

**CITY OF HONDO, TEXAS**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2023**



**Prepared by: Finance Department**



# CITY OF HONDO, TEXAS

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

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SEPTEMBER 30, 2023

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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 20, 2024

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

We are pleased to present the Annual Comprehensive Financial Report of the City of Hondo, Texas (the City) for the fiscal year ended September 30, 2023. State law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Hondo for the fiscal year ended September 30, 2023.

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, 2023, 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, 2023, 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,



John Naron  
City Manager



Chris Hill

Chris Hill  
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**City of Hondo  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

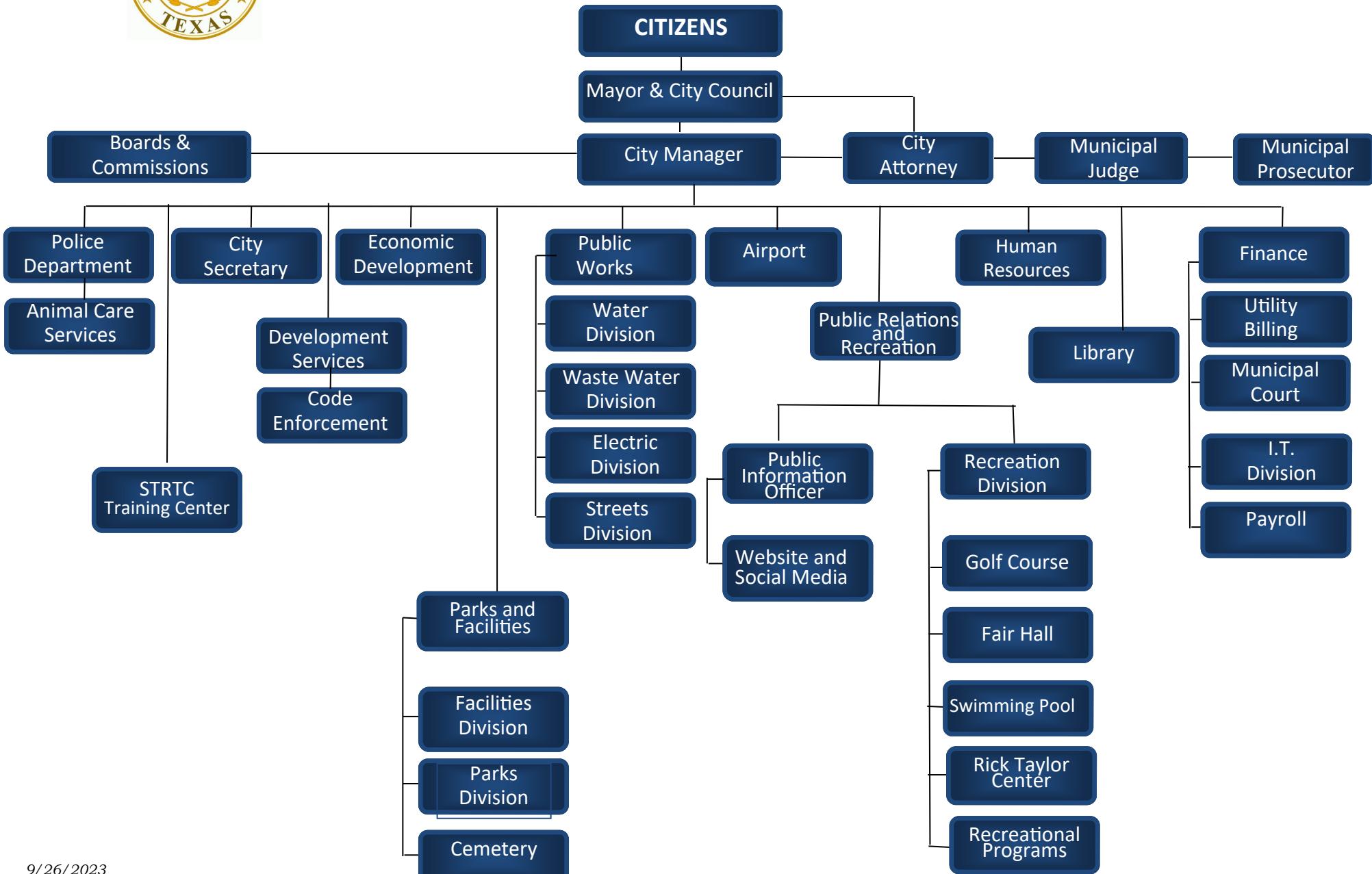
September 30, 2022

*Christopher P. Monell*

Executive Director/CEO



# CITY OF HONDO ORGANIZATIONAL CHART



**CITY OF HONDO, TEXAS**

**PRINCIPAL OFFICIALS**

SEPTEMBER 30, 2023

**CITY OFFICIALS**

Mayor .....	John McAnelly
Council Members .....	Bobby Vela
	Jose "Porky" Ytuarte
	Brett Williams
	Rachel Ramirez
	John E. Villa
City Manager .....	John Naron

## **FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements*****Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo, Texas as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Emphasis of Matter - Change of Accounting Principle***

As discussed in the notes to the financial statements, in the year ending September 30, 2023, the City of Hondo, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based IT Arrangements*. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

## ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules 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 supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information Included in the Annual Comprehensive Financial Report***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Waco, Texas  
March 25, 2024

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hondo's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2023. 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 \$53,923,713 at September 30, 2023.
- The City's governmental expenses were \$241,225 more than the \$11,681,959 generated in general and program revenues for governmental activities, including transfers. The total cost of the City's governmental programs increased 34.8% from the prior year due primarily to changes in the net pension liability.
- The City's business-type expenses (including transfers) were \$180,226 more than the \$18,490,725 generated in charges for services and other revenues. The total cost of the City's business-type activities increased 21.76% from the prior year also due primarily to changes in the net pension liability.
- The General Fund reported a fund balance of \$6,478,583, an increase of \$1,823,917, largely due to overall increased revenues and issuance of debt.
- The City issued Tax Notes, Series 2022A, for the purpose of purchasing vehicles, machinery and equipment for various City purposes.
- The City's Investment Income increased from \$72,624 in 2022 to \$839,954 in 2023 due to investments in TexPool Prime, US Treasuries and High Rate CDs.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The City has the following kinds of funds:

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$53,923,713 at September 30, 2023. (See Figure A-1).

**Figure A-1**  
**City's Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 16,792,704	\$ 15,851,219	\$ 15,700,880	\$ 15,868,669	\$ 32,493,584	\$ 31,719,888
Capital assets	<u>14,033,477</u>	<u>13,995,002</u>	<u>30,834,616</u>	<u>30,520,044</u>	<u>44,868,093</u>	<u>44,515,046</u>
Total assets	<u>30,826,181</u>	<u>29,846,221</u>	<u>46,535,496</u>	<u>46,388,713</u>	<u>77,361,677</u>	<u>76,234,934</u>
Deferred outflows of resources	<u>1,296,175</u>	<u>291,073</u>	<u>479,843</u>	<u>103,952</u>	<u>1,776,018</u>	<u>395,025</u>
Long-term liabilities	11,164,558	7,977,581	6,779,825	6,245,507	17,944,383	14,223,088
Other liabilities	<u>1,538,859</u>	<u>1,738,321</u>	<u>1,636,730</u>	<u>1,331,457</u>	<u>3,175,589</u>	<u>3,069,778</u>
Total liabilities	<u>12,703,417</u>	<u>9,715,902</u>	<u>8,416,555</u>	<u>7,576,964</u>	<u>21,119,972</u>	<u>17,292,866</u>
Deferred inflows of resources	<u>156,670</u>	<u>917,898</u>	<u>3,937,340</u>	<u>4,434,483</u>	<u>4,094,010</u>	<u>5,352,381</u>
Net position:						
Net investment in capital assets	9,524,233	10,625,513	25,483,563	24,672,346	35,007,796	35,297,859
Restricted	<u>5,511,980</u>	<u>3,900,145</u>	<u>-</u>	<u>-</u>	<u>5,511,980</u>	<u>3,900,145</u>
Unrestricted	<u>4,226,056</u>	<u>4,977,836</u>	<u>9,177,881</u>	<u>9,808,872</u>	<u>13,403,937</u>	<u>14,786,708</u>
Total net position	<u>\$ 19,262,269</u>	<u>\$ 19,503,494</u>	<u>\$ 34,661,444</u>	<u>\$ 34,481,218</u>	<u>\$ 53,923,713</u>	<u>\$ 53,984,712</u>

## Governmental Activities

- Property tax rates for the fiscal year ending September 30, 2023 decreased, but increasing property values led to an increase in ad valorem tax revenue of 3.0%.
- Sales tax collections increased 6.8% to \$2,123,969. Inflation and additional consumer spending contributed to the increase in the current year.
- Expenses increased in general government, public safety, public works, and culture and recreations in the amount of \$1,012,984, \$813,416, \$667,360 and \$536,162 respectively. Expenses increased due to ARPA Grant funding being spent down and changes in the net pension liability.

## Business-Type Activities

- Expenses increased by an average of 21.76%. The largest expense increase occurred in the Water and sewer expenses.
- Total revenues from all business-type activities increased from the prior year by \$971,277, or 5.5%, primarily for increases in charges for services.

