

CITY OF HONDO, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2020



Prepared by: Finance Department

CITY OF HONDO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2020

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i – iii
Organization Chart.....	iv
Principal Officials	v
FINANCIAL SECTION	
Independent Auditor's Report.....	1 – 2
Management's Discussion and Analysis.....	3 – 6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8 – 9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position – Proprietary Funds.....	14 – 15
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds.....	17 – 18
Notes to the Financial Statements.....	19 – 41
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	42 – 43

Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System.....	44 – 45
Schedule of Pension Contributions – Texas Municipal Retirement System.....	46 – 47
Schedule of Changes in Total OPEB Liability and Related Ratios – Supplemental Death Benefit	48
Schedule of Changes in Total OPEB Liability and Related Ratios – Retiree Insurance.....	49
Notes to Required Supplementary Information.....	50
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	51 – 52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	53 – 54
Budgetary Comparison Schedule – Debt Service Fund	55
Budgetary Comparison Schedule – Economic Development Fund	56
Budgetary Comparison Schedule – Perpetual Care Fund	57
Budgetary Comparison Schedule – South Texas Regional Training Center Fund	58
Budgetary Comparison Schedule – Hotel Tax Fund.....	59

STATISTICAL SECTION (Unaudited)

	Table	
Net Position by Component.....	1	60 – 61
Changes in Net Position.....	2	62 – 65
Fund Balances – Governmental Funds	3	66 – 67
Changes in Fund Balances – Governmental Funds.....	4	68 – 69
Taxable Revenues by Source – Governmental Funds	5	70
Total Water and Sewer Consumption and Rates.....	6	71
Principal Water and Sewer Consumers.....	7	72
Total Electric Consumption and Rates.....	8	73
Principal Electric Consumers.....	9	74
Assessed Value and Actual Taxable Value of Property	10	75
Direct and Overlapping Property Tax Rates	11	76
Principal Property Taxpayers	12	77
Property Tax Levies and Collections	13	78
Ratios of Outstanding Debt by Type	14	79 – 80

Ratios of General Bonded Debt Outstanding	15	81
Direct and Overlapping Governmental Activities Debt	16	82
Legal Debt Margin.....	17	83
Pledged Revenue Coverage – Water and Sewer Revenue Bonds	18	84
Pledged Revenue Coverage – Electric Revenue Bonds	19	85
Demographic and Economic Statistics	20	86
Principal Employers.....	21	87
Operating Indicators by Function	22	88 – 89
Capital Asset Statistics	23	90 – 91
Full-Time Equivalent City Employees by Function.....	24	92

INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditor’s Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	93 – 97
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With Uniform Guidance.....	98 – 99
Schedule of Expenditures of Federal Awards	100
Notes to the Schedule of Expenditures of Federal Awards	101
Schedule of Findings and Questioned Costs.....	102

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INTRODUCTORY SECTION

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City of Hondo

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

March 31, 2021

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

We are pleased to present the Comprehensive Annual Financial Report of the City of Hondo, Texas (the City) for the fiscal year ended September 30, 2020. 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 comprehensive annual financial report of the City of Hondo for the fiscal year ended September 30, 2020.

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, 2020, 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, 2020, 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,



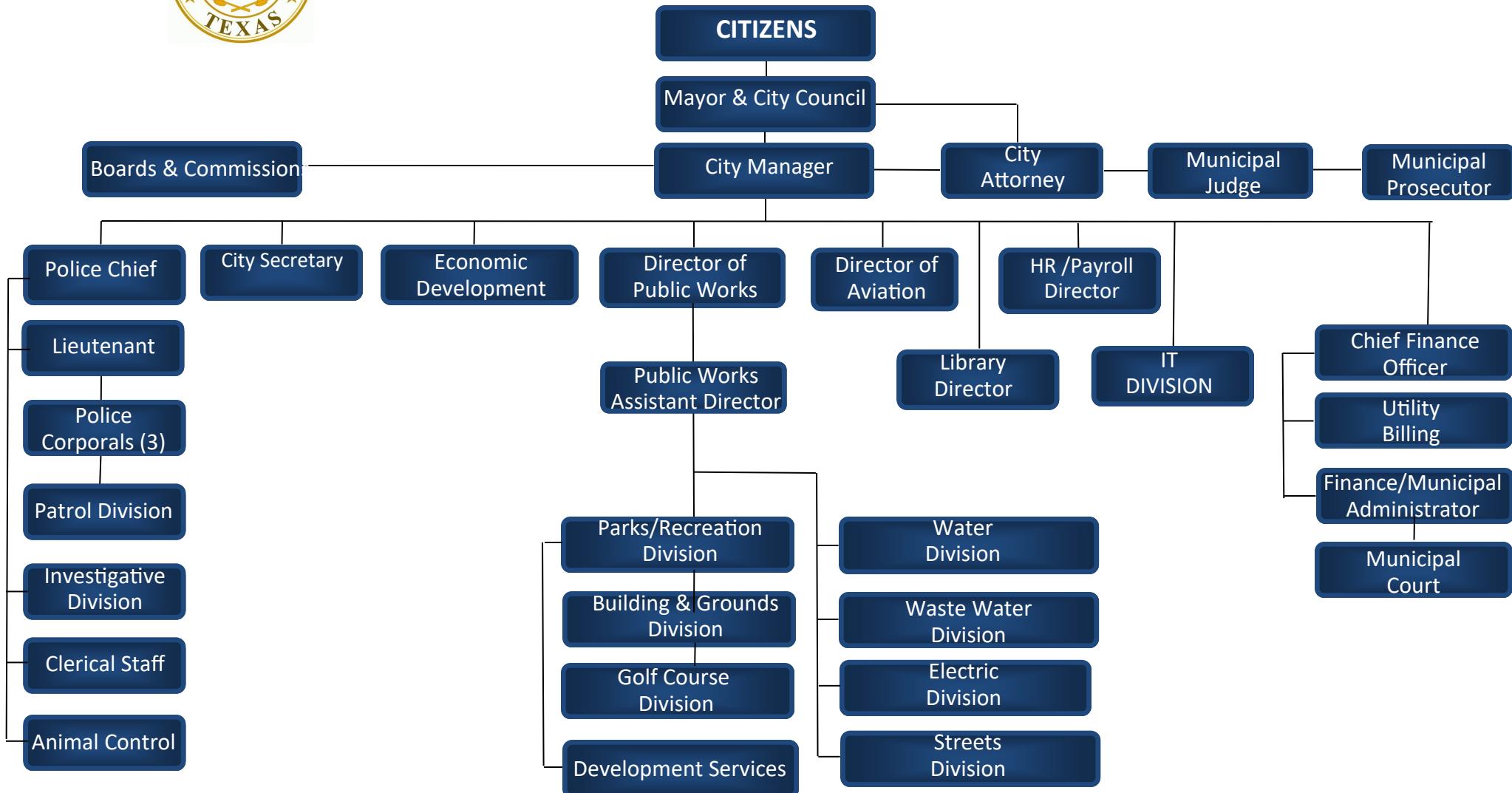
Brian Valenzuela
Interim City Manager



Judy Narezo
Chief Financial Officer



CITY OF HONDO ORGANIZATIONAL CHART



CITY OF HONDO, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2020

CITY OFFICIALS

Mayor James W. Danner

Council Members Ann-Michelle Long

John McAnelly

Bobby Vela

Eric Torres

John E. Villa

City Manager Interim Brian Valenzuela

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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, 2020, 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, 2020, 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards 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 and schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 March 31, 2021, 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.

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

Waco, Texas
March 31, 2021

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, 2020. 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 \$48,848,013 at September 30, 2020.
- The City's governmental expenses were \$1,419,827 less than the \$10,248,309 generated in general and program revenues for governmental activities, including transfers. The total cost of the City's governmental programs increased 22.3% from the prior year due primarily to increases in public work activities.
- The City's business-type expenses (including transfers) were \$1,787,586 less than the \$17,430,376 generated in charges for services and other revenues. The total cost of the City's business-type activities increased 4.7% from the prior year primarily from a renegotiated wholesale power agreement.
- The general fund reported a fund balance of \$4,020,017, an increase of \$999,219, largely due to overall increased revenues and decreased capital outlay.
- No new debt was issued but 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 \$48,848,013 at September 30, 2020. (See Figure A-1).

Figure A-1
City's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 8,558,496	\$ 7,228,424	\$ 9,400,312	\$ 7,291,271	\$ 17,958,808	\$ 14,519,695
Capital assets	14,796,015	15,142,676	31,402,930	31,453,286	46,198,945	46,595,962
Total assets	23,354,511	22,371,100	40,803,242	38,744,557	64,157,753	61,115,657
Deferred outflows of resources	347,125	1,232,201	105,129	365,541	452,254	1,597,742
Long-term liabilities	4,523,939	5,310,693	7,428,990	7,666,297	11,952,929	12,976,990
Other liabilities	593,403	1,099,572	2,408,610	2,141,269	3,002,013	3,240,841
Total liabilities	5,117,342	6,410,265	9,837,600	9,807,566	14,954,942	16,217,831
Deferred inflows of resources	628,904	657,473	178,148	197,495	807,052	854,968
Net position:						
Net investment in capital assets	11,284,765	11,207,516	25,744,316	25,074,025	37,029,081	36,281,541
Restricted	3,650,503	3,321,276	-	-	3,650,503	3,321,276
Unrestricted	3,020,122	2,006,771	5,148,307	4,031,012	8,168,429	6,037,783
Total net position	\$ 17,955,390	\$ 16,535,563	\$ 30,892,623	\$ 29,105,037	\$ 48,848,013	\$ 45,640,600

Governmental Activities

- Property tax rates for the fiscal year ending September 30, 2020 decreased, but increasing property values led to an increase in ad valorem tax revenue of 5.8%.
- Sales tax collections decreased 40.3% to \$1,729,403.
- Expenses increased somewhat due to higher public works and general government spending.

Business-Type Activities

- Expenses increased slightly by an average of 4.7%. The largest expense increase occurred in the Water and Sewer expenses due to increases in materials and supplies of \$301,197.
- Total revenues from all business-type activities increased from the prior year by \$1,257,272, or 7.8%. The customer base and usage is fairly flat.

Figure A-2
Changes in City's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,502,717	\$ 665,505	\$ 16,992,775	\$ 15,805,000	\$ 18,495,492	\$ 16,470,505
Operating grants and contributions	690,274	105,371	-	-	690,274	105,371
Capital grants and contributions	162,618	726,762	134,602	270,856	297,220	997,618
General revenues:						
Property tax	1,694,073	1,601,434	-	-	1,694,073	1,601,434
Sales tax	1,729,403	2,896,251	-	-	1,729,403	2,896,251
Other taxes	127,592	175,727	-	-	127,592	175,727
Investment earnings	83,300	99,953	30,987	85,036	114,287	184,989
Gain on sale of capital assets	322,914	-	105,000	-	427,914	-
Miscellaneous	74,240	151,729	167,012	12,212	241,252	163,941
Total revenues	6,387,131	6,422,732	17,430,376	16,173,104	23,817,507	22,595,836
Expenses:						
General government	2,610,975	1,683,062	-	-	2,610,975	1,683,062
Public safety	2,094,485	2,100,858	-	-	2,094,485	2,100,858
Judicial	100,901	110,905	-	-	100,901	110,905
Public works	2,477,122	1,284,772	-	-	2,477,122	1,284,772
Culture and recreation	1,268,470	1,928,242	-	-	1,268,470	1,928,242
Interest on long-term debt	276,529	110,796	-	-	276,529	110,796
Electric utility	-	-	6,231,640	6,110,591	6,231,640	6,110,591
Water and sewer	-	-	2,907,202	2,441,478	2,907,202	2,441,478
Airport	-	-	1,311,027	1,379,249	1,311,027	1,379,249
Sanitation	-	-	1,331,743	1,321,953	1,331,743	1,321,953
Total expenses	8,828,482	7,218,635	11,781,612	11,253,271	20,610,094	18,471,906
Increases in net position before transfers						
Transfers	(2,441,351)	(795,903)	5,648,764	4,919,833	3,207,413	4,123,930
	<u>3,861,178</u>	<u>3,273,298</u>	<u>(3,861,178)</u>	<u>(3,273,298)</u>	<u>-</u>	<u>-</u>
Change in net position	1,419,827	2,477,395	1,787,586	1,646,535	3,207,413	4,123,930
Net position, beginning	16,535,563	14,058,168	29,105,037	27,458,502	45,640,600	41,516,670
Net position, ending	\$ 17,955,390	\$ 16,535,563	\$ 30,892,623	\$ 29,105,037	\$ 48,848,013	\$ 45,640,600

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- The General fund increased its fund balance by \$999,219, which is slightly more than last year's increase of \$958,813. Sales tax revenue decreased by \$777,366, but was offset by decreases in Culture and Recreation expenditures (\$633,688) and Capital Outlay expenditures (\$310,062). These differences were largely caused by the COVID-19 pandemic.
- 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. Water and sewer charges for services increased \$913,516 from 2019 totals of \$4,060,707. This was largely attributed to a \$592,351 increase in commercial water fees.

