 16,321,745</u>	<u>\$ 14,479,604</u>

TABLE 2

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 1,398,252	\$ 1,537,248	\$ 1,569,611	\$ 1,683,062	\$ 2,610,975	\$ 3,106,383
1,699,171	1,885,309	1,904,235	2,100,858	2,094,485	2,198,655
103,791	116,926	107,932	110,905	100,901	114,812
1,574,709	1,815,614	1,886,141	1,928,242	1,268,470	1,244,278
1,450,028	1,437,598	1,324,824	1,284,772	2,477,122	2,472,981
186,883	165,322	118,552	110,796	276,529	172,059
<u>6,412,834</u>	<u>6,958,017</u>	<u>6,911,295</u>	<u>7,218,635</u>	<u>8,828,482</u>	<u>9,309,168</u>
6,435,595	6,897,935	6,905,253	6,110,591	6,231,640	5,976,797
2,271,277	2,524,656	2,309,930	2,441,478	2,907,202	2,492,616
1,318,748	1,360,976	1,304,189	1,379,249	1,311,027	1,202,003
1,203,091	1,319,815	1,317,579	1,321,953	1,331,743	1,287,090
<u>11,228,711</u>	<u>12,103,382</u>	<u>11,836,951</u>	<u>11,253,271</u>	<u>11,781,612</u>	<u>10,958,506</u>
\$ <u>17,641,545</u>	\$ <u>19,061,399</u>	\$ <u>18,748,246</u>	\$ <u>18,471,906</u>	\$ <u>20,610,094</u>	\$ <u>20,267,674</u>
\$ 355,682	\$ 289,589	\$ 265,375	\$ 320,971	\$ 888,289	\$ 390,501
69,511	71,296	85,381	38,982	51,194	100,215
101,527	111,206	86,539	60,570	35,663	54,134
208,417	233,647	247,293	244,274	124,310	170,651
-	-	-	708	403,261	35
15,256	140,211	4,783	105,371	690,274	1,191,787
-	223,284	731,675	726,762	162,618	102,879
<u>750,393</u>	<u>1,069,233</u>	<u>1,421,046</u>	<u>1,497,638</u>	<u>2,355,609</u>	<u>2,010,202</u>
10,163,815	9,178,972	9,493,009	9,360,017	9,760,677	9,090,890
2,867,187	3,876,333	4,075,548	4,147,771	4,974,223	5,089,597
827,271	776,901	837,023	894,012	808,866	750,247
1,271,633	1,328,645	1,358,728	1,403,200	1,449,009	1,433,623
63,218	316,636	62,102	270,856	134,602	311,965
<u>15,193,124</u>	<u>15,477,487</u>	<u>15,826,410</u>	<u>16,075,856</u>	<u>17,127,377</u>	<u>16,676,322</u>
\$ <u>15,943,517</u>	\$ <u>16,546,720</u>	\$ <u>17,247,456</u>	\$ <u>17,573,494</u>	\$ <u>19,482,986</u>	\$ <u>18,686,524</u>

CITY OF HONDO, TEXAS

CHANGES IN NET POSITION
(continued)

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

	Fiscal Year			
	2012	2013	2014	2015
NET (EXPENSE) REVENUES				
Governmental activities	\$(5,292,915)	\$(4,676,190)	\$(5,595,473)	\$(5,476,518)
Business-type activities	<u>4,371,475</u>	<u>2,634,326</u>	<u>4,641,513</u>	<u>2,936,136</u>
Total primary government net expense	<u>(921,440)</u>	<u>(2,041,864)</u>	<u>(953,960)</u>	<u>(2,540,382)</u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	966,254	992,802	1,019,171	1,070,383
Sales	1,250,327	1,270,315	1,324,079	1,591,844
Other	161,554	112,885	101,677	184,952
Investment earnings	8,111	10,506	14,936	8,927
Miscellaneous	234,270	95,704	118,496	32,381
Gain on sale of capital assets	-	-	-	-
Transfers and PILOT	<u>2,951,895</u>	<u>1,639,289</u>	<u>2,744,033</u>	<u>3,320,854</u>
Total governmental activities	<u>5,572,411</u>	<u>4,121,501</u>	<u>5,322,392</u>	<u>6,209,341</u>
Business-type activities:				
Investment earnings	2,239	1,498	557	663
Miscellaneous	132,824	65,741	(96,988)	50,174
Gain on sale of capital assets	-	-	-	-
Transfers and PILOT	<u>(2,951,895)</u>	<u>(1,639,289)</u>	<u>(2,744,033)</u>	<u>(3,320,854)</u>
Total business-type activities	<u>(2,816,832)</u>	<u>(1,572,050)</u>	<u>(2,840,464)</u>	<u>(3,270,017)</u>
Total primary government	<u>2,755,579</u>	<u>2,549,451</u>	<u>2,481,928</u>	<u>2,939,324</u>
CHANGE IN NET POSITION				
Governmental activities	279,496	(554,689)	(273,081)	732,823
Business-type activities	<u>1,554,643</u>	<u>1,062,276</u>	<u>1,801,049</u>	<u>(333,881)</u>
Total primary government	<u>\$ 1,834,139</u>	<u>\$ 507,587</u>	<u>\$ 1,527,968</u>	<u>\$ 398,942</u>