**Figure A-2**  
**Changes in City's Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 866,761	\$ 714,670	\$ 17,712,922	\$ 17,122,928	\$ 18,579,683	\$ 17,837,598
Operating grants and contributions	919,140	41,269	-	-	919,140	41,269
Capital grants and contributions	93,590	11,076	108,402	32,642	201,992	43,718
General revenues:						
Property tax	1,944,763	1,888,019	-	-	1,944,763	1,888,019
Sales tax	2,123,969	1,989,510	-	-	2,123,969	1,989,510
Other taxes	192,574	201,951	-	-	192,574	201,951
Investment earnings	548,431	47,973	291,523	24,651	839,954	72,624
Miscellaneous	101,154	156,965	377,878	339,227	479,032	496,192
Total revenues	<u>6,790,382</u>	<u>5,051,433</u>	<u>18,490,725</u>	<u>17,519,448</u>	<u>25,281,107</u>	<u>22,570,881</u>
<b>Expenses:</b>						
General government	3,567,400	2,506,244	-	-	3,567,400	2,506,244
Public safety	3,089,210	2,275,794	-	-	3,089,210	2,275,794
Judicial	156,749	133,103	-	-	156,749	133,103
Public works	2,446,409	1,779,049	-	-	2,446,409	1,779,049
Culture and recreation	2,454,470	1,918,308	-	-	2,454,470	1,918,308
Interest on long-term debt	208,946	179,467	-	-	208,946	179,467
Issuance cost	-	55,968	-	-	-	55,968
Electric utility	-	-	6,944,846	6,101,439	6,944,846	6,101,439
Water and sewer	-	-	3,441,573	2,196,852	3,441,573	2,196,852
Airport	-	-	1,599,295	1,373,368	1,599,295	1,373,368
Sanitation	-	-	<u>1,433,208</u>	<u>1,349,044</u>	<u>1,433,208</u>	<u>1,349,044</u>
Total expenses	<u>11,923,184</u>	<u>8,847,933</u>	<u>13,418,922</u>	<u>11,020,703</u>	<u>25,342,106</u>	<u>19,868,636</u>
Increases in net position before transfers	(5,132,802)	(3,796,500)	5,071,803	6,498,745	(60,999)	2,702,245
Transfers	<u>4,891,577</u>	<u>4,426,366</u>	<u>(4,891,577)</u>	<u>(4,426,366)</u>	<u>-</u>	<u>-</u>
Change in net position	(241,225)	629,866	180,226	2,072,379	(60,999)	2,702,245
Net position, beginning	<u>19,503,494</u>	<u>18,873,628</u>	<u>34,481,218</u>	<u>32,408,839</u>	<u>53,984,712</u>	<u>51,282,467</u>
Net position, ending	<u>\$ 19,262,269</u>	<u>\$ 19,503,494</u>	<u>\$ 34,661,444</u>	<u>\$ 34,481,218</u>	<u>\$ 53,923,713</u>	<u>\$ 53,984,712</u>

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- The General Fund increased its fund balance by \$1,823,917, which is higher than last year's increase of \$1,409,145 due primarily to increased taxes, investment income and less capital expenditures. Property taxes increased 3% due to increased property values. General Fund expenditures increased in most functions from \$7,974,364 in fiscal year 2022 to \$9,826,245 in fiscal year 2023 primarily due to Personnel cost increases for a Cost of Living Adjustment, Improved Retirement Plan and increase in health insurance coverage.
- All of the proprietary funds generated sufficient operating revenues to cover operating expenses and debt service. Operating expenses increased due to net pension offset by capital items not received by year end.

## Budgetary Highlights

- General Fund budgeted revenues exceeded actual amounts by -\$86,153, mostly due to additional investment income due to increased interest rates available, increased sales tax revenue, and licenses and permits.
- General Fund expenditures were \$2,028,689 under budget. A large portion of the savings was from the general government, culture and recreation, and public works. General government had capital projects not completed during the year and significant reduction in expected home grant expenses due to homes not being completed until next fiscal year. The City also made some minor budget amendments during the year for unexpected increases in fuel costs, street repairs costs and facility maintenance.
- The General Fund fund balance increased \$1,823,917, which was \$1,774,899 better than what the final budget projected.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** – As of September 30, 2023, the City had invested \$44,868,093 in a broad range of capital assets, including land, equipment, buildings, vehicles, and right to use. Significant changes in fiscal year 2023 included \$518,580 of additions to vehicles and equipment. Significant additions were also made to the City's Water and Sewer construction in progress, as well as various construction projects. (See Figure A-4)

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

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 628,148	\$ 628,148	\$ 2,284,449	\$ 2,284,349	\$ 2,912,597	\$ 2,912,497
Water rights	-	-	199,541	199,541	199,541	199,541
Construction in progress	430,685	14,540	2,818,125	1,374,723	3,248,810	1,389,263
Buildings and improvements	10,526,618	10,526,618	19,164,586	19,164,586	29,691,204	29,691,204
Infrastructure	17,971,220	17,971,220	27,976,510	27,976,510	45,947,730	45,947,730
Vehicles and equipment	4,073,555	3,554,975	2,809,281	2,696,731	6,882,836	6,251,706
Right to use	123,498	129,342	70,033	70,033	193,531	199,375
Accumulated depreciation	( 19,720,247)	( 18,829,841)	( 24,487,909)	( 23,246,429)	( 44,208,156)	( 42,076,270)
Total	\$ 14,033,477	\$ 13,995,002	\$ 30,834,616	\$ 30,520,044	\$ 44,868,093	\$ 44,515,046

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

**Long Term Debt** – The City had bonds, tax notes, leases, and compensated absences payable at year end as outlined in Figure A-5. \$1,455,000 of Tax Maintenance Notes were issued during the fiscal year. More detailed information about the City's debt is presented in the VII to the financial statements.

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

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Bonds payable	\$ 6,316,520	\$ 6,758,032	\$ 5,506,530	\$ 6,050,910	\$ 11,823,050	\$ 12,808,942
Tax notes	1,845,000	685,000	155,000	-	2,000,000	685,000
Leases	51,053	91,534	39,523	55,552	90,576	147,086
Compensated absences	85,077	109,994	17,444	20,111	102,521	130,105
Total	\$ 8,297,650	\$ 7,644,560	\$ 5,718,497	\$ 6,126,573	\$ 14,016,147	\$ 13,771,133

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Hondo continues to focus on expanding the City's commercial and business districts along with the Hondo Rail Yard and Airport. We proudly announce that within the next twelve months, Boise Cascade, a Fortune 500 company, will begin construction on a 200,000+ square foot material warehouse/distribution facility that will service the Austin/San Antonio area and the South Texas region. At full operations, the facility will employ 100 people, increasing business activity in the area. The Perryman Group estimates that the gain in business activity in the City of Hondo generated by the facility will be \$20.2 million in annual gross product and 186 jobs.

Two other companies have committed to establishing their presence in Hondo, marking a significant stride in local economic development. One is in the final permitting stage for construction, and the other is in the preliminary development stage, anticipated to commence development in the upcoming year. Collectively, these active projects represent a capital investment of around \$304 million and are expected to generate an estimated 38+ jobs. Looking ahead, the City foresees sustained economic growth, anticipating the selection of one to two more companies in Hondo within the current calendar year. Currently, eight companies have received responses from Hondo based on their information requests, and two have conducted at least two site visits. These two companies, if secured, would bring an additional capital investment of \$340 million and the creation of 219 jobs.

The City will continue to prepare for the population increase in the San Antonio region, which is estimated to increase from 3,013,139 (2020) to 5,219,393 (2070) based on population data from the Texas Water Development Board.

We will continue to be conservative in our financial matters and maintain at least ninety-day reserves.

#### **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](http://www.hondo-tx.org).

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**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF HONDO, TEXAS**

**STATEMENT OF NET POSITION**

SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 8,650,501	\$ 5,044,685	\$ 13,695,186
Investments	6,093,637	1,598,804	7,692,441
Receivables, net:			
Accounts	501,246	4,557,227	5,058,473
Taxes	91,094	-	91,094
Internal balances	667,879	(667,879)	-
Lease receivable	-	3,936,429	3,936,429
Interest receivable	-	6,534	6,534
Inventory	-	534,120	534,120
Prepaid expenses	713	-	713
Total current assets	<u>16,290,475</u>	<u>15,009,920</u>	<u>31,300,395</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments	502,229	690,960	1,193,189
Capital assets (net of accumulated depreciation):			
Non-depreciable	1,058,833	5,302,115	6,360,948
Depreciable	12,974,644	25,532,501	38,507,145
Total noncurrent assets	<u>14,535,706</u>	<u>31,525,576</u>	<u>46,061,282</u>
Total assets	<u>30,826,181</u>	<u>46,535,496</u>	<u>77,361,677</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	1,255,182	464,667	1,719,849
Deferred outflows related to OPEB - SDBF	40,993	15,176	56,169
Total deferred outflows of resources	<u>1,296,175</u>	<u>479,843</u>	<u>1,776,018</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	466,972	967,088	1,434,060
Accrued liabilities	101,518	36,942	138,460
Interest payable	34,306	24,402	58,708
Unearned revenue	936,063	136,112	1,072,175
Customer deposits	-	472,186	472,186
Long-term liabilities:			
Due in one year:			
Bonds payable	449,030	501,970	951,000
Tax maintenance notes	180,000	25,000	205,000
Leases	35,813	16,153	51,966
Compensated absences	17,015	3,489	20,504
Total OPEB liability - SDBF	11,165	4,134	15,299
Due in more than one year:			
Bonds payable	5,563,440	5,004,560	10,568,000
Bonds premium	304,050	-	304,050
Tax maintenance notes	1,665,000	130,000	1,795,000
Leases	15,240	23,370	38,610
Compensated absences	68,062	13,955	82,017
Total OPEB liability - SDBF	215,715	79,858	295,573
Net pension liability	2,640,028	977,336	3,617,364
Total liabilities	<u>12,703,417</u>	<u>8,416,555</u>	<u>21,119,972</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	48,682	18,022	66,704
Deferred inflows related to OPEB - SDBF	107,988	39,979	147,967
Deferred inflows related to leases	-	3,879,339	3,879,339
Total deferred inflows of resources	<u>156,670</u>	<u>3,937,340</u>	<u>4,094,010</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,524,233	25,483,563	35,007,796
Restricted for:			
Nonexpendable perpetual care trust	567,691	-	567,691
Debt service	201,979	-	201,979
Economic development	3,324,356	-	3,324,356
Police, municipal court, and library	2,360	-	2,360
Tourism development	187,935	-	187,935
Community programs	38,306	-	38,306
Grants	68,254	-	68,254
Unrestricted	4,226,056	9,177,881	13,403,937
Total net position	<u>\$ 19,262,269</u>	<u>\$ 34,661,444</u>	<u>\$ 53,923,713</u>