Budgetary Highlights

- General Fund revenues exceeded the budget by \$415,964, mostly due to sales tax (\$153,468) and licenses and permits (\$178,905). Sales tax varies from year to year and the sales tax was greater than budgeted amounts. Work at the jail and a new commercial building caused the licenses and permits to increase.
- General Fund expenditures were \$1,223,090 under budget. A large portion of the savings was from public works. An asphalt distributor and street reconstruction was budgeted, but not worked during the year.
- The General Fund balance increased \$999,219, which was \$1,941,972 better than what the final budget projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2020, the City had invested \$46,198,945 in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant changes in fiscal year 2020 included completion of the South Texas Regional Training Center renovations, a new Police building, a new Public Works building, and reconstruction of Castro Avenue. Significant additions were also made to the City's Water Utility infrastructure. (See Figure A-4)

Figure A-4
City's Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 628,148	\$ 628,148	\$ 2,284,348	\$ 2,284,348	\$ 2,912,496	\$ 2,912,496
Water rights	-	-	199,541	199,541	199,541	199,541
Buildings and improvements	10,494,833	10,339,556	19,339,571	18,963,222	29,834,404	29,302,778
Infrastructure	17,428,500	17,182,500	27,147,941	27,147,941	44,576,441	44,330,441
Equipment	3,053,385	2,819,061	2,166,320	1,896,084	5,219,705	4,715,145
Construction in progress	-	-	1,097,649	647,089	1,097,649	647,089
Accumulated depreciation	(16,808,851)	(15,826,589)	(20,832,440)	(19,684,939)	(37,641,291)	(35,511,528)
Total	\$ 14,796,015	\$ 15,142,676	\$ 31,402,930	\$ 31,453,286	\$ 46,198,945	\$ 46,595,962

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. No new debt was issued during the 2020 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	
	2020	2019	2020	2019	2020	2019
Bonds payable	\$ 3,511,250	\$ 3,935,160	\$ 7,123,750	\$ 7,651,840	\$ 10,635,000	\$ 92,950,000
Compensated absences	122,672	128,990	30,054	22,750	152,726	151,740
	\$ 3,633,922	\$ 4,064,150	\$ 7,153,804	\$ 7,674,590	\$ 10,787,726	\$ 11,738,740

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 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.

Due to the COVID-19 pandemic in 2020, the City was unfortunately unable to sponsor and host many of our annual events. With the hopes that 2021 will allow for the City to have those opportunities again 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 2021 budget aims to continue to be conservative in our financial matters. 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, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,102,271	\$ 4,412,467	\$ 8,514,738
Investments	2,746,346	-	2,746,346
Receivables, net:			
Taxes	108,567	-	108,567
Accounts	384,120	3,715,094	4,099,214
Internal balances	42,170	(42,170)	-
Due from other governments	592,426	12,594	605,020
Inventory	-	569,759	569,759
Prepaid expenses	7,686	-	7,686
Total current assets	<u>7,983,586</u>	<u>8,667,744</u>	<u>16,651,330</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments	574,910	732,568	1,307,478
Capital assets (net of accumulated depreciation):			
Non-depreciable	628,148	3,581,539	4,209,687
Depreciable	14,167,867	27,821,391	41,989,258
Total noncurrent assets	<u>15,370,925</u>	<u>32,135,498</u>	<u>47,506,423</u>
Total assets	<u>23,354,511</u>	<u>40,803,242</u>	<u>64,157,753</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	300,377	91,358	391,735
Deferred outflows related to OPEB - SDBF	46,748	13,771	60,519
Total deferred outflows of resources	<u>347,125</u>	<u>105,129</u>	<u>452,254</u>
LIABILITIES			
Current liabilities:			
Accounts payable	225,009	1,880,767	2,105,776
Accrued liabilities	311,363	52,927	364,290
Interest payable	15,338	29,403	44,741
Unearned revenue	41,693	13,628	55,321
Customer deposits	-	431,885	431,885
Noncurrent liabilities:			
Due in one year:			
Bonds payable	437,690	535,310	973,000
Compensated absences	24,534	6,011	30,545
Total OPEB liability - SDBF	1,389	428	1,817
Total OPEB liability - health plan	4,684	1,449	6,133
Due in more than one year:			
Bonds payable	3,073,560	6,588,440	9,662,000
Compensated absences	98,138	24,043	122,181
Total OPEB liability - SDBF	261,126	80,739	341,865
Total OPEB liability - health plan	51,051	15,785	66,836
Net pension liability	<u>571,767</u>	<u>176,785</u>	<u>748,552</u>
Total liabilities	<u>5,117,342</u>	<u>9,837,600</u>	<u>14,954,942</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	473,308	132,601	605,909
Deferred inflows related to OPEB - SDBF	21,573	6,564	28,137
Deferred inflows related to OPEB - health plan	<u>134,023</u>	<u>38,983</u>	<u>173,006</u>
Total deferred inflows of resources	<u>628,904</u>	<u>178,148</u>	<u>807,052</u>
NET POSITION			
Net investment in capital assets	11,284,765	25,744,316	37,029,081
Restricted for:			
Nonexpendable perpetual care trust	554,399	-	554,399
Debt service	180,558	-	180,558
Economic development	2,285,248	-	2,285,248
Police, municipal court, and library	4,153	-	4,153
Public health	460,913	-	460,913
Tourism development	165,232	-	165,232
Unrestricted	<u>3,020,122</u>	<u>5,148,307</u>	<u>8,168,429</u>
Total net position	<u>\$ 17,955,390</u>	<u>\$ 30,892,623</u>	<u>\$ 48,848,013</u>

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

CITY OF HONDO, TEXAS

STATEMENT OF ACTIVITIES

SEPTEMBER 30, 2020

Functions/Programs	Expenses		Program Revenue		
	Direct	Indirect Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 2,288,091	\$(322,884)	\$ 888,289	\$ 104,742	\$ 153,513
Public safety	2,094,485	-	51,194	584,076	-
Judicial	100,901	-	35,663	-	-
Culture and recreation	1,268,470	-	124,310	1,456	9,105
Public works	2,073,966	(403,156)	403,261	-	-
Interest on long-term debt	276,529	-	-	-	-
Total governmental activities	<u>8,102,442</u>	<u>(726,040)</u>	<u>1,502,717</u>	<u>690,274</u>	<u>162,618</u>
Business-type activities:					
Electric Utility	5,923,249	308,391	9,760,677	-	-
Water and Sewer	2,633,297	273,905	4,974,223	-	47,146
Airport	1,223,140	87,887	808,866	-	87,456
Sanitation	1,275,886	55,857	1,449,009	-	-
Total business-type activities	<u>11,055,572</u>	<u>726,040</u>	<u>16,992,775</u>	<u>-</u>	<u>134,602</u>
Total primary government	<u>\$ 19,158,014</u>	<u>\$ -</u>	<u>\$ 18,495,492</u>	<u>\$ 690,274</u>	<u>\$ 297,220</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

Net position - ending

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
<u>\$ (1,464,431)</u>	<u>\$ -</u>	<u>\$ (1,464,431)</u>
<u>(1,459,215)</u>	<u>-</u>	<u>(1,459,215)</u>
<u>(65,238)</u>	<u>-</u>	<u>(65,238)</u>
<u>(1,133,599)</u>	<u>-</u>	<u>(1,133,599)</u>
<u>(2,073,861)</u>	<u>-</u>	<u>(2,073,861)</u>
<u> 276,529)</u>	<u> -</u>	<u> (276,529)</u>
<u> (6,472,873)</u>	<u> -</u>	<u> (6,472,873)</u>
<u>-</u>	<u>3,529,037</u>	<u>3,529,037</u>
<u>-</u>	<u>2,114,167</u>	<u>2,114,167</u>
<u>-</u>	<u>(414,705)</u>	<u>(414,705)</u>
<u>-</u>	<u>117,266</u>	<u>117,266</u>
<u>-</u>	<u>5,345,765</u>	<u>5,345,765</u>
<u>\$ (6,472,873)</u>	<u>\$ 5,345,765</u>	<u>\$ (1,127,108)</u>
<u>\$ 1,694,073</u>	<u>\$ -</u>	<u>\$ 1,694,073</u>
<u>1,729,403</u>	<u>-</u>	<u>1,729,403</u>
<u>127,592</u>	<u>-</u>	<u>127,592</u>
<u>83,300</u>	<u>30,987</u>	<u>114,287</u>
<u>74,240</u>	<u>167,012</u>	<u>241,252</u>
<u>322,914</u>	<u>105,000</u>	<u>427,914</u>
<u>3,861,178</u>	<u>(3,861,178)</u>	<u>-</u>
<u>7,892,700</u>	<u>(3,558,179)</u>	<u>4,334,521</u>
<u>1,419,827</u>	<u>1,787,586</u>	<u>3,207,413</u>
<u>16,535,563</u>	<u>29,105,037</u>	<u>45,640,600</u>
<u>\$ 17,955,390</u>	<u>\$ 30,892,623</u>	<u>\$ 48,848,013</u>

CITY OF HONDO, TEXAS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2020

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,338,265	\$ 764,006	\$ 4,102,271
Investments	885,786	1,860,560	2,746,346
Receivables (net of allowances for uncollectibles):			
Accounts	255,607	128,513	384,120
Taxes	80,648	27,919	108,567
Due from other governments	460,913	131,513	592,426
Due from other funds	106,900	-	106,900
Prepaid items	7,686	-	7,686
Restricted cash and investments	-	574,910	574,910
Total assets	<u>5,135,805</u>	<u>3,487,421</u>	<u>8,623,226</u>
LIABILITIES			
Accounts payable	193,031	31,978	225,009
Accrued liabilities	307,211	4,152	311,363
Due to other funds	45,729	19,001	64,730
Unearned revenue	33,876	7,817	41,693
Total liabilities	<u>579,847</u>	<u>62,948</u>	<u>642,795</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	75,028	26,171	101,199
Unavailable revenue - grant	<u>460,913</u>	<u>-</u>	<u>460,913</u>
Total deferred inflows of resources	<u>535,941</u>	<u>26,171</u>	<u>562,112</u>
FUND BALANCES (DEFICITS)			
Nonspendable:			
Prepaid items	7,686	-	7,686
Perpetual care trust	-	554,399	554,399
Restricted for:			
Debt service	-	169,725	169,725
Economic development	-	2,285,248	2,285,248
Police department	-	4,153	4,153
Tourism development	-	165,232	165,232
Committed for:			
South TX regional training center	-	217,582	217,582
Other	-	1,963	1,963
Assignment for:			
Subsequent year's budget	74,713	-	74,713
Unassigned	<u>3,937,618</u>	<u>-</u>	<u>3,937,618</u>
Total fund balances	<u>4,020,017</u>	<u>3,398,302</u>	<u>7,418,319</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,135,805</u>	<u>\$ 3,487,421</u>	<u>\$ 8,623,226</u>

CITY OF HONDO, TEXAS

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

SEPTEMBER 30, 2020

Total fund balances - governmental funds balance sheet	\$ 7,418,319
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.	14,796,015
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	75,028
Property tax penalties and interest	26,171
Intergovernmental receivables	460,913
Accrued bond interest is not due and payable in the current period and, therefore, is not reported in the funds.	(15,338)
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	(3,511,250)
Compensated absences	(122,672)
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 \$300,377, a deferred inflows of resources in the amount of \$473,308, and the net pension liability of \$571,767.	(744,698)
The total OPEB liability and related deferred inflows and outflows are not included in the fund financial statements.	(427,098)
Net position of governmental activities	\$ <u>17,955,390</u>