Source: Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$(5,662,441)	\$(5,888,784)	\$(5,490,249)	\$(5,720,997)	\$(6,472,873)	\$(7,298,966)
<u>3,964,413</u>	<u>3,374,105</u>	<u>3,989,459</u>	<u>4,822,585</u>	<u>5,345,765</u>	<u>5,717,816</u>
<u>(1,698,028)</u>	<u>(2,514,679)</u>	<u>(1,500,790)</u>	<u>(898,412)</u>	<u>(1,127,108)</u>	<u>(1,581,150)</u>
1,183,968	1,389,066	1,511,949	1,601,434	1,694,073	1,785,669
1,631,989	1,509,044	1,824,144	2,896,251	1,729,403	1,883,673
172,642	189,760	141,969	175,727	127,592	190,201
11,178	22,730	75,061	99,953	83,300	19,081
554,349	74,111	66,729	151,729	74,240	46,772
-	-	-	-	322,914	37,830
<u>3,153,347</u>	<u>3,258,399</u>	<u>3,273,297</u>	<u>3,273,298</u>	<u>3,861,178</u>	<u>4,561,934</u>
<u>6,707,473</u>	<u>6,443,110</u>	<u>6,893,149</u>	<u>8,198,392</u>	<u>7,892,700</u>	<u>8,525,160</u>
78	7,468	30,523	85,036	30,987	399
244,198	-	248,333	12,212	167,012	359,935
-	-	-	-	105,000	-
<u>(3,153,347)</u>	<u>(3,258,399)</u>	<u>(3,273,297)</u>	<u>(3,273,298)</u>	<u>(3,861,178)</u>	<u>(4,561,934)</u>
<u>(2,909,071)</u>	<u>(3,250,931)</u>	<u>(2,994,441)</u>	<u>(3,176,050)</u>	<u>(3,558,179)</u>	<u>(4,201,600)</u>
<u>3,798,402</u>	<u>3,192,179</u>	<u>3,898,708</u>	<u>5,022,342</u>	<u>4,334,521</u>	<u>4,323,560</u>
1,045,032	554,326	1,402,900	2,477,395	1,419,827	1,226,194
<u>1,055,342</u>	<u>123,174</u>	<u>995,018</u>	<u>1,646,535</u>	<u>1,787,586</u>	<u>1,516,216</u>
<u>\$ 2,100,374</u>	<u>\$ 677,500</u>	<u>\$ 2,397,918</u>	<u>\$ 4,123,930</u>	<u>\$ 3,207,413</u>	<u>\$ 2,742,410</u>

CITY OF HONDO, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

(modified accrual basis of accounting)

	Fiscal Year			
	2012	2013	2014	2015
General Fund				
Non-spendable	\$ -	\$ -	\$ -	\$ 56,717
Restricted	-	-	-	18,235
Committed	-	34,606	195,475	483,515
Assigned	-	-	-	-
Unassigned	<u>464,060</u>	<u>645,663</u>	<u>1,008,975</u>	<u>1,346,429</u>
Total general fund	<u>\$ 464,060</u>	<u>\$ 680,269</u>	<u>\$ 1,204,450</u>	<u>\$ 1,904,896</u>
All other governmental funds				
Non-spendable	-	-	-	600,835
Restricted	2,149,207	1,414,643	971,097	2,587,639
Committed	-	-	-	206,686
Assigned	-	-	-	-
Unassigned, reported in:				
Special revenue funds	354,945	297,634	233,712	-
Capital projects funds	-	-	-	-
Permanent fund	-	-	-	-
Debt service fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 2,504,152</u>	<u>\$ 1,712,277</u>	<u>\$ 1,204,809</u>	<u>\$ 3,395,160</u>

Source: Annual Comprehensive Financial Reports

TABLE 3

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 2,040	\$ 66,382	\$ 5,149	\$ 4,627	\$ 7,686	\$ 4,336
19,376	24,325	25,141	24,309	-	-
268,770	85,786	144,066	449,113	-	-
-	-	-	-	74,713	-
<u>2,397,127</u>	<u>2,221,841</u>	<u>1,887,629</u>	<u>2,542,749</u>	<u>3,937,618</u>	<u>3,241,185</u>
\$ <u>2,687,313</u>	\$ <u>2,398,334</u>	\$ <u>2,061,985</u>	\$ <u>3,020,798</u>	\$ <u>4,020,017</u>	\$ <u>3,245,521</u>
519,290	532,590	545,990	564,290	554,399	560,479
3,366,672	2,712,416	3,065,666	2,721,289	2,624,358	7,468,573
89,534	96,259	128,840	269,468	219,545	355,469
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ <u>3,975,496</u>	\$ <u>3,341,265</u>	\$ <u>3,740,496</u>	\$ <u>3,555,047</u>	\$ <u>3,398,302</u>	\$ <u>8,384,521</u>

CITY OF HONDO, TEXAS

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)
(modified accrual basis of accounting)