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

**CITY OF HONDO, TEXAS**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 3,567,400	\$ 494,929	\$ 556,262	\$ -
Public safety	3,089,210	52,346	323,293	68,464
Judicial	156,749	71,150	-	-
Culture and recreation	2,454,470	248,336	39,585	25,126
Public works	2,446,409	-	-	-
Interest on long-term debt	208,946	-	-	-
Total governmental activities	<u>11,923,184</u>	<u>866,761</u>	<u>919,140</u>	<u>93,590</u>
Business-type activities:				
Electric Utility	6,944,846	10,484,737	-	-
Water and Sewer	3,441,573	4,657,996	-	17,500
Airport	1,599,295	986,057	-	90,902
Sanitation	1,433,208	1,584,132	-	-
Total business-type activities	<u>13,418,922</u>	<u>17,712,922</u>	<u>-</u>	<u>108,402</u>
Total primary government	<u>\$ 25,342,106</u>	<u>\$ 18,579,683</u>	<u>\$ 919,140</u>	<u>\$ 201,992</u>
General revenues and transfers:				
Taxes:				
Property				
Sales				
Other				
Unrestricted investment income				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

**Net (Expense) Revenue and Changes in Net Position**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (2,516,209)	\$ -	\$ (2,516,209)
(2,645,107)	-	(2,645,107)
(85,599)	-	(85,599)
(2,141,423)	-	(2,141,423)
(2,446,409)	-	(2,446,409)
(208,946)	-	(208,946)
<u>(10,043,693)</u>	<u>-</u>	<u>(10,043,693)</u>
-	3,539,891	3,539,891
-	1,233,923	1,233,923
-	(522,336)	(522,336)
<u>-</u>	<u>150,924</u>	<u>150,924</u>
<u>-</u>	<u>4,402,402</u>	<u>4,402,402</u>
<u>\$ (10,043,693)</u>	<u>\$ 4,402,402</u>	<u>\$ (5,641,291)</u>
\$ 1,944,763	\$ -	\$ 1,944,763
2,123,969	-	2,123,969
192,574	-	192,574
548,431	291,523	839,954
101,154	377,878	479,032
<u>4,891,577</u>	<u>(4,891,577)</u>	<u>-</u>
<u>9,802,468</u>	<u>(4,222,176)</u>	<u>5,580,292</u>
(241,225)	180,226	(60,999)
<u>19,503,494</u>	<u>34,481,218</u>	<u>53,984,712</u>
<u>\$ 19,262,269</u>	<u>\$ 34,661,444</u>	<u>\$ 53,923,713</u>

**CITY OF HONDO, TEXAS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2023

	General	Economic Development	American Rescue Plan
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,277,398	\$ 359,153	\$ 14,561
Investments	1,001,613	2,273,342	921,009
Receivables (net of allowances for uncollectibles):			
Accounts	327,464	116,498	-
Taxes	66,669	-	-
Due from other governments	285,405	-	-
Due from other funds	81,118	598,840	-
Prepaid items	713	-	-
Restricted cash and investments	-	-	-
Total assets	<u>7,040,380</u>	<u>3,347,833</u>	<u>935,570</u>
<b>LIABILITIES</b>			
Accounts payable	324,952	20,542	-
Accrued liabilities	95,987	2,935	-
Due to other funds	-	-	-
Unearned revenue	2,798	-	887,528
Total liabilities	<u>423,737</u>	<u>23,477</u>	<u>887,528</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	62,027	-	-
Unavailable revenue - grant	20,212	-	-
Unavailable revenue - court fines	55,821	-	-
Total deferred inflows of resources	<u>138,060</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	713	-	-
Perpetual care trust	-	-	-
Restricted for:			
Debt service	-	-	-
Economic development	-	3,324,356	-
Police department	-	-	-
Tourism development	-	-	-
Capital projects	-	-	-
Community programs	-	-	-
Grants	-	-	48,042
Committed for:			
South TX regional training center	-	-	-
Other	-	-	-
Assignment for:			
Blue santa program	27,579	-	-
Unassigned	<u>6,450,291</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>6,478,583</u>	<u>3,324,356</u>	<u>48,042</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,040,380</u>	<u>\$ 3,347,833</u>	<u>\$ 935,570</u>

General Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,183,361 1,891,158	\$ 816,028 6,515	\$ 8,650,501 6,093,637
-	57,284	501,246
-	24,425	91,094
-	-	285,405
-	-	679,958
-	-	713
-	502,229	502,229
<u>4,074,519</u>	<u>1,406,481</u>	<u>16,804,783</u>
97,132	24,346	466,972
-	2,596	101,518
-	12,079	12,079
-	45,737	936,063
<u>97,132</u>	<u>84,758</u>	<u>1,516,632</u>
-	23,026	85,053
-	-	20,212
-	-	55,821
<u>-</u>	<u>23,026</u>	<u>161,086</u>
-	-	713
-	567,691	567,691
-	213,259	213,259
-	-	3,324,356
-	2,360	2,360
-	187,935	187,935
3,977,387	-	3,977,387
-	38,306	38,306
-	-	48,042
-	287,127	287,127
-	2,019	2,019
-	-	27,579
-	-	6,450,291
<u>3,977,387</u>	<u>1,298,697</u>	<u>15,127,065</u>
<u>\$ 4,074,519</u>	<u>\$ 1,406,481</u>	<u>\$ 16,804,783</u>

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**CITY OF HONDO, TEXAS**

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

SEPTEMBER 30, 2023

Total fund balances - governmental funds balance sheet	\$ 15,127,065
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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.	14,033,477
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	62,027
Property tax penalties and interest	23,026
Court fines and fees	55,821
Intergovernmental receivables	20,212

Accrued bond interest is not due and payable in the current period and, therefore, is not reported in the funds.

(34,306)

Long-term liabilities and deferred losses on bond refundings, reported as deferred outflows of resources, are not due and payable in the current period and, therefore, are not reported in the funds. A summary of these items are as follows:

Long-term liabilities:	
Bonds payable	(6,012,470)
Tax notes payable	(1,845,000)
Bonds premium	(304,050)
Compensated absences	(85,077)
Leases	(51,053)

The City had a net pension liability of \$3,617,364, this included a deferred outflow of \$1,719,849 and deferred inflow of \$66,704. These items are not payable in the current period and therefore are not reported in the governmental funds balance sheet.

(1,433,528)

The total OPEB liability and related deferred inflows and outflows are not included in the fund financial statements.

(293,875)

Net position of governmental activities	<u>\$ 19,262,269</u>
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**CITY OF HONDO, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General	Economic Development	American Rescue Plan
<b>REVENUES</b>			
Property tax	\$ 1,312,651	\$ -	\$ -
Sales tax	1,415,968	708,001	-
Other taxes	82,537	-	-
Licenses and permits	274,094	-	-
Intergovernmental	711,041	-	825,312
Charges for services	380,009	-	-
Fines and forfeitures	71,452	-	-
Investment income	262,278	93,227	43,325
Miscellaneous	71,484	-	-
Total revenues	<u>4,581,514</u>	<u>801,228</u>	<u>868,637</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,936,796	217,974	-
Public safety	2,713,815	-	-
Judicial	137,449	-	-
Culture and recreation	1,970,937	-	-
Public works	1,555,234	-	-
Capital outlay	422,624	-	-
Debt service:			
Principal	40,481	-	-
Interest	737	-	-
Issuance costs	48,172	-	-
Total expenditures	<u>9,826,245</u>	<u>217,974</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,244,731)</u>	<u>583,254</u>	<u>868,637</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	5,766,889	-	-
Transfers out	-	(173,472)	(825,312)
Issuance of debt	1,275,000	-	-
Insurance recoveries	26,759	-	-
Total other financing sources and uses	<u>7,068,648</u>	<u>(173,472)</u>	<u>(825,312)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,823,917</u>	<u>409,782</u>	<u>43,325</u>
<b>FUND BALANCES, BEGINNING</b>	<u>4,654,666</u>	<u>2,914,574</u>	<u>4,717</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 6,478,583</u>	<u>\$ 3,324,356</u>	<u>\$ 48,042</u>

General Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 645,844	\$ 1,958,495
-	-	2,123,969
-	110,037	192,574
-	-	274,094
-	-	1,536,353
-	173,352	553,361
-	-	71,452
137,596	12,005	548,431
-	2,911	74,395
<u>137,596</u>	<u>944,149</u>	<u>7,333,124</u>
-	191,869	3,346,639
-	3,447	2,717,262
-	-	137,449
-	54,753	2,025,690
-	-	1,555,234
216,747	-	639,371
-	539,620	580,101
-	223,786	224,523
-	-	48,172
<u>216,747</u>	<u>1,013,475</u>	<u>11,274,441</u>
(79,151)	(69,326)	(3,941,317)
-	179,097	5,945,986
-	(55,625)	(1,054,409)
-	-	1,275,000
-	-	26,759
<u>-</u>	<u>123,472</u>	<u>6,193,336</u>
<u>(79,151)</u>	<u>54,146</u>	<u>2,252,019</u>
<u>4,056,538</u>	<u>1,244,551</u>	<u>12,875,046</u>
<u>\$ 3,977,387</u>	<u>\$ 1,298,697</u>	<u>\$ 15,127,065</u>

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**CITY OF HONDO, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds	\$ 2,252,019
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount of capital outlay recorded in the current period.	1,071,859
Depreciation on capital assets is reported in the Statement of Activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(1,033,384)
Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.	
Issuance of debt	580,101
Amortization of:	(1,275,000)
Premium on bond issuance	16,892
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.	(1,315)
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	24,917
Net OPEB liability	(2,164)
Net Pension liability	(1,305,649)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(569,501)</u>
Change in net position of governmental activities	<u>\$ (241,225)</u>

**CITY OF HONDO, TEXAS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds					Total
	Water and Sewer	Electric Utility	Airport	Sanitation		
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 3,216,430	\$ 1,620,673	\$ 53,444	\$ 154,138	\$ 5,044,685	
Investments	1,285,591	-	-	313,213	1,598,804	
Receivables, net	1,273,739	3,058,904	86,590	137,994	4,557,227	
Lease receivable	-	-	3,936,429	-	3,936,429	
Interest receivable	-	-	6,534	-	6,534	
Inventory	117,653	395,333	21,134	-	534,120	
Total current assets	<u>5,893,413</u>	<u>5,074,910</u>	<u>4,104,131</u>	<u>605,345</u>	<u>15,677,799</u>	
Noncurrent assets:						
Restricted cash and investments	690,960	-	-	-	690,960	
Capital assets:						
Nondepreciable	2,756,551	137,104	2,408,460	-	5,302,115	
Depreciable	12,117,332	1,227,366	12,187,803	-	25,532,501	
Total noncurrent assets	<u>15,564,843</u>	<u>1,364,470</u>	<u>14,596,263</u>	<u>-</u>	<u>31,525,576</u>	
Total assets	<u>21,458,256</u>	<u>6,439,380</u>	<u>18,700,394</u>	<u>605,345</u>	<u>47,203,375</u>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions	245,970	137,030	81,667	-	464,667	
Deferred outflows related to OPEB - SDBF	<u>8,033</u>	<u>4,475</u>	<u>2,668</u>	<u>-</u>	<u>15,176</u>	
Total deferred outflows of resources	<u>254,003</u>	<u>141,505</u>	<u>84,335</u>	<u>-</u>	<u>479,843</u>	