CITY OF HONDO, TEXAS

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

SEPTEMBER 30, 2020

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property tax	\$ 1,297,191	\$ 419,488	\$ 1,716,679
Sales tax	1,153,468	575,935	1,729,403
Other taxes	44,206	83,386	127,592
Licenses and permits	312,905	-	312,905
Intergovernmental	219,895	153,513	373,408
Charges for services	331,689	111,448	443,137
Fines and forfeitures	37,056	2,150	39,206
Investment income	35,007	48,293	83,300
Miscellaneous	33,740	40,500	74,240
Total revenues	<u>3,465,157</u>	<u>1,434,713</u>	<u>4,899,870</u>
EXPENDITURES			
Current:			
General government	1,508,903	630,150	2,139,053
Public safety	1,930,091	1,468	1,931,559
Judicial	101,587	-	101,587
Culture and recreation	1,092,810	-	1,092,810
Public works	1,623,890	-	1,623,890
Capital outlay	248,313	401,277	649,590
Debt service:			
Principal	-	423,910	423,910
Interest	-	279,089	279,089
Total expenditures	<u>6,505,594</u>	<u>1,735,894</u>	<u>8,241,488</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,040,437)	(301,181)	(3,341,618)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,716,742	301,973	4,018,715
Transfers out	-	(157,537)	(157,537)
Sale of capital assets	322,914	-	322,914
Total other financing sources and uses	<u>4,039,656</u>	<u>144,436</u>	<u>4,184,092</u>
NET CHANGE IN FUND BALANCES	999,219	(156,745)	842,474
FUND BALANCES, BEGINNING	3,020,798	3,555,047	6,575,845
FUND BALANCES, ENDING	\$ 4,020,017	\$ 3,398,302	\$ 7,418,319

CITY OF HONDO, TEXAS

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

SEPTEMBER 30, 2020

Net change in fund balances - total governmental funds	\$ 842,474
Amounts reported for governmental activities in the Statement of Activities are	
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.	649,590
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.	(996,251)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Repayment of principal of long-term debt	423,910
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.	2,560
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	6,318
Net OPEB liability	20,547
Net Pension liability	32,372
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>438,307</u>
Change in net position of governmental activities	<u>\$ 1,419,827</u>

CITY OF HONDO, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,208,880	\$ 821,067	\$ -	\$ 382,520	\$ 4,412,467
Receivables, net	1,197,493	2,330,862	28,491	158,248	3,715,094
Due from other governments	12,594	-	-	-	12,594
Inventory	139,599	387,889	42,271	-	569,759
Due from other funds	-	45,729	-	-	45,729
Total current assets	4558566	3585547	70762	540768	8755643
Noncurrent assets:					
Restricted cash and investments	732,568	-	-	-	732,568
Capital assets:					
Nondepreciable	1,634,915	137,104	1,809,520	-	3,581,539
Depreciable	12,582,135	1,581,223	13,658,033	-	27,821,391
Total noncurrent assets	14,949,618	1,718,327	15,467,553	-	32,135,498
Total assets	19,508,184	5,303,874	15,538,315	540,768	40,891,141
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	37,549	38,379	15,350	80	91,358
Deferred outflows related to OPEB - SDBF	5,664	5,910	2,161	36	13,771
Total deferred outflows of resources	43,213	44,289	17,511	116	105,129

CITY OF HONDO, TEXAS

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

SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 451,660	\$ 1,254,718	\$ 61,320	\$ 113,069	\$ 1,880,767
Accrued liabilities	21,875	21,660	9,392	-	52,927
Due to other funds	-	-	87,899	-	87,899
Accrued interest payable	27,858	1,187	358	-	29,403
Unearned revenue	-	9,424	4,184	20	13,628
Customer deposits	109,245	322,640	-	-	431,885
Noncurrent liabilities:					
Due in one year:					
Bonds payable	470,310	50,000	15,000	-	535,310
Compensated absences	2,243	2,396	1,372	-	6,011
Total OPEB liability - SDBF	178	176	74	-	428
Total OPEB liability - health plan	595	603	251	-	1,449
Total current liabilities	<u>1,083,964</u>	<u>1,662,804</u>	<u>179,850</u>	<u>113,089</u>	<u>3,039,707</u>
Due in more than one year:					
Bonds payable	6,113,440	365,000	110,000	-	6,588,440
Compensated absences	8,970	9,584	5,489	-	24,043
Total OPEB liability - SDBF	33,171	33,551	14,017	-	80,739
Total OPEB liability - health plan	6,486	6,558	2,741	-	15,785
Net pension liability	72,635	73,459	30,691	-	176,785
Total noncurrent liabilities	<u>6,234,702</u>	<u>488,152</u>	<u>162,938</u>	<u>-</u>	<u>6,885,792</u>
Total liabilities	<u>7,318,666</u>	<u>2,150,956</u>	<u>342,788</u>	<u>113,089</u>	<u>9,925,499</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to					
to pensions	54,600	58,885	18,394	722	132,601
Deferred inflows related to OPEB - SDBF	2,698	2,757	1,104	5	6,564
Deferred inflows related to OPEB - health plan	16,038	16,875	5,941	129	38,983
Total deferred inflows					
of resources	<u>73,336</u>	<u>78,517</u>	<u>25,439</u>	<u>856</u>	<u>178,148</u>
NET POSITION					
Net investment in capital assets	9,098,436	1,303,327	15,342,553	-	25,744,316
Unrestricted	<u>3,060,959</u>	<u>1,815,363</u>	<u>(154,954)</u>	<u>426,939</u>	<u>5,148,307</u>
Total net position	<u>\$ 12,159,395</u>	<u>\$ 3,118,690</u>	<u>\$ 15,187,599</u>	<u>\$ 426,939</u>	<u>\$ 30,892,623</u>

CITY OF HONDO, TEXAS

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

SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
OPERATING REVENUES					
Charges for services					
Utility service	\$ 4,974,223	\$ 9,760,677	\$ -	\$ 1,449,009	\$ 16,183,909
Fuel sales	-	-	317,571	-	317,571
Rentals and leases	-	-	491,295	-	491,295
Miscellaneous	65,624	92,033	-	9,355	167,012
Total operating revenues	<u>5,039,847</u>	<u>9,852,710</u>	<u>808,866</u>	<u>1,458,364</u>	<u>17,159,787</u>
OPERATING EXPENSES					
Personnel services	583,873	597,797	252,188	-	1,433,858
Materials and supplies	718,361	520,657	234,657	-	1,473,675
Contractual services	748,474	4,690,925	222,103	1,275,886	6,937,388
Depreciation	519,306	113,973	514,222	-	1,147,501
Overhead allocation from General Fund	273,905	308,391	87,887	55,857	726,040
Total operating expenses	<u>2,843,919</u>	<u>6,231,743</u>	<u>1,311,057</u>	<u>1,331,743</u>	<u>11,718,462</u>
OPERATING INCOME (LOSS)	<u>2,195,928</u>	<u>3,620,967</u>	<u>(502,191)</u>	<u>126,621</u>	<u>5,441,325</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	47,146	-	87,456	-	134,602
Investment income	22,440	5,837	-	2,710	30,987
Gain (loss) on sale of capital assets	-	-	105,000	-	105,000
Interest expense	(63,283)	103	30	-	(63,150)
Total nonoperating revenues (expenses)	<u>6,303</u>	<u>5,940</u>	<u>192,486</u>	<u>2,710</u>	<u>207,439</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>2,202,231</u>	<u>3,626,907</u>	<u>(309,705)</u>	<u>129,331</u>	<u>5,648,764</u>
Transfers out	(997,036)	(2,851,674)	(10,968)	(1,500)	(3,861,178)
Total capital contributions and transfers	<u>(997,036)</u>	<u>(2,851,674)</u>	<u>(10,968)</u>	<u>(1,500)</u>	<u>(3,861,178)</u>
CHANGE IN NET POSITION	<u>1,205,195</u>	<u>775,233</u>	<u>(320,673)</u>	<u>127,831</u>	<u>1,787,586</u>
TOTAL NET POSITION, BEGINNING	<u>10,954,200</u>	<u>2,343,457</u>	<u>15,508,272</u>	<u>299,108</u>	<u>29,105,037</u>
TOTAL NET POSITION, ENDING	<u>\$ 12,159,395</u>	<u>\$ 3,118,690</u>	<u>\$ 15,187,599</u>	<u>\$ 426,939</u>	<u>\$ 30,892,623</u>

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

CITY OF HONDO, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 4,508,340	\$ 9,432,972	\$ 848,089	\$ 1,438,276	\$ 16,227,677
Cash paid to employees	(599,608)	(600,745)	(252,409)	(2,784)	(1,455,546)
Cash paid to suppliers for goods and services	(1,538,586)	(5,040,764)	(709,360)	(1,334,105)	(8,622,815)
Net cash provided by operating activities	<u>2,370,146</u>	<u>3,791,463</u>	<u>(113,680)</u>	<u>101,387</u>	<u>6,149,316</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants	47,146	-	87,456	-	134,602
Principal repayment on bonds	(463,090)	(50,000)	(15,000)	-	(528,090)
Interest and related fees paid on long-term debt	(63,099)	-	-	-	(63,099)
Proceeds from the sale of assets	-	-	105,000	-	105,000
Acquisition and construction of capital assets	(826,910)	(217,427)	(52,808)	-	(1,097,145)
Net cash used by capital and related financing activities	<u>(1,305,953)</u>	<u>(267,427)</u>	<u>124,648</u>	<u>-</u>	<u>(1,448,732)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on investments and cash equivalents	22,440	5,837	-	2,710	30,987
Net cash provided by investing activities	<u>22,440</u>	<u>5,837</u>	<u>-</u>	<u>2,710</u>	<u>30,987</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payments in lieu of taxes and transfers	(997,036)	(2,851,674)	(10,968)	(1,500)	(3,861,178)
Net cash used by noncapital financing activities	(997,036)	(2,851,674)	(10,968)	(1,500)	(3,861,178)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,597	678,199	-	102,597	870,393
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3,851,851</u>	<u>142,868</u>	<u>-</u>	<u>279,923</u>	<u>4,274,642</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 3,941,448</u>	<u>\$ 821,067</u>	<u>\$ -</u>	<u>\$ 382,520</u>	<u>\$ 5,145,035</u>

CITY OF HONDO, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	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					
\$ 2,195,928	\$ 3,620,967	\$(502,191)	\$ 126,621	\$ 5,441,325	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	519,306	113,973	514,222	-	1,147,501
(Increase) decrease in:					
Accounts receivable	(532,821)	(637,893)	42,095	(20,088)	(1,148,707)
Interfund receivables	(3,096)	201,654	-	-	198,558
Inventories	906	(128,092)	(1,829)	-	(129,015)
Deferred outflows of resources	102,798	114,713	41,156	1,745	260,412
Increase (decrease) in:					
Accounts payable	201,248	607,301	(3,400)	(2,362)	802,787
Accrued liabilities	(2,972)	(71)	347	-	(2,696)
Other liabilities	-	-	(159,484)	-	(159,484)
Unearned revenue	-	(1,591)	(2,872)	-	(4,463)
Customer deposits	4,410	18,092	-	-	22,502
Deferred inflows of resources	(4,982)	(3,473)	(9,114)	(1,778)	(19,347)
Net OPEB liability	(21,817)	(18,673)	(6,694)	(1,443)	(48,627)
Net pension liability	(90,086)	(97,752)	(29,588)	(1,308)	(218,734)
Compensated absences	1,324	2,308	3,672	-	7,304
Total adjustments	<u>174,218</u>	<u>170,496</u>	<u>388,511</u>	<u>(25,234)</u>	<u>707,991</u>
Net cash provided by operating activities					
	<u>\$ 2,370,146</u>	<u>\$ 3,791,463</u>	<u>\$(113,680)</u>	<u>\$ 101,387</u>	<u>\$ 6,149,316</u>

CITY OF HONDO, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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.

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, 2019 and past due after January 31, 2020. 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 \$31,929 and \$11,053 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, 2019, upon which the fiscal 2020 levy was based, was \$330 million (i.e., market value less exemptions). The estimated market value was \$358 million, making the taxable value 92% 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, 2020, was \$0.5105 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 uncollectibles.

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:

Assets	Years
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.

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.

14. Future financial reporting requirements

The City has reviewed GASB pronouncements which become effective in future years and notes the following statements are applicable to the City.

Statement No. 84, *Fiduciary Activities* – This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will become effective for the City in fiscal year 2021.

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 for the City in fiscal year 2022.

II. STEWARDSHIP, OCMPLIANCE AND ACCOUNTABILITY

A. Budgetary Compliance

For the year ended September 30, 2020, expenditures exceeded appropriations in the following funds:

- General Fund – General Government – Administration by \$64,568
- General Fund – General Government – Finance \$3,133
- General Fund – Culture and Recreation – Parks by \$65,342
- General Fund – Capital Outlay by \$34,313
- South Texas Regional Training Center – General Government – Supplies by \$1,742

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, 2020, the carrying amount of the City's deposits were fully collateralized.