	Fiscal Year			
	2012	2013	2014	2015
REVENUES				
Taxes:				
Property	\$ 956,549	\$ 993,367	\$ 1,018,498	\$ 1,064,110
Sales	1,250,327	1,270,315	1,324,079	1,591,844
Other	44,028	156,473	258,918	184,954
Licenses and permits	31,058	35,185	39,431	76,182
Intergovernmental	94,287	651,955	49,730	10,778
Charges for services	1,525,652	434,637	1,236,014	382,035
Fines and forfeitures	93,501	72,360	110,066	162,693
Interest income	8,111	10,506	14,936	8,924
Payments in lieu of taxes	-	-	-	3,155,004
Miscellaneous	209,831	225,287	83,800	23,837
Total revenues	<u>4,213,344</u>	<u>3,850,085</u>	<u>4,135,472</u>	<u>6,660,361</u>
EXPENDITURES				
General government	1,477,911	1,751,045	1,765,100	1,297,852
Public safety	1,482,158	1,372,327	1,501,501	1,603,595
Judicial	72,347	72,587	95,117	132,518
Culture and recreation	1,352,744	1,355,922	1,503,475	1,474,574
Public works	2,511,899	985,097	1,205,369	957,164
Capital outlay	-	-	-	380,035
Debt service:				
Principal	119,929	153,951	1,131,657	187,712
Interest and fiscal charges	97,174	98,075	144,109	141,988
Bond issuance costs	-	-	-	-
Total expenditures	<u>7,114,162</u>	<u>5,789,004</u>	<u>7,346,328</u>	<u>6,175,438</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (2,900,818)</u>	<u>\$ (1,938,919)</u>	<u>\$ (3,210,856)</u>	<u>\$ 484,923</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	147,260	-	1,053,360	-
Premium on bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Sale of capital assets	5,635	48,932	-	935
Transfers in (out)	2,951,895	1,639,289	2,744,033	165,850
Total other financing sources (uses)	<u>3,104,790</u>	<u>1,688,221</u>	<u>3,797,393</u>	<u>166,785</u>
NET CHANGE IN FUND BALANCES	<u>\$ 203,972</u>	<u>\$ (250,698)</u>	<u>\$ 586,537</u>	<u>\$ 651,708</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>3.1%</u>	<u>4.4%</u>	<u>17.4%</u>	<u>5.7%</u>

Source: Annual Comprehensive Financial Reports

TABLE 4

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 1,174,053	\$ 1,378,474	\$ 1,487,987	\$ 1,596,908	\$ 1,716,679	\$ 1,793,943
1,631,988	1,509,043	1,824,144	2,896,251	1,729,403	1,883,673
172,642	189,759	141,969	175,727	127,592	190,201
218,810	162,402	138,474	185,801	312,905	124,549
20,539	496,456	663,097	920,943	373,408	521,376
415,343	445,275	473,401	437,220	443,137	511,639
103,921	117,486	91,039	60,824	39,206	61,395
11,169	22,732	75,062	99,974	83,300	19,081
3,155,000	3,154,988	3,154,988	3,154,988	-	-
63,189	46,154	124,062	51,213	74,240	46,772
<u>6,966,654</u>	<u>7,522,769</u>	<u>8,174,223</u>	<u>9,579,849</u>	<u>4,899,870</u>	<u>5,152,629</u>
1,284,656	1,442,226	1,488,800	1,589,873	2,139,053	2,884,633
1,607,141	1,760,014	1,825,309	1,931,022	1,931,559	2,053,805
101,102	116,165	108,650	109,830	101,587	118,515
1,438,348	1,793,557	1,737,885	1,726,498	1,092,810	1,059,696
1,029,662	1,006,556	906,233	805,287	1,623,890	2,081,668
2,327,330	1,954,319	1,642,161	2,246,299	649,590	500,131
248,829	384,907	414,500	416,390	423,910	437,690
180,513	111,371	119,814	111,962	279,089	159,410
-	25,504	-	-	-	-
<u>8,217,581</u>	<u>8,594,619</u>	<u>8,243,352</u>	<u>8,937,161</u>	<u>8,241,488</u>	<u>9,295,548</u>
<u>\$(1,250,927)</u>	<u>\$(1,071,850)</u>	<u>\$(69,129)</u>	<u>\$ 642,688</u>	<u>\$(3,341,618)</u>	<u>\$(4,142,919)</u>
2,030,000	1,300,000	-	-	-	3,725,000
-	-	-	-	-	337,834
-	(1,272,005)	-	-	-	-
585,333	17,234	13,702	12,366	322,914	37,830
(1,653)	103,411	118,309	118,310	3,861,178	4,561,934
<u>2,613,680</u>	<u>148,640</u>	<u>132,011</u>	<u>130,676</u>	<u>4,184,092</u>	<u>8,662,598</u>
<u>\$ 1,362,753</u>	<u>\$(923,210)</u>	<u>\$ 62,882</u>	<u>\$ 773,364</u>	<u>\$ 842,474</u>	<u>\$ 4,519,679</u>
<u>7.3%</u>	<u>7.5%</u>	<u>8.1%</u>	<u>7.9%</u>	<u>9.3%</u>	<u>6.6%</u>

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

Fiscal Year	Property	Sales & Use	Mixed Beverage	Franchise	Hotel	Total
2021	\$ 1,785,669	\$ 1,883,673	\$ 2,937	\$ 66,733	\$ 120,531	\$ 3,859,543
2020	1,716,679	1,729,403	857	43,349	83,386	3,573,674
2019	1,596,908	2,896,251	1,210	41,801	132,716	4,668,886
2018	1,487,987	1,824,144	2,952	28,896	110,121	3,454,100
2017	1,378,474	1,509,043	3,301	66,664	119,794	3,077,276
2016	1,174,053	1,631,988	4,708	62,024	105,910	2,978,683
2015	1,064,110	1,591,844	2,714	58,654	123,584	2,840,906
2014	1,018,498	1,324,079	2,720	157,241	98,957	2,601,495
2013	993,367	1,270,315	1,491	45,109	111,364	2,420,155
2012	956,549	1,250,327	1,542	44,028	-	2,250,904