**CITY OF HONDO, TEXAS**

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

SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 168,026	\$ 667,428	\$ 3,812	\$ 127,822	\$ 967,088
Accrued liabilities	18,791	11,913	6,238	-	36,942
Due to other funds	-	-	667,879	-	667,879
Accrued interest payable	22,483	1,646	273	-	24,402
Unearned revenue	-	23,392	112,720	-	136,112
Customer deposits	118,925	353,261	-	-	472,186
Noncurrent liabilities:					
Due in one year:					
Bonds payable	436,970	50,000	15,000	-	501,970
Tax maintenance notes	-	25,000	-	-	25,000
Leases	1,599	-	14,554	-	16,153
Compensated absences	1,129	1,613	747	-	3,489
Total OPEB liability - SDBF	<u>2,188</u>	<u>1,219</u>	<u>727</u>	<u>-</u>	<u>4,134</u>
Total current liabilities	<u>770,111</u>	<u>1,135,472</u>	<u>821,950</u>	<u>127,822</u>	<u>2,855,355</u>
Due in more than one year:					
Bonds payable	4,724,560	215,000	65,000	-	5,004,560
Tax maintenance notes	-	130,000	-	-	130,000
Leases	2,463	-	20,907	-	23,370
Compensated absences	4,516	6,451	2,988	-	13,955
Total OPEB liability - SDBF	<u>42,271</u>	<u>23,549</u>	<u>14,038</u>	<u>-</u>	<u>79,858</u>
Net pension liability	517,348	288,217	171,771	-	977,336
Total noncurrent liabilities	<u>5,291,158</u>	<u>663,217</u>	<u>274,704</u>	<u>-</u>	<u>6,229,079</u>
Total liabilities	<u>6,061,269</u>	<u>1,798,689</u>	<u>1,096,654</u>	<u>127,822</u>	<u>9,084,434</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to to pensions	9,540	5,315	3,167	-	18,022
Deferred inflows related to OPEB - SDBF	21,162	11,788	7,029	-	39,979
Lease related	-	-	3,879,339	-	3,879,339
Total deferred inflows of resources	<u>30,702</u>	<u>17,103</u>	<u>3,889,535</u>	<u>-</u>	<u>3,937,340</u>
<b>NET POSITION</b>					
Net investment in capital assets	9,708,291	1,294,470	14,480,802	-	25,483,563
Unrestricted	<u>5,911,997</u>	<u>3,470,623</u>	<u>(682,262)</u>	<u>477,523</u>	<u>9,177,881</u>
Total net position	<u><u>\$ 15,620,288</u></u>	<u><u>\$ 4,765,093</u></u>	<u><u>\$ 13,798,540</u></u>	<u><u>\$ 477,523</u></u>	<u><u>\$ 34,661,444</u></u>

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**CITY OF HONDO, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
<b>OPERATING REVENUES</b>					
Charges for services					
Utility service	\$ 4,657,996	\$ 10,484,737	\$ -	\$ 1,584,132	\$ 16,726,865
Fuel sales	-	-	401,737	-	401,737
Rentals and leases	-	-	584,320	-	584,320
Miscellaneous	<u>167,621</u>	<u>195,296</u>	<u>-</u>	<u>14,961</u>	<u>377,878</u>
Total operating revenues	<u>4,825,617</u>	<u>10,680,033</u>	<u>986,057</u>	<u>1,599,093</u>	<u>18,090,800</u>
<b>OPERATING EXPENSES</b>					
Personnel services	1,274,885	731,843	495,768	-	2,502,496
Materials and supplies	816,476	493,338	348,013	-	1,657,827
Contractual services	604,791	5,591,786	239,730	1,433,208	7,869,515
Depreciation	<u>604,535</u>	<u>123,017</u>	<u>513,928</u>	<u>-</u>	<u>1,241,480</u>
Total operating expenses	<u>3,300,687</u>	<u>6,939,984</u>	<u>1,597,439</u>	<u>1,433,208</u>	<u>13,271,318</u>
<b>OPERATING INCOME (LOSS)</b>					
	<u>1,524,930</u>	<u>3,740,049</u>	<u>(611,382)</u>	<u>165,885</u>	<u>4,819,482</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	216,178	64,422	(285)	11,208	291,523
Interest expense	<u>(140,886)</u>	<u>(4,862)</u>	<u>(1,856)</u>	<u>-</u>	<u>(147,604)</u>
Total nonoperating revenues (expenses)	<u>75,292</u>	<u>59,560</u>	<u>(2,141)</u>	<u>11,208</u>	<u>143,919</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>					
	<u>1,600,222</u>	<u>3,799,609</u>	<u>(613,523)</u>	<u>177,093</u>	<u>4,963,401</u>
Capital contributions - Intergovernmental	17,500	-	90,902	-	108,402
Transfers in	825,312	-	-	-	825,312
Transfers out	<u>(2,457,704)</u>	<u>(3,012,488)</u>	<u>(72,341)</u>	<u>(174,356)</u>	<u>(5,716,889)</u>
Total capital contributions and transfers	<u>(1,614,892)</u>	<u>(3,012,488)</u>	<u>18,561</u>	<u>(174,356)</u>	<u>(4,783,175)</u>
<b>CHANGE IN NET POSITION</b>					
	<u>(14,670)</u>	<u>787,121</u>	<u>(594,962)</u>	<u>2,737</u>	<u>180,226</u>
<b>TOTAL NET POSITION, BEGINNING</b>					
	<u>15,634,958</u>	<u>3,977,972</u>	<u>14,393,502</u>	<u>474,786</u>	<u>34,481,218</u>
<b>TOTAL NET POSITION, ENDING</b>					
	<u>\$ 15,620,288</u>	<u>\$ 4,765,093</u>	<u>\$ 13,798,540</u>	<u>\$ 477,523</u>	<u>\$ 34,661,444</u>

**CITY OF HONDO, TEXAS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 4,746,809	\$ 9,923,684	\$ 1,067,468	\$ 1,461,099	\$ 17,199,060
Cash paid to employees	(1,016,351)	(586,381)	(412,876)	-	(2,015,608)
Cash paid to suppliers for goods and services	<u>(1,249,727)</u>	<u>(5,992,707)</u>	<u>(587,967)</u>	<u>(1,431,240)</u>	<u>(9,261,641)</u>
Net cash provided (used) by operating activities	<u>2,480,731</u>	<u>3,344,596</u>	<u>66,625</u>	<u>29,859</u>	<u>5,921,811</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from capital related debt	-	180,000	-	-	180,000
Capital grants	17,500	-	90,902	-	108,402
Principal repayment on long-term debt	(480,947)	(75,000)	(29,462)	-	(585,409)
Interest and related fees paid on long-term debt	<u>(142,432)</u>	<u>(4,173)</u>	<u>(1,895)</u>	<u>-</u>	<u>(148,500)</u>
Acquisition and construction of capital assets	<u>(943,312)</u>	<u>(13,800)</u>	<u>(598,940)</u>	<u>-</u>	<u>(1,556,052)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,549,191)</u>	<u>87,027</u>	<u>(539,395)</u>	<u>-</u>	<u>(2,001,559)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received on investments and cash equivalents	216,178	64,422	(285)	11,208	291,523
Net cash provided (used) by investing activities	<u>216,178</u>	<u>64,422</u>	<u>(285)</u>	<u>11,208</u>	<u>291,523</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Payments in lieu of taxes and transfers	(1,632,392)	(3,012,488)	526,499	(174,356)	(4,292,737)
Net cash provided (used) by noncapital financing activities	<u>(1,632,392)</u>	<u>(3,012,488)</u>	<u>526,499</u>	<u>(174,356)</u>	<u>(4,292,737)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(484,674)</b>	<b>483,557</b>	<b>53,444</b>	<b>(133,289)</b>	<b>(80,962)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>5,677,655</b>	<b>1,137,116</b>	<b>-</b>	<b>600,640</b>	<b>7,415,411</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 5,192,981</b>	<b>\$ 1,620,673</b>	<b>\$ 53,444</b>	<b>\$ 467,351</b>	<b>\$ 7,334,449</b>

**CITY OF HONDO, TEXAS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
(Continued)**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income	\$ 1,524,930	\$ 3,740,049	\$ (611,382)	\$ 165,885	\$ 4,819,482
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	604,535	123,017	513,928	-	1,241,480
(Increase) decrease in:					
Accounts receivable	(82,828)	(771,138)	(345)	(137,994)	(992,305)
Interest receivable	-	-	371	-	371
Lease receivable	-	-	200,845	-	200,845
Inventories	65,976	(6,984)	27,139	-	86,131
Deferred outflows of resources	(202,841)	(108,636)	(64,414)	-	(375,891)
Increase (decrease) in:					
Accounts payable	105,564	99,401	(27,363)	1,968	179,570
Accrued liabilities	(1,741)	2,353	(692)	-	(80)
Unearned revenue	-	3,739	107,870	-	111,609
Customer deposits	4,020	11,050	-	-	15,070
Deferred inflows of resources	(130,637)	(86,551)	(279,955)	-	(497,143)
Net OPEB liability	(14,076)	(12,839)	(8,027)	-	(34,942)
Net pension liability	612,309	349,226	208,746	-	1,170,281
Compensated absences	(4,480)	1,909	(96)	-	(2,667)
Total adjustments	<u>955,801</u>	<u>(395,453)</u>	<u>678,007</u>	<u>(136,026)</u>	<u>1,102,329</u>
Net cash provided by operating activities	<u><u>\$ 2,480,731</u></u>	<u><u>\$ 3,344,596</u></u>	<u><u>\$ 66,625</u></u>	<u><u>\$ 29,859</u></u>	<u><u>\$ 5,921,811</u></u>

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## CITY OF HONDO, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### A. Reporting Entity

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

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

##### **Blended Component Unit**

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

##### B. Government-wide Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

### **Governmental Funds**

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

The City reports the following major governmental funds:

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

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

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

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

### **Proprietary Funds**

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

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

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

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

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

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

### **1. Cash and cash equivalents and restricted cash**

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

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

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

Restricted cash reported in the Water and Sewer Fund represents unspent 2017 Series bond proceeds, which are restricted for 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, 2022 and past due after January 31, 2023. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectibles in the General and Debt Service funds.