B. Investments

The City's investments at September 30, 2020 consist of \$3,321,256 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	\$ 208,073	\$ 103,963	\$ -	\$ 36,376	\$ -	\$ 10,129
Taxes	112,577	38,972	-	-	-	-
Franchise Fees	7,058	-	-	-	-	-
Hotel Occupancy	-	24,550	-	-	-	-
Customer Charges	-	-	1,204,311	2,354,148	53,021	156,143
Gross Receivables	49,047	-	313	8,506	-	20
Less Allowance for Uncollectibles	(40,500)	(11,053)	(7,131)	(68,168)	(24,530)	(8,044)
Total	\$ 336,255	\$ 156,432	\$ 1,197,493	\$ 2,330,862	\$ 28,491	\$ 158,248

V. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

Primary Government	Beginning Balance	Transfers and Additions	Transfers and Retirements	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>628,148</u>
Capital assets, being depreciated:				
Buildings and improvements	10,339,556	155,277	-	10,494,833
Infrastructure	17,182,500	246,000	-	17,428,500
Vehicles and equipment	2,819,061	248,313	(13,989)	3,053,385
Total capital assets being depreciated	<u>30,341,117</u>	<u>649,590</u>	<u>(13,989)</u>	<u>30,976,718</u>
Less accumulated depreciation:				
Buildings and improvements	(2,956,921)	(260,631)	-	(3,217,552)
Infrastructure	(11,135,447)	(430,765)	-	(11,566,212)
Vehicles and equipment	(1,734,221)	(304,855)	13,989	(2,025,087)
Total accumulated depreciation	<u>(15,826,589)</u>	<u>(996,251)</u>	<u>13,989</u>	<u>(16,808,851)</u>
Total capital assets being depreciated, net	<u>14,514,528</u>	<u>(346,661)</u>	<u>-</u>	<u>14,167,867</u>
Governmental activities capital assets, net	\$ 15,142,676	\$ (346,661)	\$ -	\$ 14,796,015

	Beginning Balance	Transfers and Additions	Transfers and Retirements	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	647,089	450,560	-	1,097,649
Total assets not being depreciated	<u>3,130,979</u>	<u>450,560</u>	<u>-</u>	<u>3,581,539</u>
Capital assets, being depreciated:				
Buildings and improvements	18,963,222	201,364	-	19,164,586
Infrastructure	27,147,940	81,580	-	27,229,520
Vehicles and equipment	1,896,084	363,641	-	2,259,725
Total capital assets being depreciated	<u>48,007,246</u>	<u>646,585</u>	<u>-</u>	<u>48,653,831</u>
Less accumulated depreciation:				
Buildings and improvements	(6,924,375)	(448,877)	-	(7,373,252)
Infrastructure	(11,703,454)	(523,765)	-	(12,227,219)
Vehicles and equipment	(1,057,110)	(174,859)	-	(1,231,969)
Total accumulated depreciation	<u>(19,684,939)</u>	<u>(1,147,501)</u>	<u>-</u>	<u>(20,832,440)</u>
Total capital assets being depreciated, net	<u>28,322,307</u>	<u>(500,916)</u>	<u>-</u>	<u>27,821,391</u>
Business-type activities capital assets, net	<u>\$ 31,453,286</u>	<u>\$ (50,356)</u>	<u>\$ -</u>	<u>\$ 31,402,930</u>

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

Governmental activities:			
General government			\$ 161,528
Public safety			183,686
Public works			467,244
Culture and recreation			<u>183,793</u>
Total depreciation expense - governmental activities			<u>\$ 996,251</u>
Business-type activities:			
Electric utility			\$ 118,870
Water and sewer			514,409
Airport			<u>514,222</u>
Total depreciation expense - business-type activities			<u>\$ 1,147,501</u>

VI. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2020, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Airport	\$ 87,899
General	Nonmajor Governmental	19,001
Electric Utility	General	45,729
		<u>\$ 152,629</u>

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

Interfund Transfers

Interfund transfers during the year ending September 30, 2020 were as follows:

Transfer Out	Transfer In	Amount	Purpose
Water and Sewer	General	\$ 15,004	Contributions toward debt payments
Water and Sewer	Nonmajor	164,763	Contributions toward debt payments
Electric Utility	Nonmajor	7,431	Contributions toward debt payments
Airport	Nonmajor	2,242	Contributions toward debt payments
Nonmajor	Nonmajor	127,537	Contributions toward debt payments
Nonmajor	General	30,000	Various operating expenditures
Water and Sewer	General	817,269	Various operating expenditures
Electric Utility	General	2,844,243	Various operating expenditures
Airport	General	8,726	Various operating expenditures
Sanitation	General	1,500	Various operating expenditures
		<u>\$ 4,018,715</u>	

VII. LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2020:

	Balance 9/30/2019	Increases	Reductions	Balance 9/30/2020	Due Within One Year
Governmental activities:					
General obligation bonds -					
Private placement	\$ 1,700,160	\$ -	\$(203,910)	\$ 1,496,250	\$ 207,690
Certificates of obligation -					
Private placement	1,580,000	-	(175,000)	1,405,000	180,000
Sales tax revenue bonds	655,000	-	(45,000)	610,000	50,000
Compensated absences	128,990	145,946	(152,264)	122,672	24,534
Total governmental long-term liabilities	<u>\$ 4,064,150</u>	<u>\$ 145,946</u>	<u>\$(576,174)</u>	<u>\$ 3,633,922</u>	<u>\$ 462,224</u>
Business-type activities:					
General obligation bonds -					
Private placement	\$ 1,451,840	\$ -	\$(173,090)	\$ 1,278,750	\$ 175,310
Certificates of obligation -					
Private placement	6,200,000	-	(355,000)	5,845,000	360,000
Compensated absences	22,750	46,459	(39,155)	30,054	6,011
Total governmental long-term liabilities	<u>\$ 7,674,590</u>	<u>\$ 46,459</u>	<u>\$(567,245)</u>	<u>\$ 7,153,804</u>	<u>\$ 541,321</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, 2020, 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 at rates between 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.

Changes in Bonds Payable

	Balance 9/30/2019		Increases	Reductions	Balance 9/30/2020	Due Within One Year
Governmental activities:						
Bonds payable						
2010 Series	\$ 655,000	\$ -	\$(- 45,000)	\$ 610,000	\$ 50,000	
2014 Series - private placement	650,160	-	(98,910)	551,250	102,690	
2015 Series - private placement	1,580,000	-	(175,000)	1,405,000	180,000	
2016 Series - private placement	1,050,000	-	(105,000)	945,000	105,000	
Total governmental activities	\$ 3,935,160	\$ -	\$(- 423,910)	\$ 3,511,250	\$ 437,690	
Business-type activities:						
Bonds payable						
2013 Series - private placement	\$ 200,000	\$ -	\$(- 50,000)	\$ 150,000	\$ 50,000	
2014 Series - private placement	381,840	-	(58,090)	323,750	60,310	
2015 Series - private placement	1,195,000	-	(65,000)	1,130,000	65,000	
2016 Series - private placement	1,070,000	-	(115,000)	955,000	115,000	
2017 Series - private placement	4,805,000	-	(240,000)	4,565,000	245,000	
Total business-type activities	\$ 7,651,840	\$ -	\$(- 528,090)	\$ 7,123,750	\$ 535,310	

The annual requirements to amortize all private placement long-term debt and obligations outstanding as of September 30, 2020, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities			Governmental Activities - Private Placement		
	Principal	Interest		Principal	Interest	
2021	\$ 50,000	\$ 27,915		\$ 387,690	\$ 90,440	
2022	-	-		246,470	54,721	
2023	50,000	25,740		294,620	79,927	
2024	55,000	23,403		304,030	80,629	
2025	55,000	21,620		318,440	75,242	
2026-2030	60,000	18,225		685,000	172,345	
2031-2035	340,000	44,093		665,000	352,061	
Total	\$ 610,000	\$ 160,996		\$ 2,901,250	\$ 905,365	
Business-type Activities - Private Placement						
Year Ending September 30,	Principal	Interest		Principal	Interest	
2021	\$ 535,310	\$ 167,187				
2022	537,530	158,702				
2023	544,380	149,295				
2024	501,970	139,334				
2025	514,560	128,925				
2026-2030	2,135,000	487,938				
2031-2035	2,010,000	231,995				
2036-2040	345,000	10,074				
Total	\$ 7,123,750	\$ 1,473,450				

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 comprehensive annual financial report that can be obtained at www.tmrs.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, 2019, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	92
Active employees	114
Total	274

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 8.55% and 8.40% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$378,922 and were equal to the required contributions.

Net Pension Liability. The City's net pension liability (NPL) was measured as of December 31, 2019, 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, 2019 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 2020 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 (a)	Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)
Balance at 12/31/2018	\$ 15,661,448	\$ 13,906,163		\$ 1,755,285
Changes for the year:				
Service cost	536,045		-	536,045
Interest	1,052,133		-	1,052,133
Difference between expected and actual experience	39,421		-	39,421
Contributions - employer	-	380,018	(	380,018)
Contributions - employee	-	227,138	(	227,138)
Net investment income	-	2,149,110	(	2,149,110)
Benefit payments, including refunds of employee contributions	(684,644)	(684,644)		-
Administrative expense	-	(12,148)		12,148
Other changes	109,421	(365)		109,786
Net changes	1,052,376	2,059,109	(	1,006,733)
Balance at 12/31/2019	<u>\$ 16,713,824</u>	<u>\$ 15,965,272</u>		<u>\$ 748,552</u>

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 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	\$ 3,289,784	\$ 748,552	\$(1,298,739)

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, 2020, the City recognized pension expense of \$338,873.

At September 30, 2020, 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	\$ 28,285	\$ 113,003
Changes in actuarial assumptions	78,511	-
Difference between projected and actual investment earnings	-	492,906
Contributions subsequent to the measurement date	284,939	-
Total	<u>\$ 391,735</u>	<u>\$ 605,909</u>

\$284,939 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, 2021. 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>	
2021	\$(185,560)
2022	(132,275)
2023	60,811
2021	(242,089)
Total	<u><u>\$ (499,113)</u></u>

IX. OTHER POSTEMPLOYMENT BENEFITS

Retiree Insurance

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, 2020, was as follows:

	Employee Only	Dependent Coverage
Active	1	-
Retired	1	-
Total	<u>2</u>	<u>-</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	09/30/2020
Actuarial Cost Method	Entry age normal
Discount Rate	Level percentage of projected salary
Mortality	2.25% (-.25% real rate of return plus 2.50% inflation) RPH-2014 Total Table with Projection MP-2019
Health care cost trend rates	Level 4.50%

Changes in the City's TOL for the measurement period ending September 30, 2020 were as follows:

	<u>Increase (Decrease)</u>
	Total OPEB Liability (a)
Balance at 10/01/2019	\$ 313,930
Changes for the year:	
Service cost	1,063
Interest	12,664
Difference between expected and actual experience	(32,254)
Changes of assumptions	(216,301)
Benefit payments	(6,133)
Net changes	(240,961)
Balance at 09/30/2020	\$ 72,969

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.

	1% Decrease in Discount Rate (1.25%)	Discount Rate (2.25%)	1% Increase in Discount Rate (3.25%)
City's total OPEB liability	\$ 78,128	\$ 72,969	\$ 68,090

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.

	1% Decrease (3.50%)	Current Trend Rate (4.50%)	1% Increase (5.50%)
City's total OPEB liability	\$ 67,559	\$ 72,969	\$ 78,989

For the year ended September 30, 2020, the City recognized OPEB expense of \$61,822.

At September 30, 2020, 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	\$ 22,450
Changes in actuarial assumptions	150,556
Total	\$ 173,006

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 <u>September 30,</u>	
2021	\$(75,549)
2022	(75,549)
2023	(21,908)
Total	<u>\$(173,006)</u>

Defined Other Post-Employment Benefit Plans

TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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	55
Inactive employees entitled to but not yet receiving benefits	11
Active members	114
Total	<u>180</u>

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2020 and 0.17% for 2019, of which 0.05% and 0.04%, 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, 2020 and 2019 were \$2,182 and \$1,793, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	2.75%
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 male rates multiplied by 109% and female rates multiplied by 103%. 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 with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2019 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 2.75% 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, 2019.