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

<u>Fiscal Year Ended September 30,</u>	<u>Total Water Consumption (In Gallons)</u>	<u>Water Base Rate (Includes first 2,000)</u>	<u>Water Initial Rate Per 1,000 Gallons</u>	<u>Sewer Base Rate (Includes first 2,000)</u>	<u>Sewer Initial Rate Per 1,000 Gallons</u>
2021	536,810,300	\$ 31.21	\$ 2.44	\$ 25.00	\$ 1.70
2020	536,564,300	30.00	2.44	25.00	1.70
2019	476,853,400	30.00	2.44	25.00	1.70
2018	447,534,800	30.00	2.44	25.00	1.70
2017	526,194,400	30.00	2.44	25.00	1.70
2016	378,476,700	23.00	2.44	15.00	1.70
2015	483,572,500	11.50	2.44	7.08	1.70
2014	490,208,500	11.50	2.44	7.08	1.70
2013	501,434,700	11.50	2.44	7.08	1.70
2012	475,798,100	11.50	1.95	7.08	1.36

TABLE 7

CITY OF HONDO, TEXAS

PRINCIPAL WATER AND SEWER CONSUMERS

CURRENT AND NINE YEARS AGO

Consumers	2021			2012		
	Total Water Consumption (in Gallons)	Rank	Percentage of Total City Water Consumption	Total Water Consumption (in Gallons)	Rank	Percentage of Total City Water Consumption
Texas Dept of Criminal Justice	190,343,000	1	35.46%	89,067,300	1	18.72%
PTCAA	13,210,500	2	2.46%	-		
Texas Dept of Criminal Justice	13,109,400	3	2.44%	23,168,400	2	4.87%
Texas Dept of Criminal Justice	9,970,000	4	1.86%	-		
Texas Dept of Criminal Justice	3,775,200	9	0.70%	-		
Las Palomas	4,661,400	7	0.87%	-		
City of Hondo Swimming pool	3,779,600	8	0.70%	1,796,800	10	0.38%
Medina County Courthouse				-		
City of Hondo				-		
Martin Resources	5,130,400	6	0.96%			
South Texas Liquid Terminal			-	1,851,600	9	0.39%
City of Hondo Golf Course	-			21,184,200	3	4.45%
Medina County Courthouse	-			8,749,100	4	1.84%
Medina Ranch Mobile Homes	-			3,864,600	5	0.81%
Hondo ISD	6,043,500	5	1.13%	2,927,000	6	0.62%
Medina County Sheriff's Office	2,630,300	10	0.49%	2,659,700	7	0.56%
Best Western	-			2,188,200	8	0.46%
TOTAL	<u>252,653,300</u>		<u>47.09%</u>	<u>157,456,900</u>		<u>33.09%</u>
Total City Water Consumption	536,810,300			475,798,100		

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

Fiscal Year Ended September 30,	Total Electric Consumption (In KWH)	Electric Base Rate	Initial Rate Per Per KWH
2021	73,038,220	15.00	0.1137
2020	75,767,613	15.00	0.1137
2019	73,616,091	15.00	0.1137
2018	76,206,703	15.00	0.1137
2017	72,464,108	15.00	0.1137
2016	73,555,397	15.00	0.1137
2015	74,378,945	9.30	0.1160
2014	74,963,254	9.30	0.1160
2013	72,520,229	9.30	0.1040
2012	75,314,682	9.30	0.1040

TABLE 9

CITY OF HONDO, TEXAS

PRINCIPLE ELECTRIC CONSUMERS

CURRENT AND NINE YEARS AGO

Consumers	2021			2013		
	Total Electric Consumption (in KWH)	Rank	Percentage of Total City Electric Consumption	Total Electric Consumption (in KWH)	Rank	Percentage of Total City Electric Consumption
Texas Dept of Criminal Justice	6,782,816	1	9.29%	7,526,400	1	10.38%
Wal-mart Stores	3,386,963	2	4.64%	4,262,500	2	5.88%
Medina Community Hospital	3,034,402	3	4.15%	2,645,250	3	3.65%
HEB	1,281,000	7	1.75%	-		
Martin Resources	2,310,000	4	3.16%	1,048,994	7	1.45%
City of Hondo	1,947,300	5	2.67%	2,148,600	4	2.96%
James Avery Craftsman	1,338,530	6	1.83%	1,052,160	6	1.45%
Medina County Sheriff's Office	817,800	9	1.12%	1,624,500	5	2.24%
City of Hondo Water Tower	1,129,400	8	1.55%	818,400	8	1.13%
McDonald's				684,960	10	0.94%
Hondo ISD	651,400	10	0.89%	760,600	9	1.05%
TOTAL	<u>22,679,611</u>		<u>31.05%</u>	<u>22,572,364</u>		<u>31.02%</u>

Total City Electric Consumption 73,038,220

72,520,229

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

Fiscal Year Ended September 30,	Residential Property	Agricultural & Commercial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2021	\$ 216,587,473	\$ 174,641,114	\$ 39,171,839	352,056,748	0.4940
2020	170,955,903	187,347,334	19,873,170	338,430,067	0.5105
2019	166,674,313	176,297,851	33,483,972	309,488,192	0.5109
2018	163,024,971	164,400,490	36,092,637	291,332,824	0.5139
2017	137,805,351	141,818,105	25,719,269	253,904,187	0.5139
2016	137,129,210	140,440,295	19,092,370	258,477,135	0.4527
2015	134,856,515	142,109,350	19,263,450	257,702,415	0.4974
2014	123,259,604	125,039,826	18,904,001	229,395,429	0.4089
2013	123,279,725	124,368,380	18,804,061	228,844,044	0.4089
2012	120,941,666	120,999,032	18,164,980	223,775,718	0.4089