Assessed values are established by the Medina County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2022, upon which the fiscal 2023 levy was based, was \$424 million (i.e., market value less exemptions). The estimated market value was \$538 million, making the taxable value 79% 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 taxvalue. The City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

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

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

#### 4. *Inventories and Prepaid Items*

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

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

#### 5. *Capital Assets*

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

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

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

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

#### 6. *Deferred Inflows and Outflows of Resources*

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

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

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

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

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

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

#### 7. *Compensated Absences*

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

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

#### 8. *Long-term Debt*

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

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

## 9. Leases

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

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

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

## 10. Pensions

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

## 11. Other Postemployment Benefits (OPEB)

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

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

## 12. Fund Balance Classification

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

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

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

#### *13. Fund balance flow assumptions*

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

#### *14. Net position flow assumption*

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

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Compliance**

For the year ended September 30, 2023, expenditures exceeded appropriations in the following funds:

- General Fund – General Government – Administration and Blue Santa by \$74,251 and \$1,083, respectively

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, 2023, the carrying amount of the City's deposits were fully collateralized.

#### B. Investments

The City's investments at September 30, 2023 consist of \$8,194,670 in certificates of deposit covered by pledged securities from the City's depository. The certificates are reported at amortized cost.

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

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

### IV. RECEIVABLES

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

	General	Economic Development	Nonmajor Governmental	Total
Property Taxes	\$ 105,553	\$ -	\$ 38,670	\$ 144,223
Sales and Mixed Beverage	233,652	116,498	-	350,150
Franchise Fees	17,011	-	-	17,011
Hotel Occupancy	-	-	29,843	29,843
Court Fines	558,261	-	-	558,261
Gross Receivables	20,980	-	27,441	48,421
Less Allowance for Uncollectibles	(541,324)	-	(14,245)	(555,569)
Total	<u>\$ 394,133</u>	<u>\$ 116,498</u>	<u>\$ 81,709</u>	<u>\$ 592,340</u>

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

	Water and Sewer	Electric Utility	Airport	Sanitation	Total
Sales Taxes	\$ -	\$ 37,639	\$ -	\$ 9,555	\$ 47,194
Customer Charges	1,336,551	3,189,304	111,120	150,470	4,787,445
Gross Receivables	113	23,700	-	-	23,813
Less Allowance for Uncollectibles	(62,925)	(191,739)	(24,530)	(22,031)	(301,225)
Total	<u>\$ 1,273,739</u>	<u>\$ 3,058,904</u>	<u>\$ 86,590</u>	<u>\$ 137,994</u>	<u>\$ 4,557,227</u>

#### Leases Receivable

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

A summary of the City's lease receivables as of September 30, 2023 is as follows:

Purpose of Lease	Interest Rate	Amount of Initial Lease Receivable	Interest	Reductions	Amounts Receivable
			Current Year	Current Year	9/30/23
<b>Right to Use:</b>					
Land	0.632%-1.8710%	\$ 394,799	\$ 2,812	\$ 66,395	\$ 262,607
Buildings	0.213%-1.8710%	3,974,885	<u>64,302</u>	<u>183,165</u>	<u>3,673,822</u>
<b>Totals</b>			<u>\$ 67,114</u>	<u>\$ 249,560</u>	<u>\$ 3,936,429</u>

Future principal and interest to be received are as follows:

Year Ending September 30,	Principal	Interest
2024	\$ 254,498	\$ 63,911
2025	233,747	60,688
2026	236,986	57,449
2027	173,624	54,160
2028	176,545	51,239
2029-2033	917,047	210,702
2034-2038	950,938	131,741
2039-2043	471,287	66,309
2043-2048	366,391	32,225
2049-2050	<u>155,366</u>	<u>3,031</u>
<b>Total</b>	<u>\$ 3,936,429</u>	<u>\$ 731,455</u>

## V. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

<b>Primary Government</b>	Beginning Balance	Additions	Transfers and Retirements	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 628,148	\$ -	\$ -	\$ 628,148
Construction in progress	<u>14,540</u>	<u>416,145</u>	<u>-</u>	<u>430,685</u>
Total assets not being depreciated	<u>642,688</u>	<u>416,145</u>	<u>-</u>	<u>1,058,833</u>
Capital assets, being depreciated:				
Buildings and improvements	10,526,618	-	-	10,526,618
Infrastructure	17,971,220	-	-	17,971,220
Vehicles and equipment	3,554,975	655,714	(137,134)	4,073,555
Right to use - vehicles and equipment	<u>129,342</u>	<u>-</u>	<u>(5,844)</u>	<u>123,498</u>
Total capital assets being depreciated	<u>32,182,155</u>	<u>655,714</u>	<u>(142,978)</u>	<u>32,694,891</u>
Less accumulated depreciation:				
Buildings and improvements	(3,748,017)	(265,077)	-	(4,013,094)
Infrastructure	(12,437,867)	(448,641)	-	(12,886,508)
Vehicles and equipment	(2,606,777)	(278,919)	137,134	(2,748,562)
Right to use - vehicles and equipment	<u>(37,180)</u>	<u>(40,747)</u>	<u>5,844</u>	<u>(72,083)</u>
Total accumulated depreciation	<u>(18,829,841)</u>	<u>(1,033,384)</u>	<u>142,978</u>	<u>(19,720,247)</u>
Total capital assets being depreciated, net	<u>13,352,314</u>	<u>(377,670)</u>	<u>-</u>	<u>12,974,644</u>
Governmental activities capital assets, net	<u>\$ 13,995,002</u>	<u>\$ 38,475</u>	<u>\$ -</u>	<u>\$ 14,033,477</u>

	Beginning Balance	Additions	Adjustments/ Reclassifications	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,284,349	\$ 100	\$ -	\$ 2,284,449
Water rights	199,541	-	-	199,541
Construction in progress	1,374,723	1,443,402	-	2,818,125
Total assets not being depreciated	<u>3,858,613</u>	<u>1,443,502</u>	<u>-</u>	<u>5,302,115</u>
Capital assets, being depreciated:				
Buildings and improvements	19,164,586	-	-	19,164,586
Infrastructure	27,976,510	-	-	27,976,510
Vehicles and equipment	2,696,731	112,550	-	2,809,281
Right to use	70,033	-	-	70,033
Total capital assets being depreciated	<u>49,907,860</u>	<u>112,550</u>	<u>-</u>	<u>50,020,410</u>
Less accumulated depreciation:				
Buildings and improvements	(8,291,531)	(448,560)	-	(8,740,091)
Infrastructure	(13,256,931)	(521,792)	-	(13,778,723)
Vehicles and equipment	(1,683,438)	(254,980)	-	(1,938,418)
Right to use	(14,529)	(16,148)	-	(30,677)
Total accumulated depreciation	<u>(23,246,429)</u>	<u>(1,241,480)</u>	<u>-</u>	<u>(24,487,909)</u>
Total capital assets being depreciated, net	<u>26,661,431</u>	<u>(1,128,930)</u>	<u>-</u>	<u>25,532,501</u>
Business-type activities capital assets, net	<u>\$ 30,520,044</u>	<u>\$ 314,572</u>	<u>\$ -</u>	<u>\$ 30,834,616</u>

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

Governmental activities:			
General government		\$ 223,078	
Public safety		136,668	
Public works		486,334	
Culture and recreation		<u>187,304</u>	
Total depreciation expense - governmental activities		<u>\$ 1,033,384</u>	
Business-type activities:			
Electric utility		\$ 123,017	
Water and sewer		604,535	
Airport		<u>513,928</u>	
Total depreciation expense - business-type activities		<u>\$ 1,241,480</u>	

## VI. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2023, is as follows:

### Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 12,079
General	Airport	69,039
Economic Development	Airport	<u>598,840</u>
		<u>\$ 679,958</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, 2023 were as follows:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Economic Development	\$ 30,000	EDC IT
General Fund	Nonmajor	20,000	Cemetery maintenance
General Fund	Water & Sewer	2,457,704	General administration
General Fund	Electric Utility	3,012,488	General administration
General Fund	Airport	72,341	General administration
General Fund	Sanitation	174,356	General administration
Nonmajor	Economic Development	143,472	Debt Service & Administration
Nonmajor	Nonmajor	35,625	General administration
Water and Sewer	American Rescue Plan	<u>825,312</u>	Grant related
		<u>\$ 6,771,298</u>	

## **VII. LONG-TERM LIABILITIES**

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2023:

	Balance 9/30/2022		Increases		Reductions		Balance 9/30/2023		Due Within One Year
<b>Governmental activities:</b>									
General obligation bonds -									
Private placement	\$ 1,067,090		\$ -		\$ (219,620)		\$ 847,470		\$ 234,030
Certificates of obligation -									
Private placement	4,820,000				-	(140,000)	4,680,000		150,000
Sales tax refunding bonds	550,000				-	(65,000)	485,000		65,000
Bond premium	320,942				-	(16,892)	304,050		-
Tax maintenance notes	685,000		1,275,000			(115,000)	1,845,000		180,000
Leases	91,534				-	(40,481)	51,053		35,813
Compensated absences	109,994		73,384			(98,301)	85,077		17,015
Total governmental long-term liabilities	<u>\$ 7,644,560</u>		<u>\$ 1,348,384</u>			<u>\$ (695,294)</u>	<u>\$ 8,297,650</u>		<u>\$ 681,858</u>
<b>Business-type activities:</b>									
General obligation bonds -									
Private placement	\$ 925,910		\$ -		\$ (179,380)		\$ 746,530		\$ 181,970
Certificates of obligation -									
Private placement	5,125,000				-	(365,000)	4,760,000		320,000
Tax maintenance notes	-		180,000			(25,000)	155,000		25,000
Leases	55,552				-	(16,029)	39,523		16,153
Compensated absences	20,111		14,251			(16,918)	17,444		3,489
Total business-type long-term liabilities	<u>\$ 6,126,573</u>		<u>\$ 194,251</u>			<u>\$ (602,327)</u>	<u>\$ 5,718,497</u>		<u>\$ 546,612</u>

### **Accrued Compensated Absences**

Accrued compensated absences are payable from the fund responsible for the employee's compensation. The liability attributed to governmental activities at September 30, 2023, 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.