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 (2.75%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's total OPEB liability	\$ 419,177	\$ 343,682	\$ 284,969

OPEB Liability, Expense, and Deferred Outflows of Resources Related to OPEB. The City's total OPEB liability of \$343,682 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date. For the year ended September 30, 2020, the City recognized OPEB expense of \$30,304. 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 12/31/2018	\$ 272,774
Changes for the year:	
Service cost	12,265
Interest	10,314
Difference between expected and actual experience	(9,076)
Changes of assumptions	59,222
Benefit payments	(1,817)
Net changes	70,908
Balance at 12/31/2019	\$ 343,682

Changes in assumptions and other inputs reflect a change in the discount rate from 3.71% to 2.75%

At September 30, 2020, 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	\$ -	\$ 15,036
Changes in actuarial assumptions	58,786	13,101
Contributions subsequent to the measurement date	1,733	-
Total	\$ 60,519	\$ 28,137

\$1,733 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, 2021. 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 <u>September 30,</u>	
2021	\$ 7,727
2022	7,727
2023	4,837
2024	7,166
2025	3,192
Total	\$ 30,649

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, 2020, the HHEFC had issued three series of bonds:

<u>Issue</u>	<u>Original Principal</u>	<u>Amount Outstanding</u>	<u>Maturity</u>
2013 Series	\$ 2,500,000	\$ 2,500,000	2028
2016 Series	5,000,000	4,534,000	2035
2019 Series	5,000,000	5,000,000	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, 2020 were as follows:

Commitment	Estimated Project Cost to City	Expended to Date	Estimated Future Commitment
Street Improvements	\$ 604,016	\$ 189,812	\$ 414,204
	\$ 604,016	\$ 189,812	\$ 414,204

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. SIGNIFICANT FORTHCOMING STANDARDS

Statement No. 84, Fiduciary Activities – This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement will become effective in fiscal year 2021.

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.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF HONDO, TEXAS

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property tax	\$ 1,282,406	\$ 1,282,406	\$ 1,297,191	\$ 14,785
Sales tax	1,000,000	1,000,000	1,153,468	153,468
Other taxes	42,000	42,000	44,206	2,206
Licenses and permits	134,000	134,000	312,905	178,905
Intergovernmental	111,000	111,000	219,895	108,895
Charges for services	349,887	324,887	331,689	6,802
Fines and forfeitures	97,900	97,900	37,056	(60,844)
Investment income	27,000	27,000	35,007	8,007
Miscellaneous	30,000	30,000	33,740	3,740
Total revenues	<u>3,074,193</u>	<u>3,049,193</u>	<u>3,465,157</u>	<u>415,964</u>
EXPENDITURES				
Current:				
General government				
Council	40,421	40,421	27,103	13,318
Administration	623,354	708,907	773,475	(64,568)
Tax	35,500	35,500	34,471	1,029
Finance	180,950	180,950	184,083	(3,133)
Code compliance	400,479	410,479	356,378	54,101
City secretary	125,409	125,409	114,168	11,241
Nonprofits	22,880	22,880	19,225	3,655
Total general government	<u>1,428,993</u>	<u>1,524,546</u>	<u>1,508,903</u>	<u>15,643</u>
Public safety				
Police	1,890,943	1,890,943	1,812,725	78,218
Emergency	19,650	19,650	11,657	7,993
Animal control	127,940	127,940	105,709	22,231
Total public safety	<u>2,038,533</u>	<u>2,038,533</u>	<u>1,930,091</u>	<u>108,442</u>
Judicial				
Municipal court	110,504	110,504	101,587	8,917
Total judicial	<u>110,504</u>	<u>110,504</u>	<u>101,587</u>	<u>8,917</u>
Culture and recreation				
Library	353,165	357,165	311,048	46,117
Parks	-	-	65,342	(65,342)
Recreation	492,124	492,124	437,959	54,165
Golf	289,761	289,761	278,461	11,300
Total culture and recreation	<u>1,135,050</u>	<u>1,139,050</u>	<u>1,092,810</u>	<u>46,240</u>
Public works				
Streets	1,418,561	1,418,561	554,466	864,095
Buildings and grounds	1,141,903	1,192,903	1,044,176	148,727
Utility building	21,488	21,488	7,464	14,024
Public works administration	69,099	69,099	17,784	51,315
Total public works	<u>2,651,051</u>	<u>2,702,051</u>	<u>1,623,890</u>	<u>1,078,161</u>
Capital outlay	201,350	214,000	248,313	(34,313)
Total expenditures	<u>7,565,481</u>	<u>7,728,684</u>	<u>6,505,594</u>	<u>1,223,090</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, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(4,491,288)	(4,679,491)	(3,040,437)	1,639,054
OTHER FINANCING SOURCES (USES)				
Transfers in	3,716,738	3,716,738	3,716,742	4
Sale of capital assets	20,000	20,000	322,914	302,914
Total other financing sources (uses)	3,736,738	3,736,738	4,039,656	302,918
NET CHANGE IN FUND BALANCES	(754,550)	(942,753)	999,219	1,941,972
FUND BALANCES, BEGINNING	3,020,798	3,020,798	3,020,798	-
FUND BALANCES, ENDING	<u>\$ 2,266,248</u>	<u>\$ 2,078,045</u>	<u>\$ 4,020,017</u>	<u>\$ 1,941,972</u>

CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Plan Year	2014	2015
A. Total pension liability		
Service Cost	\$ 380,720	\$ 454,101
Interest (on the total pension liability)	876,063	928,615
Actuarial determined contribution	-	-
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)		
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, 2020, only 6 years are included and additional years will be added in the future as the information becomes available.

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

CITY OF HONDO, TEXAS**SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM**

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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	26 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 2015 valuation pursuant to an experience study of the period 2010-2014.
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.
Other Information	There were no benefit changes during the year.

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2020, only 6 years are included and additional years will be added in the future as the information becomes available.

2017	2018	2019	2020
\$ 387,082	\$ 409,452	\$ 381,972	\$ 378,922
<u>387,082</u>	<u>409,452</u>	<u>381,972</u>	<u>378,922</u>
-	-	-	-
4,283,333	4,586,352	4,482,180	4,587,930
9.04%	8.93%	8.52%	8.26%

CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

Notes to Schedule:

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. As of September 30, 2020, only 3 years are included. Additional years will be added in the future as the information becomes available.

CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

Notes to Schedule:

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. As of September 30, 2020, only 3 years are included. Additional years will be added in the future as the information becomes available.

CITY OF HONDO, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2020

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.

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, 2020

	Special Revenue		
	Debt Service	Seizure & Forfeiture	Unclaimed Funds
ASSETS			
Cash and cash equivalents	\$ 167,977	\$ 13,552	\$ 10,326
Investments	-	-	7,944
Receivables:			
Taxes	27,919	-	-
Accounts, net	-	-	-
Due from other governments	-	-	-
Restricted cash and investments	-	-	-
Total assets	<u>195,896</u>	<u>13,552</u>	<u>18,270</u>
LIABILITIES			
Liabilities:			
Accounts payable	-	3,048	16,307
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	6,351	-
Total liabilities	<u>-</u>	<u>9,399</u>	<u>16,307</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>26,171</u>	-	-
Total deferred inflows of resources	<u>26,171</u>	-	-
FUND BALANCES			
Nonspendable:			
Perpetual Care Trust	-	-	-
Restricted:			
Debt service	169,725	-	-
Economic development	-	-	-
Police department	-	4,153	-
Tourism development	-	-	-
Committed for:			
South TX regional training center	-	-	-
Other	-	-	1,963
Total fund balances	<u>169,725</u>	<u>4,153</u>	<u>1,963</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 195,896</u>	<u>\$ 13,552</u>	<u>\$ 18,270</u>

Special Revenue			Permanent Fund		Total Other Governmental Funds
Economic Development	STRTC Fund	Hotel Tax	Perpetual Care		
\$ 207,577	\$ 221,392	\$ 143,182	\$ -	\$ 764,006	
1,852,616	-	-	-	1,860,560	
-	-	-	-	27,919	
103,963	-	24,550	-	128,513	
131,513	-	-	-	131,513	
-	-	-	574,910	574,910	
<u>2,295,669</u>	<u>221,392</u>	<u>167,732</u>	<u>574,910</u>	<u>3,487,421</u>	
6,269	2,344	2,500	1,510	31,978	
4,152	-	-	-	4,152	
-	-	-	19,001	19,001	
-	1,466	-	-	7,817	
<u>10,421</u>	<u>3,810</u>	<u>2,500</u>	<u>20,511</u>	<u>62,948</u>	
-	-	-	-	<u>26,171</u>	
-	-	-	-	<u>26,171</u>	
-	-	-	554,399	554,399	
-	-	-	-	169,725	
2,285,248	-	-	-	2,285,248	
-	-	-	-	4,153	
-	-	165,232	-	165,232	
-	217,582	-	-	217,582	
-	-	-	-	1,963	
<u>2,285,248</u>	<u>217,582</u>	<u>165,232</u>	<u>-</u>	<u>2,843,903</u>	
\$ <u>2,295,669</u>	\$ <u>221,392</u>	\$ <u>167,732</u>	\$ <u>20,511</u>	\$ <u>2,933,022</u>	

CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Special Revenue</u>		
	Debt Service	Seizure & Forfeiture	Unclaimed Funds
REVENUES			
Property tax	\$ 419,488	\$ -	\$ -
Sales tax	- -	- -	- -
Other taxes	- -	- -	- -
Charges for services	- -	- -	- -
Intergovernmental	- -	- -	- -
Fines and forfeitures	- -	2,150	- -
Investment income	2,230	- -	97
Miscellaneous	- -	- -	- -
Total revenues	<u>421,718</u>	<u>2,150</u>	<u>97</u>
EXPENDITURES			
Current:			
General government	- -	- -	- -
Public safety	- -	1,468	- -
Debt service:			
Principal	423,910	- -	- -
Interest	279,089	- -	- -
Capital outlay	- -	- -	- -
Total expenditures	<u>702,999</u>	<u>1,468</u>	<u>- -</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(281,281)</u>	<u>682</u>	<u>97</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	301,973	- -	- -
Transfers out	- -	- -	- -
Total other financing sources and uses	<u>301,973</u>	<u>- -</u>	<u>- -</u>
NET CHANGE IN FUND BALANCES	<u>20,692</u>	<u>682</u>	<u>97</u>
FUND BALANCES, BEGINNING	<u>149,033</u>	<u>3,471</u>	<u>1,866</u>
FUND BALANCES, ENDING	<u>\$ 169,725</u>	<u>\$ 4,153</u>	<u>\$ 1,963</u>

Special Revenue			Permanent Fund		Total Other Governmental Funds
Economic Development	STRTC Fund	Hotel Tax	Perpetual Care		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 419,488
575,935	-	-	-	-	575,935
-	-	83,386	-	-	83,386
-	94,548	-	16,900	-	111,448
153,513	-	-	-	-	153,513
-	-	-	-	-	2,150
35,346	-	-	10,620	-	48,293
-	40,500	-	-	-	40,500
<u>764,794</u>	<u>135,048</u>	<u>83,386</u>	<u>27,520</u>		<u>1,434,713</u>
461,859	29,791	98,000	40,500		630,150
-	-	-	-	-	1,468
-	-	-	-	-	423,910
-	-	-	-	-	279,089
<u>246,000</u>	<u>155,277</u>	<u>98,000</u>	<u>40,500</u>		<u>401,277</u>
<u>707,859</u>	<u>185,068</u>	<u>98,000</u>	<u>40,500</u>		<u>1,735,894</u>
<u>56,935</u>	<u>(50,020)</u>	<u>(14,614)</u>	<u>(12,980)</u>		<u>(301,181)</u>
<u>(157,537)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>301,973</u>
<u>(157,537)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(157,537)</u>
<u>(100,602)</u>	<u>(50,020)</u>	<u>(14,614)</u>	<u>(12,980)</u>		<u>(156,745)</u>
<u>2,385,850</u>	<u>267,602</u>	<u>179,846</u>	<u>567,379</u>		<u>3,555,047</u>
<u>\$ 2,285,248</u>	<u>\$ 217,582</u>	<u>\$ 165,232</u>	<u>\$ 554,399</u>		<u>\$ 3,398,302</u>

CITY OF HONDO, TEXAS

**DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<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	\$ 419,488	\$ 14,488
Investment income	-	-	2,230	2,230
Total revenues	<u>405,000</u>	<u>405,000</u>	<u>421,718</u>	<u>16,718</u>
EXPENDITURES				
Debt service:				
Principal	952,000	952,000	423,910	528,090
Interest	279,090	279,090	279,089	1
Total expenditures	<u>1,231,090</u>	<u>1,231,090</u>	<u>702,999</u>	<u>528,091</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(826,090)</u>	<u>(826,090)</u>	<u>(281,281)</u>	<u>544,809</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>830,063</u>	<u>830,063</u>	<u>301,973</u>	<u>(528,090)</u>
Total other financing sources and u	<u>830,063</u>	<u>830,063</u>	<u>301,973</u>	<u>(528,090)</u>
NET CHANGES IN FUND BALANCE	3,973	3,973	20,692	16,719
FUND BALANCE, BEGINNING	<u>149,033</u>	<u>149,033</u>	<u>149,033</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 153,006</u>	<u>\$ 153,006</u>	<u>\$ 169,725</u>	<u>\$ 16,719</u>