Source: Medina County Appraisal District

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

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

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	Debt Service	Total	Hondo ISD	Medina County	Medina County Hospital
2021	0.3668	0.1198	0.4866	1.1320	0.4312	0.0984
2020	0.3796	0.1144	0.4940	1.1997	0.4562	0.1000
2019	0.3823	0.1286	0.5109	1.3750	0.5517	0.0645
2018	0.3759	0.1380	0.5139	1.3750	0.5517	0.0644
2017	0.3866	0.1273	0.5139	1.3800	0.5517	0.0638
2016	0.3614	0.0913	0.4527	1.3150	0.5517	0.0641
2015	0.3010	0.1964	0.4974	1.1400	0.5250	0.0608
2014	0.3362	0.0727	0.4089	1.1400	0.5250	0.0581
2013	0.3181	0.0908	0.4089	1.1400	0.5380	0.0581
2012	0.3105	0.0984	0.4089	1.1400	0.5430	0.0555
2011	0.2618	0.1321	0.3939	1.1400	0.5423	0.0529

TABLE 12

CITY OF HONDO, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT AND NINE YEARS AGO

Taxpayer	2021			2013		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
M2E4 LLC	\$ 11,966,060	1	3.11%			
Martin Operating Partnership	11,300,000	2	2.94%	\$ -		-
Vantage Corn Processors LLC	10,912,340	3	2.84%	-		-
Wal-Mart Stores Business Trust	7,034,930	4	1.83%	8,430,660	1	3.68%
James Avery Craftsman Inc	4,391,160	5	1.14%	2,731,955	5	1.19%
Hondo Rail Way CO.	3,641,180	6	0.95%	-		
Wal-Mart Stores East	3,571,830	7	0.93%	4,844,120	3	2.11%
Irene B. Hoadley	3,093,590	8	0.80%	2,236,140	7	0.97%
Siddhi Inc. Best Western	3,003,210	9	0.78%	2,387,185	6	
HEB Grocery	2,924,810	10	0.76%	3,906,885	4	
ADM Corn Processing	-		-	5,607,300	2	2.44%
Wildcat Minerals	-		-	2,202,000	8	0.96%
Cecil Atkission Ford	-		-	1,550,920	9	0.68%
Total	\$ 61,839,110		16.07%	\$ 33,897,165		12.03%

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TABLE 13**CITY OF HONDO, TEXAS****PROPERTY TAX LEVIES AND COLLECTIONS****LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	945,556	910,465	96.29%	21,755	932,220	98.59%
2013	989,383	954,488	96.47%	22,198	976,686	98.72%
2014	1,007,151	972,266	96.54%	22,058	994,324	98.73%
2015	1,062,074	1,027,490	96.74%	23,543	1,051,033	98.96%
2016	1,178,873	1,137,045	96.45%	33,792	1,170,837	99.32%
2017	1,367,968	1,322,063	96.64%	32,147	1,354,210	98.99%
2018	1,489,579	1,441,735	96.79%	32,295	1,474,030	98.96%
2019	1,582,108	1,534,743	97.01%	16,979	1,551,722	98.08%
2020	1,742,423	1,709,313	98.10%	28,849	1,709,313	98.10%
2021	1,739,126	1,698,163	97.64%	-	1,698,163	97.64%

CITY OF HONDO, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			
	Certificates of Obligation	General Obligation Bonds	Revenue Bonds	Capital Lease
2021	\$ 4,950,000	\$ 1,288,500	\$ 560,000	\$ -
2020	1,405,000	1,496,250	610,000	-
2019	2,230,160	1,050,000	655,000	-
2018	2,561,550	1,090,000	700,000	-
2017	2,761,050	1,260,000	745,000	-
2016	2,953,030	1,317,314	785,000	31,975
2015	1,023,120	1,395,814	825,000	62,215
2014	1,038,870	1,498,502	865,000	91,489
2013	-	2,622,331	905,000	119,827
2012	-	2,575,290	940,000	175,138

TABLE 14

Business-Type Activities						
Revenue Bonds	Certificates of Obligation	General Obligation Bonds	Note Payable	Total Primary Government	Percent of Personal Income	Per Capita
\$ -	\$ 5,485,000	\$ 1,103,440	\$ -	\$ 13,387,000	7.39%	\$ 1,395
-	5,845,000	1,278,750	-	10,635,000	5.97%	1,127
-	6,200,000	1,451,840	-	11,587,000	6.90%	1,234
-	6,550,000	1,648,450	-	12,550,000	8.14%	1,349
-	6,900,000	1,783,950	-	13,450,000	9.32%	1,461
-	1,717,685	1,917,970	-	8,722,974	6.65%	961
-	1,849,186	600,880	-	5,756,215	4.67%	639
-	2,013,318	652,310	27,629	6,187,118	5.15%	692
-	2,787,669	-	54,453	6,489,280	5.02%	730
-	2,581,710	-	80,496	6,352,634	4.91%	717