*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 is to be paid by the water/sewer utility fund. The bonds matured serially through February 1, 2023 and bear interest at rates between 0.38% and 1.86%. These bonds were privately placed through the Texas Water Development Board and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

#### *General Obligation Refunding Bonds, Series 2014*

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

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

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

#### *General Obligation Refunding Bonds, Series 2016*

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

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

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

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

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

#### *Sales Tax Revenue Refunding Bonds, Taxable Series 2021*

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

*Tax Maintenance Notes, Series 2022*

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

*Tax Maintenance Notes, Series 2022A*

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

*Changes in Bonds Payable*

	Balance 9/30/2022	Increases	Reductions	Balance 9/30/2023	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable					
2014 Series - private placement	\$ 342,090	\$ -	\$ (109,620)	\$ 232,470	\$ 114,030
2015 Series - private placement	1,150,000	-	(75,000)	1,075,000	75,000
2016 Series - private placement	725,000	-	(110,000)	615,000	120,000
2021 Series - private placement	4,220,000	-	(130,000)	4,090,000	140,000
2022 Series - private placement	685,000	-	(90,000)	595,000	95,000
2022A Series - private placement	-	-	(25,000)	1,250,000	85,000
Total governmental activities	<u>\$ 7,122,090</u>	<u>\$ 1,275,000</u>	<u>\$ (539,620)</u>	<u>\$ 7,857,470</u>	<u>\$ 629,030</u>
<b>Business-type activities:</b>					
Bonds payable					
2013 Series - private placement	\$ 50,000	\$ -	\$ (50,000)	\$ -	\$ -
2014 Series - private placement	200,910	-	(64,380)	136,530	66,970
2015 Series - private placement	1,000,000	-	(65,000)	935,000	65,000
2016 Series - private placement	725,000	-	(115,000)	610,000	115,000
2017 Series - private placement	4,075,000	-	(250,000)	3,825,000	255,000
2022A Series - private placement	-	-	(25,000)	155,000	25,000
Total business-type activities	<u>\$ 6,050,910</u>	<u>\$ 180,000</u>	<u>\$ (569,380)</u>	<u>\$ 5,661,530</u>	<u>\$ 526,970</u>

The annual requirements to amortize all private placement long-term debt and obligations outstanding as of September 30, 2023, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities - Private Placement		
	Principal	Interest	
2024	\$ 629,030	\$ 212,183	
2025	703,440	196,437	
2026	805,000	176,931	
2027	1,035,000	162,542	
2028	640,000	133,766	
2029-2033	1,915,000	456,832	
2034-2038	1,355,000	215,742	
2039-2041	775,000	35,325	
Total	<u>\$ 7,857,470</u>	<u>\$ 1,589,758</u>	

Year Ending September 30,	Business-type Activities - Private Placement	
	Principal	Interest
2024	\$ 526,970	\$ 143,861
2025	539,560	132,687
2026	545,000	121,027
2027	560,000	56,550
2028	375,000	102,129
2029-2033	1,930,000	365,462
2034-2036	1,185,000	91,907
Total	<u>\$ 5,661,530</u>	<u>\$ 1,013,623</u>

### **Leases Payable**

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

A summary of the governmental and business-type lease payables as of September 30, 2023, is as follows:

Purpose of Lease - Governmental	Interest	Initial	Amount	Interest	Amounts
	Rate	Year of Lease	of Initial Lease Liability	Current Year	Outstanding 9/30/23
<b>Right to Use:</b>					
NeoPost Mail Sorter	0.248%	2021	\$ 5,844	\$ 2	\$ -
NeoPost Postage Machine	0.328%	2021	7,190	14	3,091
Xerox Printers/ Copiers	2.093%	2022	36,985	593	23,436
Xerox Large Format Printer	0.248%	2021	5,985	4	-
Golf Cart	0.328%	2021	73,339	<u>124</u>	<u>24,526</u>
<b>Totals</b>				<u>\$ 737</u>	<u>\$ 51,053</u>
Purpose of Lease - Business-type	Interest	Initial	Amount	Interest	Amounts
	Rate	Year of Lease	of Initial Lease Liability	Current Year	Outstanding 9/30/23
<b>Right to Use:</b>					
Airport Refueler	0.475%	2021	\$ 55,704	\$ 280	\$ 31,711
Xerox Printers/ Copiers	2.093%	2022	12,328	<u>103</u>	<u>7,812</u>
<b>Totals</b>				<u>\$ 383</u>	<u>\$ 39,523</u>

A lease payments maturity are as follows:

Year Ending September 30,	Governmental Activities - Leases	
	Principal	Interest
2024	\$ 35,813	\$ 454
2025	10,455	209
2026	<u>4,785</u>	<u>29</u>
<b>Total</b>	<u>\$ 51,053</u>	<u>\$ 692</u>
Business-type Activities - Leases		
Year Ending September 30,	Business-type Activities - Leases	
	Principal	Interest
2024	\$ 16,153	\$ 256
2025	16,281	129
2026	<u>7,089</u>	<u>16</u>
<b>Total</b>	<u>\$ 39,523</u>	<u>\$ 401</u>

## VIII. DEFINED BENEFIT PENSION PLAN

**Plan Description.** The City participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

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

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

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

### ***Employees covered by benefit terms***

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	81
Inactive employees entitled to but not yet receiving benefits	124
Active employees	<u>114</u>
Total	<u><u>319</u></u>

**Contributions.** The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are 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 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.56% and 13.19% in the calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$711,515, and were equal to the required contributions.

**Net Pension Liability.** The City's net pension liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
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 are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by 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, 2019 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 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
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/(Asset) (a) - (b)
Balance at 12/31/2021	\$ 18,065,788	\$ 18,798,989	\$ (733,201)
Changes for the year:			
Service cost	812,775	-	812,775
Interest	1,320,717	-	1,320,717
Change of benefit terms	1,660,869	-	1,660,869
Difference between expected and actual experience	(55,250)	-	(55,250)
Contributions - employer	-	471,403	(471,403)
Contributions - employee	-	285,784	(285,784)
Net investment income	-	(1,370,937)	1,370,937
Benefit payments, including refunds of employee contributions	(1,133,721)	(1,133,721)	-
Administrative expense	-	(11,875)	11,875
Other changes	-	14,171	(14,171)
Net changes	<u>2,605,390</u>	<u>(1,745,175)</u>	<u>4,350,565</u>
Balance at 12/31/2022	<u>\$ 20,671,178</u>	<u>\$ 17,053,814</u>	<u>\$ 3,617,364</u>

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

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

	1% Decrease in Discount Rate (5.75%)	1% Increase in Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension asset	\$ 6,841,505	\$ 3,617,364	\$ 1,032,101

### **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](http://www.tmrs.com).

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

For the year ended September 30, 2023, the City recognized pension expense of \$2,512,527.

At September 30, 2023, 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	\$ -	\$ 66,704
Difference between projected and actual investment earnings	1,179,003	-
Contributions subsequent to the measurement date	540,846	-
Total	<u>\$ 1,719,849</u>	<u>\$ 66,704</u>

\$540,846 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as an increase of the net pension asset for the year ending September 30, 2024. 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>	
2024	\$ (79)
2025	269,086
2026	315,318
2027	<u>527,974</u>
Total	<u><u>\$ 1,112,299</u></u>

### **Defined Other Post-Employment Benefit Plans**

#### **TMRS Supplemental Death Benefits Fund**

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

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

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

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

Inactive employees or beneficiaries currently receiving benefits	60
Inactive employees entitled to but not yet receiving benefits	18
Active members	114
Total	<u>192</u>

**Contributions.** The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.22% for 2022 and 0.35% for 2023, of which 0.14% and 0.16%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered-employee payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2022 and 2023 were \$6,410 and \$8,520, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	4.05%
Projected salary increases	3.5% to 11.5% including inflation

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

Salary increases were based on a service-related table.

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

The actuarial assumptions used in the December 31, 2022 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 active employees and retirees, and the assets are not segregated for these groups. As such, a single discount rate of 4.05 % 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, 2022.

**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 (4.05%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's total OPEB liability	\$ 371,990	\$ 310,872	\$ 262,991

**OPEB Liability, Expense, and Deferred Outflows of Resources Related to OPEB.** The City's total OPEB liability of \$310,872 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date. For the year ended September 30, 2023, the City recognized OPEB expense of \$15,298. 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**

	<u>Increase (Decrease)</u>
	Total OPEB Liability
	(a)
Balance at 12/31/2021	\$ 451,955
Changes for the year:	
Service cost	24,630
Interest	8,478
Difference between expected and actual experience	(7,381)
Changes of assumptions	(159,773)
Benefit payments	(7,037)
Net changes	<u>(141,083)</u>
Balance at 12/31/2022	<u>\$ 310,872</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 1.84% to 4.05%.

At September 30, 2023, 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	\$ -	\$ 19,068
Changes in actuarial assumptions	49,461	128,899
Contributions subsequent to the measurement date	<u>6,708</u>	-
<b>Total</b>	<b><u>\$ 56,169</u></b>	<b><u>\$ 147,967</u></b>

\$6,708 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts 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>	
2024	\$ (15,479)
2025	(19,453)
2026	(31,485)
2027	<u>(32,089)</u>
<b>Total</b>	<b><u>\$ (98,506)</u></b>

## **IX. EDUCATION FACILITY CORPORATIONS**

On August 6, 2013, the City created the City of Hondo, Texas Higher Education Facilities Corporation (HHEFC), a nonprofit corporation under Section 53.35(b) of The Texas Education code. The HHEFC was established for the purpose of assisting in the financing of accredited primary and secondary schools as provided by state law. In accordance with the terms establishing the nonprofit corporation, the City is not liable for any expenses incurred in establishing or administering the HHEFC. The HHEFC is not consolidated into the financial statements of the City because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards. As of September 30, 2023, the HHEFC had issued three series of bonds:

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

## **X. COMMITMENTS AND CONTINGENCIES**

### Litigation

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

## **XI. RISK MANAGEMENT**

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

## **XII. SIGNIFICANT FORTHCOMING STANDARDS**

The Government Accounting Standards Board (GASB) has amended the existing standards regarding capitalization thresholds for assets. The amended guidance for the capitalization threshold comes from GASB Implementation Guide 2021-1, Question 5.1. Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture and library books are examples of asset types that may not meet a capitalization policy on an individual basis yet could be significantly collectively. In this example, if the \$150,000 aggregate amount (100 computers costing \$1,500 each) is significant, the government should capitalize the computers. The amended guidance is effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

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

*GASB Statement No. 99, Omnibus 2022* – The objective of this Statement is to correct practice issues identified during implementation and application of certain GASB Statements and financial reporting for financial guarantees. There are various effective dates 1.) upon issuance 2.) fiscal years beginning after June 15, 2022 and 3.) fiscal years beginning after June 15, 2023.

*GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

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

## **XIII. SUBSEQUENT EVENTS**

In February 2024, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2024 in the amount of \$11,300,000 with interest rates ranging from 4% to 5% and an effective tax rate of 3.68%. The notes mature serially through February 1, 2044.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF HONDO, TEXAS**

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Property tax	\$ 1,278,219	\$ 1,278,219	\$ 1,312,651	\$ 34,432
Sales tax	1,300,000	1,300,000	1,415,968	115,968
Other taxes	80,000	80,000	82,537	2,537
Licenses and permits	159,000	185,250	274,094	88,844
Intergovernmental	815,420	1,177,318	711,041	(466,277)
Charges for services	404,180	374,180	380,009	5,829
Fines and forfeitures	62,900	62,900	71,452	8,552
Investment income	8,000	158,000	262,278	104,278
Miscellaneous	51,800	51,800	71,484	19,684
Total revenues	<u>4,159,519</u>	<u>4,667,667</u>	<u>4,581,514</u>	<u>(86,153)</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Council	75,325	75,325	69,829	5,496
Administration	619,390	731,190	805,441	(74,251)
Tax	39,599	39,599	39,129	470
Finance	428,217	388,217	350,471	37,746
Code compliance	529,037	554,037	527,659	26,378
City secretary	120,166	120,166	106,911	13,255
Nonprofits	21,880	21,880	18,380	3,500
Human resources	191,280	191,280	147,609	43,671
Information technology	676,397	676,397	554,169	122,228
Grants	815,450	815,450	316,115	499,335
Blue santa	-	-	1,083	(1,083)
Total general government	<u>3,516,741</u>	<u>3,613,541</u>	<u>2,936,796</u>	<u>676,745</u>
Public safety				
Police	2,371,662	2,703,560	2,558,349	145,211
Emergency	46,314	46,314	12,472	33,842
Animal control	176,374	176,374	142,994	33,380
Total public safety	<u>2,594,350</u>	<u>2,926,248</u>	<u>2,713,815</u>	<u>212,433</u>
Judicial				
Municipal court	169,133	169,133	137,449	31,684
Total judicial	<u>169,133</u>	<u>169,133</u>	<u>137,449</u>	<u>31,684</u>
Culture and recreation				
Library	421,750	457,200	369,542	87,658
Parks	799,965	811,965	727,248	84,717
Recreation	723,234	743,234	597,775	145,459
Golf	301,723	315,701	276,372	39,329
Total culture and recreation	<u>2,246,672</u>	<u>2,328,100</u>	<u>1,970,937</u>	<u>357,163</u>
Public works				
Streets	866,804	961,804	868,874	92,930
Buildings and grounds	515,509	515,509	472,733	42,776
Public works administration	291,431	221,431	213,627	7,804
Total public works	<u>1,673,744</u>	<u>1,698,744</u>	<u>1,555,234</u>	<u>143,510</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, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Debt Service				
Principal	\$ -	\$ -	\$ 40,481	\$ (40,481)
Interest	- -	- -	737	(737)
Issuance costs	- -	- -	48,172	(48,172)
Total debt service	- -	- -	89,390	(89,390)
Capital outlay	<u>1,071,853</u>	<u>1,119,168</u>	<u>422,624</u>	<u>696,544</u>
Total expenditures	<u>11,272,493</u>	<u>11,854,934</u>	<u>9,826,245</u>	<u>2,028,689</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(7,112,974)</u>	<u>(7,187,267)</u>	<u>(5,244,731)</u>	<u>1,942,536</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,877,142	5,877,142	5,766,889	(110,253)
Issuance of debt	1,236,828	1,334,143	1,275,000	(59,143)
Insurance recoveries	- -	25,000	26,759	1,759
Total other financing sources (uses)	<u>7,113,970</u>	<u>7,236,285</u>	<u>7,068,648</u>	<u>(167,637)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>996</u>	<u>49,018</u>	<u>1,823,917</u>	<u>1,774,899</u>
<b>FUND BALANCES, BEGINNING</b>	<u>4,654,666</u>	<u>4,654,666</u>	<u>4,654,666</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 4,655,662</u>	<u>\$ 4,703,684</u>	<u>\$ 6,478,583</u>	<u>\$ 1,774,899</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, 2023

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

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. Additional years will be added in the future as the information becomes available.

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

**CITY OF HONDO, TEXAS**

**SCHEDULE OF PENSION CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

**Notes to Schedule of Contributions**

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31<sup>st</sup> 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	23 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information	Increased member contribution rate from 5% to 7%.

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. Additional years will be added in the future as the information becomes available.

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 409,452	\$ 381,972	\$ 378,922	\$ 455,991	\$ 383,135	\$ 711,515
<u>409,452</u>	<u>381,972</u>	<u>378,922</u>	<u>455,991</u>	<u>383,135</u>	<u>711,515</u>
-	-	-	-	-	-
4,586,352	4,482,180	4,587,930	5,481,700	4,720,058	5,486,528
8.93%	8.52%	8.26%	8.32%	8.12%	12.97%

**CITY OF HONDO, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

**Notes to Schedule:**

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

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

	<b>2020</b>	<b>2021</b>	<b>2022</b>
\$	18,787	21,440	24,630
	9,676	8,731	8,478
	(1,748)	(15,481)	(7,381)
	60,898	14,425	(159,773)
	(2,472)	(5,983)	(7,037)
	85,141	23,132	(141,083)
	343,682	428,823	451,955
<u>\$</u>	<u>428,823</u>	<u>\$ 451,955</u>	<u>\$ 310,872</u>
\$	4,944,033	\$ 4,986,101	\$ 5,026,435
	8.67%	9.06%	6.18%

**CITY OF HONDO, TEXAS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2023

**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 are exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

## **COMBINING AND INDIVIDUAL STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **DEBT SERVICE FUND**

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

### **SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

### **PERMANENT FUNDS**

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

**CITY OF HONDO, TEXAS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	Special Revenue		
	Debt Service	Seizure & Forfeiture	Unclaimed Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 211,860	\$ 37,650	\$ 18,326
Investments	-	-	-
Receivables:			
Taxes	24,425	-	-
Accounts, net	-	-	-
Restricted cash and investments	-	-	-
Total assets	236,285	37,650	18,326
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable	-	1,995	16,307
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	33,295	-
Total liabilities	-	35,290	16,307
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	23,026	-	-
Total deferred inflows of resources	23,026	-	-
<b>FUND BALANCES</b>			
Nonspendable:			
Perpetual Care Trust	-	-	-
Restricted:			
Debt service	213,259	-	-
Police department	-	2,360	-
Tourism development	-	-	-
Community programs	-	-	-
Committed for:			
South TX regional training center	-	-	-
Other	-	-	2,019
Total fund balances	213,259	2,360	2,019
Total liabilities, deferred inflows of resources and fund balances	\$ 236,285	\$ 37,650	\$ 18,326

Special Revenue				Permanent Fund		Total Other Governmental Funds
STRTC Fund	Hotel Tax	Fair Hall & Livestock	Perpetual Care			
\$ 278,397	\$ 158,092	\$ 40,677	\$ 71,026	\$ 6,515	\$ 816,028	\$ 6,515
-	-	-	-	-	24,425	
27,441	29,843	-	-	-	57,284	
-	-	-	502,229		502,229	
<u>305,838</u>	<u>187,935</u>	<u>40,677</u>	<u>579,770</u>		<u>1,406,481</u>	
4,953	-	1,091	-	-	24,346	
1,316	-	1,280	-	-	2,596	
-	-	-	12,079		12,079	
<u>12,442</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>45,737</u>	
<u>18,711</u>	<u>-</u>	<u>2,371</u>	<u>12,079</u>		<u>84,758</u>	
-	-	-	-	-	23,026	
-	-	-	-	-	23,026	
-	-	-	567,691		567,691	
-	-	-	-	-	213,259	
-	-	-	-	-	2,360	
-	187,935	-	-	-	187,935	
-	-	38,306	-	-	38,306	
287,127	-	-	-	-	287,127	
-	-	-	-	-	2,019	
<u>287,127</u>	<u>187,935</u>	<u>38,306</u>	<u>567,691</u>		<u>1,298,697</u>	
<u>\$ 305,838</u>	<u>\$ 187,935</u>	<u>\$ 40,677</u>	<u>\$ 579,770</u>		<u>\$ 1,406,481</u>	

**CITY OF HONDO, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Special Revenue</u>		
	Debt Service	Seizure & Forfeiture	Unclaimed Funds
<b>REVENUES</b>			
Property tax	\$ 645,844	\$ -	\$ -
Other taxes	-	-	-
Charges for services	-	-	-
Investment income (loss)	1,507	29	-
Miscellaneous	-	68	-
Total revenues	<u>647,351</u>	<u>97</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	17	-
Public safety	-	3,447	-
Culture and recreation	-	-	-
Debt service:			
Principal	539,620	-	-
Interest	223,786	-	-
Total expenditures	<u>763,406</u>	<u>3,464</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(116,055)</u>	<u>(3,367)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	130,972	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>130,972</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>14,917</u>	<u>(3,367)</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING</b>	<u>198,342</u>	<u>5,727</u>	<u>2,019</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 213,259</u>	<u>\$ 2,360</u>	<u>\$ 2,019</u>