CITY OF HONDO, TEXAS

**ECONOMIC DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>			variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales tax	\$ 480,000	\$ 480,000	\$ 575,935	\$ 95,935
Intergovernmental	-	128,000	153,513	25,513
Investment income	5,000	5,000	35,346	30,346
Total revenues	<u>485,000</u>	<u>613,000</u>	<u>764,794</u>	<u>151,794</u>
EXPENDITURES				
Current:				
General government				
Economic development	174,877	488,877	461,859	27,018
Total general government	<u>174,877</u>	<u>488,877</u>	<u>461,859</u>	<u>27,018</u>
Capital outlay	-	447,833	246,000	201,833
Total expenditures	<u>174,877</u>	<u>936,710</u>	<u>707,859</u>	<u>228,851</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>310,123</u>	<u>(323,710)</u>	<u>56,935</u>	<u>380,645</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(157,537)	(157,537)	(157,537)	-
Total other financing sources (uses)	<u>(157,537)</u>	<u>(157,537)</u>	<u>(157,537)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>152,586</u>	<u>(481,247)</u>	<u>(100,602)</u>	<u>380,645</u>
FUND BALANCES, BEGINNING	<u>2,385,850</u>	<u>2,385,850</u>	<u>2,385,850</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 2,538,436</u>	<u>\$ 1,904,603</u>	<u>\$ 2,285,248</u>	<u>\$ 380,645</u>

CITY OF HONDO, TEXAS

**PERPETUAL CARE
BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>			variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 20,000	\$ 20,000	\$ 16,900	\$(3,100)
Investment income	5,000	5,000	10,620	5,620
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>27,520</u>	<u>2,520</u>
EXPENDITURES				
Current:				
General government				
Perpetual care	40,500	40,500	40,500	-
Total general government	<u>40,500</u>	<u>40,500</u>	<u>40,500</u>	<u>-</u>
Total expenditures	<u>40,500</u>	<u>40,500</u>	<u>40,500</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(15,500)</u>	<u>(15,500)</u>	<u>(12,980)</u>	<u>2,520</u>
FUND BALANCES, BEGINNING	<u>567,379</u>	<u>567,379</u>	<u>567,379</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 551,879</u>	<u>\$ 551,879</u>	<u>\$ 554,399</u>	<u>\$ 2,520</u>

CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 117,164	\$ 119,864	\$ 94,548	\$(25,316)
Miscellaneous	-	152,000	40,500	(111,500)
Total revenues	<u>117,164</u>	<u>271,864</u>	<u>135,048</u>	<u>(136,816)</u>
EXPENDITURES				
Current:				
General government				
Supplies	4,000	4,000	5,742	(1,742)
Services	32,210	32,210	24,049	8,161
Capital outlay	<u>20,000</u>	<u>162,000</u>	<u>155,277</u>	<u>6,723</u>
Total expenditures	<u>56,210</u>	<u>198,210</u>	<u>185,068</u>	<u>13,142</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>60,954</u>	<u>73,654</u>	<u>(50,020)</u>	<u>(123,674)</u>
FUND BALANCES, BEGINNING	<u>267,602</u>	<u>267,602</u>	<u>267,602</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 328,556</u>	<u>\$ 341,256</u>	<u>\$ 217,582</u>	<u>\$(123,674)</u>

CITY OF HONDO, TEXAS

HOTEL TAX FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>			variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Occupancy tax	\$ 120,000	\$ 120,000	\$ 83,386	\$(36,614)
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>83,386</u>	<u>(36,614)</u>
EXPENDITURES				
Current:				
General government				
Administration	92,500	102,500	98,000	4,500
Total general government	<u>92,500</u>	<u>102,500</u>	<u>98,000</u>	<u>4,500</u>
Total expenditures	<u>92,500</u>	<u>102,500</u>	<u>98,000</u>	<u>4,500</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>27,500</u>	<u>17,500</u>	<u>(14,614)</u>	<u>(32,114)</u>
FUND BALANCES, BEGINNING	<u>179,846</u>	<u>179,846</u>	<u>179,846</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 179,846</u>	<u>\$ 179,846</u>	<u>\$ 165,232</u>	<u>\$(14,614)</u>

STATISTICAL SECTION

CITY OF HONDO, TEXAS

NET POSITION BY COMPONENT

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

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities:				
Net investment in capital assets	\$ 8,908,588	\$ 8,854,700	\$ 8,868,905	\$ 8,339,222
Restricted	1,471,898	2,585,591	1,713,408	1,415,138
Unrestricted	<u>238,035</u>	<u>802,462</u>	<u>859,873</u>	<u>1,275,488</u>
Total governmental activities net position	<u><u>\$ 10,618,521</u></u>	<u><u>\$ 12,242,753</u></u>	<u><u>\$ 11,442,186</u></u>	<u><u>\$ 11,029,848</u></u>
Business-type activities:				
Net investment in capital assets	\$ 19,088,163	\$ 20,614,145	\$ 22,941,746	\$ 23,910,599
Restricted	-	466,590	586,691	210,020
Unrestricted	<u>3,180,881</u>	<u>1,398,216</u>	<u>88,369</u>	<u>1,099,641</u>
Total business-type activities net position	<u><u>\$ 22,269,044</u></u>	<u><u>\$ 22,478,951</u></u>	<u><u>\$ 23,616,806</u></u>	<u><u>\$ 25,220,260</u></u>
Primary government:				
Net investment in capital assets	\$ 27,996,751	\$ 29,468,845	\$ 31,810,651	\$ 32,249,821
Restricted	1,471,898	3,052,181	2,300,099	1,625,158
Unrestricted	<u>3,418,916</u>	<u>2,200,678</u>	<u>948,242</u>	<u>2,375,129</u>
Total primary government net position	<u><u>\$ 32,887,565</u></u>	<u><u>\$ 34,721,704</u></u>	<u><u>\$ 35,058,992</u></u>	<u><u>\$ 36,250,108</u></u>

Source: Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year						
2015	2016	2017	2018	2019	2020	
\$ 6,850,373	\$ 7,122,538	\$ 8,182,720	\$ 9,422,569	\$ 11,207,516	\$ 11,284,765	
3,185,244	3,880,549	2,697,464	3,645,681	3,321,276	3,650,503	
1,254,484	1,332,046	2,009,275	989,918	2,006,771	3,020,122	
<u>\$ 11,290,101</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>	
\$ 23,941,373	\$ 25,154,199	\$ 23,843,466	\$ 24,902,646	\$ 25,074,025	\$ 25,744,316	
-	-	-	-	-	-	
1,417,576	1,260,092	2,693,999	2,555,856	4,031,012	5,148,307	
<u>\$ 25,358,949</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>	
\$ 30,791,746	\$ 32,276,737	\$ 32,026,186	\$ 34,325,215	\$ 36,281,541	\$ 37,029,081	
3,185,244	3,880,549	2,697,464	3,645,681	3,321,276	3,650,503	
2,672,060	2,592,138	4,703,274	3,545,774	6,037,783	8,168,429	
<u>\$ 36,649,050</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>	

CITY OF HONDO, TEXAS

CHANGES IN NET POSITION

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

	Fiscal Year			
	2011	2012	2013	2014
EXPENSES				
Governmental activities:				
General government	\$ 1,717,179	\$ 1,053,924	\$ 1,584,053	\$ 1,932,881
Public safety	1,455,764	1,472,529	1,429,390	1,539,701
Judicial	152,890	72,347	72,587	95,117
Culture and recreation	1,424,750	1,431,045	1,454,435	1,593,578
Public works	2,209,856	2,768,570	1,318,524	1,567,434
Interest on long-term debt	127,066	101,363	95,841	-
Total governmental activities expenses	<u>7,087,505</u>	<u>6,899,778</u>	<u>5,954,830</u>	<u>6,728,711</u>
Business-type activities:				
Electric	6,129,124	6,067,577	6,001,541	5,744,881
Water and sewer	1,668,041	1,868,575	1,899,773	2,093,799
Airport	1,458,597	1,883,172	1,260,199	1,490,499
Sanitation	-	-	1,170,246	1,217,815
Total business-type activities expenses	<u>9,255,762</u>	<u>9,819,324</u>	<u>10,331,759</u>	<u>10,546,994</u>
Total primary government expenses	<u>\$ 16,343,267</u>	<u>\$ 16,719,102</u>	<u>\$ 16,286,589</u>	<u>\$ 17,275,705</u>
PROGRAM REVENUES				
Governmental activities:				
Fees, fines, and charges for services:				
General government	\$ 329,823	\$ 265,618	\$ 374,376	\$ 822,324
Public safety	12,060	26,809	16,181	19,701
Judicial	95,769	93,501	72,360	110,065
Culture and recreation	171,242	68,271	120,150	126,683
Public works	1,013,381	1,058,377	-	-
Operating grants and contributions	12,903	13,838	-	54,465
Capital grants and contributions	<u>315,000</u>	<u>80,449</u>	<u>695,573</u>	<u>-</u>
Total governmental activities program revenues	<u>1,950,178</u>	<u>1,606,863</u>	<u>1,278,640</u>	<u>1,133,238</u>
Business-type activities:				
Charges for services:				
Electric	8,724,137	8,392,116	8,144,304	9,203,394
Water and sewer	2,044,162	2,025,592	2,311,614	2,397,845
Airport	1,235,730	1,468,433	1,149,867	841,029
Sanitation	-	-	772,920	1,239,036
Capital grants and contributions	<u>776,733</u>	<u>2,304,658</u>	<u>587,380</u>	<u>1,507,203</u>
Total business-type activities program revenues	<u>12,780,762</u>	<u>14,190,799</u>	<u>12,966,085</u>	<u>15,188,507</u>
Total primary government program revenues	<u>\$ 14,730,940</u>	<u>\$ 15,797,662</u>	<u>\$ 14,244,725</u>	<u>\$ 16,321,745</u>

TABLE 2

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

CITY OF HONDO, TEXAS

CHANGES IN NET POSITION
(continued)

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

	Fiscal Year			
	2011	2012	2013	2014
NET (EXPENSE) REVENUES				
Governmental activities	\$(5,137,327)	\$(5,292,915)	\$(4,676,190)	\$(5,595,473)
Business-type activities	3,525,000	4,371,475	2,634,326	4,641,513
Total primary government net expense	<u>(1,612,327)</u>	<u>(921,440)</u>	<u>(2,041,864)</u>	<u>(953,960)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	932,123	966,254	992,802	1,019,171
Sales	1,145,755	1,250,327	1,270,315	1,324,079
Other	176,613	161,554	112,885	101,677
Investment earnings	5,840	8,111	10,506	14,936
Miscellaneous	78,568	234,270	95,704	118,496
Gain on sale of capital assets	-	-	-	-
Transfers and PILOT	<u>2,949,126</u>	<u>2,951,895</u>	<u>1,639,289</u>	<u>2,744,033</u>
Total governmental activities	<u>5,288,025</u>	<u>5,572,411</u>	<u>4,121,501</u>	<u>5,322,392</u>
Business-type activities:				
Investment earnings	11,701	2,239	1,498	557
Miscellaneous	1,584,717	132,824	65,741	(96,988)
Gain on sale of capital assets	-	-	-	-
Transfers and PILOT	<u>(2,949,126)</u>	<u>(2,951,895)</u>	<u>(1,639,289)</u>	<u>(2,744,033)</u>
Total business-type activities	<u>(1,352,708)</u>	<u>(2,816,832)</u>	<u>(1,572,050)</u>	<u>(2,840,464)</u>
Total primary government	<u>3,935,317</u>	<u>2,755,579</u>	<u>2,549,451</u>	<u>2,481,928</u>
CHANGE IN NET POSITION				
Governmental activities	150,698	279,496	(554,689)	(273,081)
Business-type activities	<u>2,172,292</u>	<u>1,554,643</u>	<u>1,062,276</u>	<u>1,801,049</u>
Total primary government	<u>\$ 2,322,990</u>	<u>\$ 1,834,139</u>	<u>\$ 507,587</u>	<u>\$ 1,527,968</u>