TABLE 15

CITY OF HONDO, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding				Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita*
	Certificates of Obligation	General Obligation Bonds	Available in Debt Service Funds	Total			
2021	\$ 4,950,000	\$ 2,392,000	\$ (198,667)	\$ 7,143,333	\$ 352,056,748	2.03%	744
2020	1,405,000	2,775,000	(169,725)	4,010,275	329,798,889	1.22%	425
2019	1,050,000	3,682,000	(160,421)	4,571,579	309,488,192	1.48%	487
2018	1,090,000	4,210,000	(160,094)	5,139,906	291,332,824	1.76%	552
2017	1,260,000	4,545,000	(166,158)	5,638,842	253,904,187	2.22%	613
2016	1,317,314	4,871,000	(162,788)	6,025,526	258,477,135	2.33%	664
2015	1,395,814	1,624,000	(167,495)	2,852,319	257,702,415	1.11%	317
2014	1,498,502	1,691,180	(148,764)	3,040,918	229,395,429	1.33%	340
2013	2,622,331	-	(138,019)	2,484,312	228,844,044	1.09%	279
2012	2,575,290	-	(136,664)	2,438,626	223,775,718	1.09%	275

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

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

TABLE 16

CITY OF HONDO, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2021

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<i>Debt repaid with property taxes:</i>			
Hondo ISD	\$ 34,818,000	43.93%	\$ 15,295,547
Medina County	28,650,000	8.80%	<u>2,521,200</u>
Subtotal, Overlapping Debt			17,816,747
City Governmental Activities Direct Debt			<u>7,342,000</u>
TOTAL NET OVERLAPPING DEBT			<u><u>\$ 25,158,747</u></u>
Total Direct and Overlapping Debt % of A.V.			7.15%
Total Direct and Overlapping Debt per Capita			\$ 33,797

CITY OF HONDO, TEXAS

TABLE 17

LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

Assessed Value, 2020 Tax Roll	<u>\$336,975,172</u>
-------------------------------	----------------------

Debt Limit - Texas statues do not provide a legal debt limit for cities; however, through accepted practice a practical "economic" debt limit is considered to be 10% of the assessed value.	\$ 33,697,517
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------

Amount of Applicable Debt:

General Bonded Debt	\$ 7,342,000	
Less Debt Service Net Position	<u>(198,667)</u>	<u>7,143,333</u>

DEBT MARGIN	<u>\$ 26,554,184</u>
-------------	----------------------

Total Net Debt as a Percentage of Debt Margin	28%
-----------------------------------------------	-----

	Fiscal Year		
	2018	2019	2020
Assessed Value	\$ 291,332,824	\$ 309,488,192	\$336,975,172
Debt Limit	29,133,282	30,948,819	33,697,517
Total Net Debt Applicable to Limit	<u>4,191,456</u>	<u>3,774,739</u>	<u>3,341,525</u>
Total Debt Margin	<u>\$ 276,403,844</u>	<u>\$ 27,174,080</u>	<u>\$ 30,355,992</u>

	2015	2016	2017
Assessed Value	\$ 257,702,415	\$ 258,477,135	\$ 253,904,187
Debt Limit	25,770,242	25,847,714	25,390,419
Total Net Debt Applicable to Limit	<u>3,076,439</u>	<u>4,892,556</u>	<u>4,599,892</u>
Total Debt Margin	<u>\$ 199,536,987</u>	<u>\$ 218,452,758</u>	<u>\$ 250,302,458</u>

	2012	2013	2014
Assessed Value	\$ 223,775,718	\$ 228,844,044	\$ 229,395,429
Debt Limit	22,377,572	22,884,404	22,939,543
Total Net Debt Applicable to Limit	<u>3,378,626</u>	<u>3,389,312</u>	<u>3,253,608</u>
Total Debt Margin	<u>\$ 185,416,114</u>	<u>\$ 181,090,821</u>	<u>\$ 180,153,436</u>

TABLE 18

CITY OF HONDO, TEXAS

PLEDGED REVENUE COVERAGE - WATER AND SEWER REVENUE BONDS

LAST TEN FISCAL YEARS

Fiscal Year	Water and Sewer Revenue Bonds					
	Utility	Less:	Net	Debt Service		Coverage
	Service Charges	Operating Expenses	Available Revenue	Principal	Interest	
2021	\$ 5,089,597	\$ 2,337,031	\$ 2,752,566	\$ 470,310	\$ 158,350	4.38
2020	5,039,847	2,843,919	2,195,928	470,310	164,767	3.46
2019	4,147,768	1,561,953	2,585,815	456,610	169,107	4.13
2018	4,075,548	1,473,489	2,602,059	450,500	173,069	4.17
2017	3,876,333	1,520,862	2,355,471	957,888	153,823	2.12
2016	2,867,187	1,556,267	1,310,920	188,299	71,937	5.04
2015	2,354,102	1,635,959	718,143	130,828	46,916	4.04
2014	2,397,845	1,454,058	943,787	82,296	51,692	7.04
2013	2,350,539	1,505,266	845,273	65,508	64,610	6.50
2012	2,054,936	1,449,586	605,350	60,881	67,626	4.71

TABLE 19

CITY OF HONDO, TEXAS

PLEDGED REVENUE COVERAGE - ELECTRIC REVENUE BONDS

LAST TEN FISCAL YEARS

Fiscal Year	Electric Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2021	\$ 9,090,890	\$ 5,970,117	\$ 3,120,773	\$ 50,000	\$ 6,791	54.95
2020	9,760,677	6,231,743	3,528,934	50,000	6,791	62.14
2019	9,360,015	5,719,139	3,640,876	50,000	7,939	62.84
2018	9,487,016	6,543,267	2,943,749	45,000	8,470	55.05
2017	9,178,970	6,535,110	2,643,860	613,868	18,424	4.18
2016	10,163,815	6,072,879	4,090,936	35,389	29,039	63.50
2015	9,128,350	5,705,769	3,422,581	130,828	19,476	22.77
2014	9,203,395	5,446,641	3,756,754	30,892	31,879	59.85
2013	8,144,305	5,924,023	2,220,282	29,421	33,268	35.42
2012	8,392,116	5,987,169	2,404,947	26,479	35,015	39.11

TABLE 20

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

Year	Population	Total Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
2021	9,596	\$ 181,124,500	\$ 18,875	32.4	6.2%
2020	9,436	178,104,500	18,875	32.4	3.3%
2019	9,387	167,830,173	17,879	30.1	3.0%
2018	9,305	154,267,595	16,579	30.1	3.4%
2017	9,206	144,304,050	15,675	30.5	3.6%
2016	9,079	131,246,024	14,456	30.0	4.7%
2015	9,002	123,210,374	13,687	29.6	4.4%
2014	8,941	120,175,981	13,441	31.1	4.6%
2013	8,895	129,333,300	14,540	33.1	5.9%
2012	8,854	129,480,896	14,624	31.3	6.2%

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

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TABLE 21

CITY OF HONDO, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

Employer	2021			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Texas Dept of Corrections	494	1	5.15%	497	1	5.59%
Hondo ISD	401	2	4.18%	475	2	5.34%
Medina Healthcare System	266	3	2.77%	150	5	1.69%
Walmart	260	4	2.71%	260	3	2.92%
Medina County	250	5	2.61%	205	4	2.30%
City of Hondo	141	6	1.47%	98	7	1.10%
Hondo Rail	124	7	1.29%	124	6	1.39%
HEB	104	8	1.08%	115	8	1.29%
Total	<u>2,040</u>		<u>21.26%</u>	<u>1,924</u>		<u>21.63%</u>

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

CITY OF HONDO, TEXAS

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2012	2013	2014	2015
<u>General Government</u>				
Building Permits Issued	581	574	538	607
<u>Police</u>				
Citations Issued	1,286	1,132	1,898	2,598
<u>Park and Civic Center</u>				
Park User Reservations	64	74	71	85
Civic Center Rentals	77	71	78	111
<u>Library</u>				
Annual Circulation	20,544	24,036	28,988	18,689
Library Visits	49,668	53,265	49,991	50,917
Items in Collection	23,076	26,349	29,162	25,069
<u>Water & Sewer</u>				
Water Customers	2,687	2,699	2,717	2,723
Sewer Customers	2,525	2,535	2,536	2,530
Total Consumption (hundreds of gallons)	4,757,981	5,014,347	4,902,085	4,835,725
Average Monthly Consumption	14,758	15,483	15,035	14,799
<u>Electric Utility</u>				
Electric Customers	2,969	2,979	2,975	2,981
Total Consumption	75,314,682	72,520,229	74,963,254	74,378,945
<u>Sanitation</u>				
Customers	2,344	2,361	2,354	2,346
<u>Airport</u>				
Gallons of Fuel Sold	154,668	50,634	49,640	76,248
Number of Flights	2,142	1,156	1,027	1,454

TABLE 22

Fiscal Year					
2016	2017	2018	2019	2020	2021
498	612	477	507	700	1,080
1,067	1,106	865	604	432	578
96	100	122	103	44	83
100	108	142	117	135	111
14,292	18,748	23,703	24,978	16,145	15,212
46,932	46,380	44,808	45,106	25,934	16,937
20,153	14,607	14,637	16,168	17,208	17,654
2,762	2,731	2,735	2,736	2,813	2,841
2,566	2,548	2,536	2,530	2,752	2,763
3,784,767	5,261,944	4,475,348	4,768,534	5,365,643	5,368,103
11,419	16,056	13,636	14,524	15,895	15,746
3,012	2,990	2,987	2,893	2,721	2,751
73,555,397	72,464,108	76,206,703	73,616,091	75,767,613	73,038,220
2,368	2,354	2,350	2,353	2,368	2,153
100,989	76,862	96,602	95,878	80,545	70,414
2,222	1,669	1,880	4,208	4,581	8,312

CITY OF HONDO, TEXAS

CAPITAL ASSET STATISTICS

LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2012	2013	2014	2015
<u>Streets</u>				
Streets, paved (miles)	63.59	63.59	63.59	63.59
Streets, unpaved (miles)	55.39	55.39	55.39	55.39
Alleys, unpaved (miles)	13.28	13.28	13.28	13.28
<u>Police</u>				
Stations	1	1	1	1
Patrol Units	30	30	31	31
<u>Animal Control</u>				
Facility	1	1	1	1
Control Vehicle	1	2	2	2
<u>Library</u>				
Facility	1	1	1	1
Volumes in Collection	23,076	26,349	29,162	25,069
<u>Parks and Recreation</u>				
Parks	16	16	16	16
Swimming Pools	1	1	1	1
Baby Pools	1	1	1	1
Baseball/Softball Diamonds	3	3	3	5
Soccer Fields	2	2	2	2
Community Centers	1	1	1	1
<u>Water & Sewer</u>				
Number of Storage Tanks	5	5	5	5
Number of Pump Stations	3	3	3	3
Water Mains (Miles)	70	70	70	70
Sewer Mains (Miles)	50	50	50	50
Sewer Treatment Plants	1	1	1	1
<u>Electric</u>				
Facility	1	1	1	1
Substations	1	1	1	1
Power Lines (Miles)	69	69	69	69
<u>Facilities Maintenance</u>				
City Buildings (Square Feet)	381,868	381,868	381,868	381,868