Source: Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$(5,476,518)	\$(5,662,441)	\$(5,888,784)	\$(5,490,249)	\$(5,720,997)	\$(6,472,873)
<u>2,936,136</u>	<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>(2,540,382)</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>
1,070,383	1,183,968	1,389,066	1,511,949	1,601,434	1,694,073
1,591,844	1,631,989	1,509,044	1,824,144	2,896,251	1,729,403
184,952	172,642	189,760	141,969	175,727	127,592
8,927	11,178	22,730	75,061	99,953	83,300
32,381	554,349	74,111	66,729	151,729	74,240
-	-	-	-	-	322,914
<u>3,320,854</u>	<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>6,209,341</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>
663	78	7,468	30,523	85,036	30,987
50,174	244,198	-	248,333	12,212	167,012
-	-	-	-	-	105,000
<u>(3,320,854)</u>	<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>(3,270,017)</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>2,939,324</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>
732,823	1,045,032	554,326	1,402,900	2,477,395	1,419,827
(333,881)	1,055,342	123,174	995,018	1,646,535	1,787,586
<u>\$ 398,942</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>

CITY OF HONDO, TEXAS

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

	Fiscal Year			
	2011	2012	2013	2014
Nonspendable fund balance:				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Perpetual care trust	599,335	608,665	630,065	633,400
Total nonspendable fund balance	<u>599,335</u>	<u>608,665</u>	<u>630,065</u>	<u>633,400</u>
Restricted fund balance:				
Debt service	125,034	136,664	138,019	148,764
Economic development	2,404,958	1,672,737	1,854,865	1,924,744
Cemetery maintenance	-	-	-	-
Police department	-	-	-	-
Tourism development	-	-	-	-
Library	-	-	-	-
Municipal court	-	-	34,606	-
Other restrictions	-	-	199,039	30,044
Total restricted fund balance	<u>2,529,992</u>	<u>1,809,401</u>	<u>2,226,529</u>	<u>2,103,552</u>
Committed fund balance:				
South TX regional training center	-	-	-	-
Capital projects	67,878	1,403,878	447,520	158,889
Other	-	-	-	195,475
Total committed fund balance	<u>67,878</u>	<u>1,403,878</u>	<u>447,520</u>	<u>354,364</u>
Assigned fund balance:				
Subsequent year's budget	-	-	-	-
Total assigned fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned fund balance	157,053	819,005	943,297	1,242,687
Total governmental funds	<u>\$ 3,354,258</u>	<u>\$ 4,640,949</u>	<u>\$ 4,247,411</u>	<u>\$ 4,334,003</u>

Source: Comprehensive Annual Financial Reports

TABLE 3

Fiscal Year						
2015	2016	2017	2018	2019	2020	
\$ 56,717	\$ 2,040	\$ 66,382	\$ 5,149	\$ 4,627	\$ 7,686	
600,835	519,290	532,590	545,990	564,290	554,399	
<u>657,552</u>	<u>521,330</u>	<u>598,972</u>	<u>551,139</u>	<u>568,917</u>	<u>562,085</u>	
173,673	173,697	165,856	151,210	149,033	169,725	
2,238,347	2,462,720	2,380,197	2,753,588	2,385,850	2,285,248	
29,713	62,866	25,155	12,355	3,089	-	
8,396	419	5,699	6,383	3,471	4,153	
81,628	111,538	135,509	142,130	179,846	165,232	
55,882	555,432		-	-	-	
18,235	19,376	24,325	25,141	24,309	-	
-	-	-	-	-	-	
<u>2,605,874</u>	<u>3,386,048</u>	<u>2,736,741</u>	<u>3,090,807</u>	<u>2,745,598</u>	<u>2,624,358</u>	
45,561	72,374	94,577	127,254	267,602	217,582	
632,455	267,230	85,786	141,566	441,923	-	
12,185	18,700	1,682	4,086	9,056	1,963	
<u>690,201</u>	<u>358,304</u>	<u>182,045</u>	<u>272,906</u>	<u>718,581</u>	<u>219,545</u>	
-	-	-	-	-	74,713	
-	-	-	-	-	<u>74,713</u>	
<u>1,346,429</u>	<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>\$ 5,300,056</u>	<u>\$ 6,662,809</u>	<u>\$ 5,739,599</u>	<u>\$ 5,802,481</u>	<u>\$ 6,575,845</u>	<u>\$ 7,418,319</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			
	2011	2012	2013	2014
REVENUES				
Taxes:				
Property	\$ 919,918	\$ 956,549	\$ 993,367	\$ 1,018,498
Sales	1,145,755	1,250,327	1,270,315	1,324,079
Other	61,969	44,028	156,473	258,918
Licenses and permits	43,636	31,058	35,185	39,431
Intergovernmental	778,828	94,287	651,955	49,730
Charges for services	1,514,839	1,525,652	434,637	1,236,014
Fines and forfeitures	93,294	93,501	72,360	110,066
Interest income	5,840	8,111	10,506	14,936
Payments in lieu of taxes	-	-	-	-
Miscellaneous	<u>152,918</u>	<u>209,831</u>	<u>225,287</u>	<u>83,800</u>
Total revenues	<u>4,716,997</u>	<u>4,213,344</u>	<u>3,850,085</u>	<u>4,135,472</u>
EXPENDITURES				
General government	1,691,442	1,477,911	1,751,045	1,765,100
Public safety	1,511,302	1,482,158	1,372,327	1,501,501
Judicial	152,890	72,347	72,587	95,117
Culture and recreation	1,326,113	1,352,744	1,355,922	1,503,475
Public works	2,243,496	2,511,899	985,097	1,205,369
Capital outlay	1,226,884	-	-	-
Debt service:				
Principal	88,902	119,929	153,951	1,131,657
Interest and fiscal charges	125,095	97,174	98,075	144,109
Bond issuance costs	-	-	-	-
Total expenditures	<u>8,366,124</u>	<u>7,114,162</u>	<u>5,789,004</u>	<u>7,346,328</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$(3,649,127)</u>	<u>\$(2,900,818)</u>	<u>\$(1,938,919)</u>	<u>\$(3,210,856)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	55,756	147,260	-	1,053,360
Payment to refunded bond escrow agent	-	-	-	-
Sale of capital assets	10,800	5,635	48,932	-
Transfers in (out)	<u>4,202,875</u>	<u>2,951,895</u>	<u>1,639,289</u>	<u>2,744,033</u>
Total other financing sources (uses)	<u>4,269,431</u>	<u>3,104,790</u>	<u>1,688,221</u>	<u>3,797,393</u>
NET CHANGE IN FUND BALANCES	<u>\$ 620,304</u>	<u>\$ 203,972</u>	<u>\$(250,698)</u>	<u>\$ 586,537</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>3.0%</u>	<u>3.1%</u>	<u>4.4%</u>	<u>17.4%</u>

Source: Comprehensive Annual Financial Reports

TABLE 4

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

TABLE 5
CITY OF HONDO, TEXAS

TAX REVENUE BY SOURCE - GOVERNEMNTAL FUNDS

LAST TEN FISCAL YEARS

Fiscal Year	Property	Sales & Use	Mixed Beverage	Franchise	Hotel	Total
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
2011	919,918	1,145,755	2,240	61,969	-	2,127,642

TABLE 6
CITY OF HONDO, TEXAS

TOTAL WATER AND SEWER CONSUMPTION AND RATES

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Total Water Consumption (In Gallons)	Water Base Rate (Includes first 2,000)	Water Initial Rate Per 1,000 Gallons	Sewer Base Rate (Includes first 2,000)	Sewer Initial Rate Per 1,000 Gallons
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
2011	550,403,000	9.20	1.69	7.08	1.36

CITY OF HONDO, TEXAS

TABLE 7

PRINCIPAL WATER AND SEWER CONSUMERS
CURRENT AND NINE YEARS AGO

Consumers	2020			2011		
	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	182,824,000	1	34.07%	89,067,300	1	16.18%
PTCAA	11,919,300	2	2.22%	-	-	-
Texas Dept of Criminal Justice	11,260,000	3	2.10%	23,168,400	2	4.21%
Texas Dept of Criminal Justice	6,231,400	4	1.16%	-	-	-
Texas Dept of Criminal Justice	6,169,200	5	1.15%	-	-	-
Las Palomas	4,573,000	6	0.85%	-	-	-
City of Hondo Swimming pool	3,221,200	7	0.60%	1,796,800	10	0.33%
Medina County Courthouse	2,496,600	8	0.47%	-	-	-
City of Hondo	2,435,400	9	0.45%	-	-	-
South Texas Liquid Terminal	2,337,900	10	0.44%	1,851,600	9	0.34%
City of Hondo Golf Course	-	-	-	21,184,200	3	3.85%
Medina County Courthouse	-	-	-	8,749,100	4	1.59%
Medina Ranch Mobile Homes	-	-	-	3,864,600	5	0.70%
Hondo ISD	-	-	-	2,927,000	6	0.53%
Medina County Sheriff's Office	-	-	-	2,659,700	7	0.48%
Best Western	-	-	-	2,188,200	8	0.40%
TOTAL	233,468,000		43.51%	157,456,900		28.61%
Total City Water Consumption	536,564,300			550,403,000		

CITY OF HONDO, TEXAS

TABLE 8

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
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
2011	77,924,332	9.30	0.1040

CITY OF HONDO, TEXAS

TABLE 9

PRINCIPLE ELECTRIC CONSUMERS
CURRENT AND NINE YEARS AGO

Consumers	2020		2011			
	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	6,899,656	1	9.37%	7,526,400	1	9.66%
Wal-mart Stores	3,453,000	2	4.69%	4,262,500	2	5.47%
Medina Community Hospital	3,151,500	3	4.28%	2,645,250	3	3.39%
HEB	2,144,000	4	2.91%	-	-	-
Martin Resources	1,860,000	5	2.53%	1,048,994	7	1.35%
City of Hondo	1,833,000	6	2.49%	2,148,600	4	2.76%
James Avery Craftsman	1,146,220	7	1.56%	1,052,160	6	1.35%
Medina County Sheriff's Office	1,050,800	8	1.43%	1,624,500	5	2.08%
City of Hondo Water Tower	843,800	9	1.15%	818,400	8	1.05%
McDonald's	636,360	10	0.86%	684,960	10	0.88%
Hondo ISD	-	-	-	760,600	9	0.98%
TOTAL	<u>23,018,336</u>		<u>31.27%</u>	<u>22,572,364</u>		<u>28.97%</u>
Total City Electric Consumption	73,616,091			77,924,332		

CITY OF HONDO, TEXAS

TABLE 10

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
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
2011	118,973,806	118,057,163	20,374,867	216,656,102	0.3939

Source: Medina County Appraisal District

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

CITY OF HONDO, TEXAS

TABLE 11

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
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

CITY OF HONDO, TEXAS

TABLE 12

PRINCIPAL PROPERTY TAXPAYERS

CURRENT AND NINE YEARS AGO

Taxpayer	2020		Percentage of Total City Taxable Assessed Value	2011		Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank		Taxable Assessed Value	Rank	
Martin Product Sales	\$ 11,750,960	1	3.56%			
Wal-Mart Real Estate Trust	7,028,800	2	2.13%	\$ 9,227,140	1	4.26%
James Avery Craftsman Plant	3,306,980	3	1.00%	1,846,485	8	0.85%
Hondo Rail Way Co	3,708,240	4	1.12%	-		
Wal-Mart Stores East	3,717,090	5	1.13%	6,049,900	2	2.79%
M2E4 LLC	10,928,760	6	3.31%	-		
Siddhi Inc	3,021,810	7	0.92%	2,096,840	4	0.97%
Hoadley, Irene	2,678,140	8	0.81%	1,865,410	7	0.86%
Vantage Corn Processors LLC	8,324,350	9	2.52%	-		
Atkisson Hondo LTD	2,208,740	10	0.67%	-		
ADM Corn Processing	-		-	2,192,720	3	1.01%
North First Street Properties	-		-	2,048,550	5	0.95%
H E Butt Grocery Company	-		-	1,874,910	6	0.87%
Dattu LLC	-		-	1,699,280	9	0.78%
James Avery Craftsman Inc	-		-	1,640,980	10	0.76%
Total	\$ 56,673,870		<u>17.18%</u>	\$ 30,542,215		<u>14.10%</u>

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date		Percentage of Levy
		Amount	Percentage of Levy		Amount	Amount	
2011	\$ 889,584	\$ 856,644	96.30%	\$ 18,687	\$ 875,331	98.40%	
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%	-	1,709,313	98.10%	

CITY OF HONDO, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Capital Lease
	Certificates of Obligation	General Obligation Bonds	Revenue Bonds		
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
2011	-	2,878,023	975,000		55,756

TABLE 14

Business-Type Activities							
Revenue Bonds	Certificates of Obligation	General Obligation Bonds	Note Payable	Total Primary Government	Percent of Personal Income	Per Capita	
\$ -	\$ 5,845,000	\$ 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	
-	2,495,977	-	105,780	6,510,536	4.89%	737	

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				
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
2011	2,878,023	-	(125,034)	2,752,989		216,656,102	1.27%	312