TABLE 23

Fiscal Year					
2016	2017	2018	2019	2020	2021
63.59	63.59	63.59	63.59	63.59	63.59
55.39	55.39	55.39	55.39	55.39	55.39
13.28	13.28	13.28	13.28	13.28	13.28
1	1	1	1	1	1
32	32	34	34	36	37
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
20,153	14,607	14,637	16,168	16,168	16,168
16	16	16	16	16	16
1	1	1	1	1	1
1	1	1	1	1	1
5	5	5	5	5	5
2	2	2	2	2	2
1	1	1	1	1	1
5	5	5	5	5	5
3	3	3	3	3	3
70	70	70	70	70	70
50	50	50	50	50	70
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
69	69	69	69	69	69
381,868	385,034	385,034	385,034	385,034	385,034

TABLE 24

CITY OF HONDO, TEXAS

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>General Government</u>										
Administration	2	5	4	4	3	3	3	3	3	4
Finance	3	3	3	3	3	4	4	4	4	3
Police	21	21	22	23	23	23	23	24	25	25
Crossing Guards	7	7	7	7	7	7	7	7	7	7
Legal & Courts	1	1	1	2	2	1	1	1	1	1
Animal Control	2	1	1	2	2	2	2	2	2	2
Streets	10	11	10	10	10	10	10	10	10	11
Library	7	7	6	7	7	6	6	6	6	6
Parks	12	13	12	12	12	12	12	13	-	-
Facilities Maintenance	4	4	4	4	6	6	6	6	-	-
Building & Grounds Maintenance	-	-	-	-	-	-	-	-	19	19
Recreation	16	16	16	19	19	21	21	21	21	21
Golf Course	5	5	5	4	4	4	4	4	4	4
Code Compliance	3	3	3	3	3	3	4	4	4	4
Utility Billing	5	4	4	4	4	4	4	4	4	4
City Secretary	2	1	3	4	2	2	2	2	1	1
Public Works	-	-	1	1	2	2	2	2	3	3
<u>Electric</u>	11	10	10	10	10	10	10	10	10	9
<u>Water & Sewer</u>										
Water	8	8	8	8	8	8	8	8	8	8
Sewer	4	4	4	4	4	4	4	4	4	4
<u>Airport</u>	5	4	4	4	4	4	4	4	4	4
<u>Sanitation</u>	1	1	1	1	1	1	1	-	-	-
<u>Economic Development</u>	-	1	1	1	1	1	1	1	1	2
TOTAL	<u>129</u>	<u>130</u>	<u>130</u>	<u>137</u>	<u>137</u>	<u>138</u>	<u>139</u>	<u>140</u>	<u>141</u>	<u>142</u>

**INTERNAL CONTROL AND
COMPLIANCE SECTION**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo, Texas (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 20, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses (Items 2021-001) that we consider to be material weaknesses.

Compliance and Other Matters

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

OFFICE LOCATIONS

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

City of Hondo's Response to Findings

The City of Hondo's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Waco, Texas
April 20, 2022

CITY OF HONDO, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Item 2021-001

<u>Condition:</u>	During the inventory count, 15 of the 50 items selected for testing did not agree to the inventory details.
<u>Effect:</u>	The differences in the inventory counts, resulted in a difference of \$1,747.
<u>Cause:</u>	The city has had turnover in the positions involved with the inventory. Additionally, the City does not have written policies and procedures in place for the inventory process for the various locations.
<u>Recommendation:</u>	<p>We recommend the City continue with its efforts to improve the inventory process by performing the following:</p> <ul style="list-style-type: none">• Establishing and following written policies and procedures on the inventory process.• Gaining and understanding of the inventory system and its reports.• Train staff and review the inventory details and subledgers.



City of Hondo

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

Item 2021-001

Management's Response: The goal established by Management is to prepare a policy and procedures for documenting inventory in addition to training personnel on the appropriate recording of inventory.

Contact Person Responsible
for Corrective Action:
Scott Albert, City Manager

Anticipated Completion
Date:
August 31, 2022

CITY OF HONDO, TEXAS

PRIOR YEAR SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Item 2020-001

<u>Condition:</u>	The general ledger accounts payable and subledger were not reconciled during the fiscal year.
<u>Effect:</u>	Without the safeguard of a reconciliation process, accounts payable balances could be understated or overstated in the financial statements without management being aware of the situation.
<u>Cause:</u>	The finance department does not currently have a process in place to routinely reconcile the general ledger accounts payable accounts to the subledger report.
<u>Recommendation:</u>	<p>We recommend the City continue with its efforts to improve the accounts payable by performing the following:</p> <ul style="list-style-type: none">• Gaining and understanding of the accounting system and its reports to ensure financial statements are based on accurate financial activity.• Establishing and following written policies and procedures on the reconciliation process.
<u>Status:</u>	This has been resolved.

Item 2020-002

<u>Condition:</u>	The insurance payable general ledger account is not currently being reconciled to the City's payroll records.
<u>Effect:</u>	Without the safeguard of a reconciliation process, the insurance payable may be understated or overstated in the financial statements without management being aware of the situation.
<u>Cause:</u>	The finance department does not currently have a process in place to routinely reconcile the general ledger payroll accounts to the City's payroll support documentation.
<u>Recommendation:</u>	<p>We recommend the City continue with its efforts to improve its internal controls by performing the following:</p> <ul style="list-style-type: none">• Gaining and understanding of the accounting system and its reports to ensure financial statements are based on accurate financial activity.• Establishing and following written policies and procedures on the payroll reconciliation process.
<u>Status:</u>	This has been resolved.

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