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, 2020

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<i>Debt repaid with property taxes:</i>			
Hondo ISD	\$ 36,055,000	47.36%	\$ 17,075,648
Medina County	25,735,000	9.52%	<u>2,449,972</u>
Subtotal, Overlapping Debt			19,525,620
City Governmental Activities Direct Debt			<u>3,511,250</u>
TOTAL NET OVERLAPPING DEBT			\$ 23,036,870
Total Direct and Overlapping Debt % of A.V.			16.77%
Total Direct and Overlapping Debt per Capita			\$ 2,486

CITY OF HONDO, TEXAS

TABLE 17

LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

Assessed Value, 2019 Tax Roll	<u>\$ 338,430,067</u>
-------------------------------	-----------------------

Debt Limit - Texas statutes 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.	\$ 33,843,007
---	---------------

Amount of Applicable Debt:

General Bonded Debt	\$ 3,511,250
Less Debt Service Net Position	<u>(169,725)</u>
DEBT MARGIN	<u>\$ 3,341,525</u>
	<u>\$ 30,501,482</u>

Total Net Debt as a Percentage of Debt Margin	11%
---	-----

	Fiscal Year		
	2017	2018	2019
Assessed Value	\$ 253,904,187	\$ 291,332,824	\$ 309,488,192
Debt Limit	25,390,419	29,133,282	30,948,819
Total Net Debt Applicable to Limit	<u>4,599,892</u>	<u>4,191,456</u>	<u>3,774,739</u>
Total Debt Margin	<u>\$ 250,302,458</u>	<u>\$ 276,403,844</u>	<u>\$ 27,174,080</u>
Assessed Value	\$ 229,395,429	\$ 257,702,415	\$ 258,477,135
Debt Limit	22,939,543	25,770,242	25,847,714
Total Net Debt Applicable to Limit	<u>3,253,608</u>	<u>3,076,439</u>	<u>4,892,556</u>
Total Debt Margin	<u>\$ 180,153,436</u>	<u>\$ 199,536,987</u>	<u>\$ 218,452,758</u>
Assessed Value	\$ 216,656,102	\$ 223,775,718	\$ 228,844,044
Debt Limit	21,665,610	22,377,572	22,884,404
Total Net Debt Applicable to Limit	<u>3,727,989</u>	<u>3,378,626</u>	<u>3,389,312</u>
Total Debt Margin	<u>\$ 172,668,024</u>	<u>\$ 185,416,114</u>	<u>\$ 181,090,821</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						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2020	\$ 5,039,847	\$ 2,843,919	\$ 2,195,928	\$ 470,310	\$ 164,767		3.56
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
2011	2,103,361	1,254,280	849,081	205,031	70,023		3.09

TABLE 19**CITY OF HONDO, TEXAS**

PLEDGED REVENUE COVERAGE - ELECTRIC REVENUE BONDS

LAST TEN FISCAL YEARS

Fiscal Year	Electric Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2020	\$ 9,760,677	\$ 6,231,743	\$ 3,528,934	\$ 50,000	\$ 6,791		52.42
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
2011	8,725,437	6,044,867	2,680,570	26,479	35,717		43.10

CITY OF HONDO, TEXAS

TABLE 20

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Year	Population	Total Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
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%
2011	8,829	133,123,662	15,078	32.2	7.8%

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

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CITY OF HONDO, TEXAS

TABLE 21

PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

Employer	2020			2011			Percentage of Total City Employment
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	
Texas Dept of Corrections	494	1	11.52%	490	1		15.16%
Hondo ISD	401	2	9.35%	317	2		9.81%
Medina Healthcare System	266	3	6.20%	150	5		4.64%
Walmart	260	4	6.06%	250	3		7.74%
Medina County	250	5	5.83%	218	4		6.75%
City of Hondo	141	6	3.29%	125	6		3.87%
Hondo Rail	124	7	2.89%	-	-		-
HEB	104	8	2.42%	110	7		3.40%
Total	<u>2,040</u>		<u>47.56%</u>	<u>1,660</u>			<u>51.36%</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			
	2011	2012	2013	2014
<u>General Government</u>				
Building Permits Issued	646	581	574	538
<u>Police</u>				
Citations Issued	1,555	1,286	1,132	1,898
<u>Park and Civic Center</u>				
Park User Reservations	71	64	74	71
Civic Center Rentals	93	77	71	78
<u>Library</u>				
Annual Circulation	38,994	20,544	24,036	28,988
Library Visits	76,785	49,668	53,265	49,991
Items in Collection	24,485	23,076	26,349	29,162
<u>Water & Sewer</u>				
Water Customers	2,653	2,687	2,699	2,717
Sewer Customers	2,484	2,525	2,535	2,536
Total Consumption (hundreds of gallons)	5,504,030	4,757,981	5,014,347	4,902,085
Average Monthly Consumption	17,292	14,758	15,483	15,035
<u>Electric Utility</u>				
Electric Customers	2,924	2,969	2,979	2,975
Total Consumption	77,924,332	75,314,682	72,520,229	74,963,254
<u>Sanitation</u>				
Customers	2,322	2,344	2,361	2,354
<u>Airport</u>				
Gallons of Fuel Sold	163,762	154,668	50,634	49,640
Number of Flights	2,373	2,142	1,156	1,027

TABLE 22

Fiscal Year					
2015	2016	2017	2018	2019	2020
607	498	612	477	507	700
2,598	1,067	1,106	865	604	432
85 111	96 100	100 108	122 142	103 117	44 135
18,689 50,917 25,069	14,292 46,932 20,153	18,748 46,380 14,607	23,703 44,808 14,637	24,978 45,106 16,168	16,145 25,934 17,208
2,723 2,530 4,835,725 14,799	2,762 2,566 3,784,767 11,419	2,731 2,548 5,261,944 16,056	2,735 2,536 4,475,348 13,636	2,736 2,530 4,768,534 14,524	2,813 2,752 5,365,643 15,895
2,981 74,378,945	3,012 73,555,397	2,990 72,464,108	2,987 76,206,703	2,893 73,616,091	2,721 75,767,613
2,346	2,368	2,354	2,350	2,353	2,368
76,248 1,454	100,989 2,222	76,862 1,669	96,602 1,880	95,878 4,208	80,545 4,581

CITY OF HONDO, TEXAS

CAPITAL ASSET STATISTICS

LAST TEN FISCAL YEARS

Function	2011	2012	2013	2014
<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	30	31
<u>Animal Control</u>				
Facility	1	1	1	1
Control Vehicle	1	1	2	2
<u>Library</u>				
Facility	1	1	1	1
Volumes in Collection	24,485	23,076	26,349	29,162
<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	3
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 Feed)	381,868	381,868	381,868	381,868

TABLE 23

Fiscal Year					
2015	2016	2017	2018	2019	2020
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 31	1 32	1 32	1 34	1 34	1 36
1 2	1 2	1 2	1 2	1 2	1 2
1 25,069	1 20,153	1 14,607	1 14,637	1 16,168	1 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	50
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
69	69	69	69	69	69
381,868	381,868	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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>General Government</u>										
Administration	2	2	5	4	4	3	3	3	3	3
Finance	2	3	3	3	3	3	4	4	4	4
Police	21	21	21	22	23	23	23	23	24	25
Crossing Guards	6	7	7	7	7	7	7	7	7	7
Legal & Courts	1	1	1	1	2	2	1	1	1	1
Animal Control	2	2	1	1	2	2	2	2	2	2
Streets	11	10	11	10	10	10	10	10	10	10
Library	6	7	7	6	7	7	6	6	6	6
Parks	12	12	13	12	12	12	12	12	13	-
Facilities Maintenance	4	4	4	4	4	6	6	6	6	-
Building & Grounds Maintenance	-	-	-	-	-	-	-	-	-	19
Recreation	15	16	16	16	19	19	21	21	21	21
Golf Course	5	5	5	5	4	4	4	4	4	4
Code Compliance	3	3	3	3	3	3	3	4	4	4
Utility Billing	4	5	4	4	4	4	4	4	4	4
City Secretary	2	2	1	3	4	2	2	2	2	1
Public Works	-	-	-	1	1	2	2	2	2	3
<u>Electric</u>	11	11	10	10	10	10	10	10	10	10
<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
Airport	5	5	4	4	4	4	4	4	4	4
Sanitation	1	1	1	1	1	1	1	1	-	-
<u>Economic Development</u>	-	-	1	1	1	1	1	1	1	1
TOTAL	125	129	130	130	137	137	138	139	140	141

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2021.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying *schedule of findings and responses*, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses (Items 2020-001 and 2020-002) to be material weaknesses.

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.

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*.

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
March 31, 2021

CITY OF HONDO, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Item 2020-001

Condition: The general ledger accounts payable and subledger were not reconciled during the fiscal year.

Effect: 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.

Cause: The finance department does not currently have a process in place to routinely reconcile the general ledger accounts payable accounts to the subledger report.

Recommendation: We recommend the City continue with its efforts to improve the accounts payable by performing the following:

- 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.

CITY OF HONDO, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Item 2020-002

Condition: The insurance payable general ledger account is not currently being reconciled to the City's payroll records.

Effect: 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.

Cause: 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.

Recommendation: We recommend the City continue with its efforts to improve its internal controls by performing the following:

- Gaining and understanding of the accounting system and its reports to ensure financial statements are based on accurate financials activity.
- Establishing and following written policies and procedures on the payroll reconciliation process.



City of Hondo

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

Item 2020-001

Management's Response:

As we move forward as a City, new personnel has established and set goals to improve many aspects of the City's financials. The City of Hondo's Finance Department plans to establish monthly reconciliations of the accounts payable general ledger and sub ledger accounts. This established procedure will allow for regular reconciliations, which have been previously lacking.

Contact Person Responsible

for Corrective Action:

Judy Narezo, Chief Finance Officer

Anticipated Completion

Date:

May 15, 2021

Item 2020-002

Management's Response:

The goals established by new Finance personnel are focused on improvement throughout the City's financials. These improvements and goals that are established will address the lack of reconciliation on the insurance payable general ledger account. The City of Hondo Finance Department plans to establish monthly reconciliations of the insurance payable general ledger account. This established procedure will allow for regular reconciliations, which have been previously lacking.

Contact Person Responsible

for Corrective Action:

Judy Narezo, Chief Finance Officer

Anticipated Completion

Date:

May 15, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hondo's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

OFFICE LOCATIONS

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Hondo, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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

Waco, Texas
March 31, 2021

CITY OF HONDO, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Pass-through Expenditures
<u>U. S. Department of Housing and Urban Development</u>				
Passed through Texas Department of Agriculture:				
Community Development Block Grant	14.228	7217200	\$ 19,045	\$ -
Community Development Block Grant	14.228	7219200	<u>12,594</u>	<u>-</u>
Total Passed through Texas Department of Agriculture			<u>31,639</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>31,639</u>	<u>-</u>
<u>U. S. Department of Transportation</u>				
Passed through Texas Department of Transportation:				
Cares Act Airport Grant Agreement	20.106	20CRHONDO	\$ 30,000	\$ -
Total Passed through Texas Department of Transportation			<u>30,000</u>	<u>-</u>
Total U. S. Department of Transportation			<u>30,000</u>	<u>-</u>
<u>U. S. Department of Treasury</u>				
Passed through Texas Division of Emergency Management:				
COVID-19 Coronavirus Relief Fund (CRF) Development Facilities	21.019	268	<u>565,655</u>	<u>-</u>
Total Passed through Texas Division of Emergency Management			<u>565,655</u>	<u>-</u>
Total U. S. Department of Treasury			<u>565,655</u>	<u>-</u>
<u>U. S. Environmental Protection Agency</u>				
Passed through Texas Water Development Board:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	L1000553	<u>474,406</u>	<u>-</u>
Total Passed through Texas Water Development Board			<u>474,406</u>	<u>-</u>
Total U. S. Environmental Protection Agency			<u>474,406</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>1,101,700</u>	\$ <u>-</u>

CITY OF HONDO, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

BASIS OF ACCOUNTING

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

INDIRECT COSTS

The City has negotiated an indirect cost rate with grantors and has elected not to draw the 10% de minimis indirect cost rate allowed in the Uniform Guidance, section 414.

CITY OF HONDO, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Items 2020-001 and 2020-002

Significant deficiency(ies) identified? None

Noncompliance material to financial statements noted?

None

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? None

Significant deficiency(ies) identified? None reported

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

Unmodified

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

None

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster:

21.019 COVID-19 Coronavirus Relief Fund (CRF)

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

\$750,000

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

Yes

Findings Relating to the Financial Statements

Which Are Required to be Reported in Accordance With Government Auditing Standards

2020-001 and 2020-002

Findings and Questioned Costs for Federal Awards

None

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