Special Revenue			Permanent Fund		Total Other Governmental Funds
STRTC Fund	Hotel Tax	Fair Hall & Livestock	Perpetual Care		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 645,844
		110,037			110,037
131,545		-	29,607	12,200	173,352
(105)	1,000		121	9,453	12,005
-	-	2,843		-	2,911
<u>131,440</u>	<u>111,037</u>	<u>32,571</u>	<u>21,653</u>		<u>944,149</u>
109,624	81,690	-	538	191,869	
-	-	-	-	3,447	
-	-	54,753	-	54,753	
-	-	-	-	539,620	
-	-	-	-	223,786	
<u>109,624</u>	<u>81,690</u>	<u>54,753</u>	<u>538</u>		<u>1,013,475</u>
21,816	29,347	(22,182)	21,115	(69,326)	
12,500	-	35,625	-	179,097	
-	(35,625)	-	(20,000)	(55,625)	
<u>12,500</u>	<u>(35,625)</u>	<u>35,625</u>	<u>(20,000)</u>	<u>123,472</u>	
34,316	(6,278)	13,443	1,115	54,146	
<u>252,811</u>	<u>194,213</u>	<u>24,863</u>	<u>566,576</u>	<u>1,244,551</u>	
<u>\$ 287,127</u>	<u>\$ 187,935</u>	<u>\$ 38,306</u>	<u>\$ 567,691</u>	<u>\$ 1,298,697</u>	

**CITY OF HONDO, TEXAS**

ECONOMIC DEVELOPMENT FUND  
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Sales tax	\$ 525,000	\$ 635,000	\$ 708,001	\$ 73,001
Investment income	2,500	92,500	93,227	727
Total revenues	<u>527,500</u>	<u>727,500</u>	<u>801,228</u>	<u>73,728</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Economic development	180,539	534,543	217,974	316,569
Total general government	<u>180,539</u>	<u>534,543</u>	<u>217,974</u>	<u>316,569</u>
Total expenditures	<u>180,539</u>	<u>534,543</u>	<u>217,974</u>	<u>316,569</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>346,961</u>	<u>192,957</u>	<u>583,254</u>	<u>390,297</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(213,472)	(213,472)	(173,472)	40,000
Total other financing sources (uses)	<u>(213,472)</u>	<u>(213,472)</u>	<u>(173,472)</u>	<u>40,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	133,489	(20,515)	409,782	430,297
<b>FUND BALANCES, BEGINNING</b>	<u>2,914,574</u>	<u>2,914,574</u>	<u>2,914,574</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 3,048,063</u>	<u>\$ 2,894,059</u>	<u>\$ 3,324,356</u>	<u>\$ 430,297</u>

**CITY OF HONDO, TEXAS**

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Property tax	\$ 620,260	\$ 620,260	\$ 645,844	\$ 25,584
Investment income	-	-	1,507	1,507
Total revenues	<u>620,260</u>	<u>620,260</u>	<u>647,351</u>	<u>27,091</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	1,119,000	1,119,000	539,620	579,380
Interest	384,586	384,586	223,786	160,800
Total expenditures	<u>1,503,586</u>	<u>1,503,586</u>	<u>763,406</u>	<u>740,180</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(883,326)</u>	<u>(883,326)</u>	<u>(116,055)</u>	<u>767,271</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	883,326	883,326	130,972	(752,354)
Total other financing sources and uses	<u>883,326</u>	<u>883,326</u>	<u>130,972</u>	<u>(752,354)</u>
<b>NET CHANGES IN FUND BALANCE</b>	-	-	14,917	14,917
<b>FUND BALANCE, BEGINNING</b>	<u>198,342</u>	<u>198,342</u>	<u>198,342</u>	-
<b>FUND BALANCE, ENDING</b>	<u>\$ 198,342</u>	<u>\$ 198,342</u>	<u>\$ 213,259</u>	<u>\$ 14,917</u>

**CITY OF HONDO, TEXAS**

PERPETUAL CARE  
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for services	\$ 20,000	\$ 20,000	\$ 12,200	\$ (7,800)
Investment income	<u>1,000</u>	<u>1,000</u>	<u>9,453</u>	<u>8,453</u>
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>21,653</u>	<u>653</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Perpetual care	1,000	1,000	538	462
Total general government	<u>1,000</u>	<u>1,000</u>	<u>538</u>	<u>462</u>
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>538</u>	<u>462</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>20,000</u>	<u>20,000</u>	<u>21,115</u>	<u>1,115</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	1,115	1,115
<b>FUND BALANCES, BEGINNING</b>	<u>566,576</u>	<u>566,576</u>	<u>566,576</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 546,576</u>	<u>\$ 546,576</u>	<u>\$ 567,691</u>	<u>\$ 21,115</u>

**CITY OF HONDO, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for services	\$ 102,300	\$ 102,300	\$ 131,545	\$ 29,245
Investment income	-	-	(105)	(105)
Total revenues	<u>102,300</u>	<u>102,300</u>	<u>131,440</u>	<u>29,140</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Supplies	83,228	83,228	85,514	(2,286)
Services	<u>31,572</u>	<u>31,572</u>	<u>24,110</u>	<u>7,462</u>
Total expenditures	<u>114,800</u>	<u>114,800</u>	<u>109,624</u>	<u>5,176</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(12,500)</u>	<u>(12,500)</u>	<u>21,816</u>	<u>34,316</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	12,500	12,500	12,500	-
Total other financing sources and uses	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING</b>	<u>252,811</u>	<u>252,811</u>	<u>252,811</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 265,311</u>	<u>\$ 265,311</u>	<u>\$ 287,127</u>	<u>\$ 21,816</u>

**CITY OF HONDO, TEXAS**

HOTEL TAX FUND  
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Occupancy tax	\$ 135,000	\$ 135,000	\$ 110,037	\$ (24,963)
Investment income	-	-	1,000	1,000
Total revenues	<u>135,000</u>	<u>135,000</u>	<u>111,037</u>	<u>(24,963)</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Administration	87,500	87,500	81,690	5,810
Total general government	<u>87,500</u>	<u>87,500</u>	<u>81,690</u>	<u>5,810</u>
Total expenditures	<u>87,500</u>	<u>87,500</u>	<u>81,690</u>	<u>5,810</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>47,500</u>	<u>47,500</u>	<u>29,347</u>	<u>(18,153)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(47,500)	(47,500)	(35,625)	(11,875)
Total other financing sources and uses	<u>(47,500)</u>	<u>(47,500)</u>	<u>(35,625)</u>	<u>(11,875)</u>
<b>FUND BALANCES, BEGINNING</b>	<u>194,213</u>	<u>194,213</u>	<u>194,213</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 99,213</u>	<u>\$ 99,213</u>	<u>\$ 187,935</u>	<u>\$ 88,722</u>

## **STATISTICAL SECTION**

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## STATISTICAL SECTION

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

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

**CITY OF HONDO, TEXAS**

**NET POSITION BY COMPONENT**

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

	Fiscal Year			
	2023	2022	2021	2020
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 9,524,233	\$ 10,625,513	\$ 11,515,548	\$ 11,284,765
Restricted	5,511,980	3,900,145	4,636,555	3,650,503
Unrestricted	<u>4,226,056</u>	<u>4,977,836</u>	<u>2,721,525</u>	<u>3,020,122</u>
Total governmental activities net position	<u><u>\$ 19,262,269</u></u>	<u><u>\$ 19,503,494</u></u>	<u><u>\$ 18,873,628</u></u>	<u><u>\$ 17,955,390</u></u>
<b>Business-type activities:</b>				
Net investment in capital assets	\$ 25,483,563	\$ 24,672,346	\$ 25,962,052	\$ 25,744,316
Restricted	-	-	-	-
Unrestricted	<u>9,177,881</u>	<u>9,808,872</u>	<u>6,446,787</u>	<u>5,148,307</u>
Total business-type activities net position	<u><u>\$ 34,661,444</u></u>	<u><u>\$ 34,481,218</u></u>	<u><u>\$ 32,408,839</u></u>	<u><u>\$ 30,892,623</u></u>
<b>Primary government:</b>				
Net investment in capital assets	\$ 35,007,796	\$ 35,297,859	\$ 37,477,600	\$ 37,029,081
Restricted	5,511,980	3,900,145	4,636,555	3,650,503
Unrestricted	<u>13,403,937</u>	<u>14,786,708</u>	<u>9,168,312</u>	<u>8,168,429</u>
Total primary government net position	<u><u>\$ 53,923,713</u></u>	<u><u>\$ 53,984,712</u></u>	<u><u>\$ 51,282,467</u></u>	<u><u>\$ 48,848,013</u></u>

Source: Annual Comprehensive Financial Reports

**TABLE 1**

Fiscal Year						
2019	2018	2017	2016	2015	2014	
\$ 11,207,516	\$ 9,422,569	\$ 8,182,720	\$ 7,122,538	\$ 6,850,373	\$ 8,339,222	
3,321,276	3,645,681	2,697,464	3,880,549	3,185,244	1,415,138	
<u>2,006,771</u>	<u>989,918</u>	<u>2,009,275</u>	<u>1,332,046</u>	<u>1,254,484</u>	<u>1,275,488</u>	
<u><b>\$ 16,535,563</b></u>	<u><b>\$ 14,058,168</b></u>	<u><b>\$ 12,889,459</b></u>	<u><b>\$ 12,335,133</b></u>	<u><b>\$ 11,290,101</b></u>	<u><b>\$ 11,029,848</b></u>	
\$ 25,074,025	\$ 24,902,646	\$ 23,843,466	\$ 25,154,199	\$ 23,941,373	\$ 23,910,599	
-	-	-	-	-	210,020	
<u>4,031,012</u>	<u>2,555,856</u>	<u>2,693,999</u>	<u>1,260,092</u>	<u>1,417,576</u>	<u>1,099,641</u>	
<u><b>\$ 29,105,037</b></u>	<u><b>\$ 27,458,502</b></u>	<u><b>\$ 26,537,465</b></u>	<u><b>\$ 26,414,291</b></u>	<u><b>\$ 25,358,949</b></u>	<u><b>\$ 25,220,260</b></u>	
\$ 36,281,541	\$ 34,325,215	\$ 32,026,186	\$ 32,276,737	\$ 30,791,746	\$ 32,249,821	
3,321,276	3,645,681	2,697,464	3,880,549	3,185,244	1,625,158	
<u>6,037,783</u>	<u>3,545,774</u>	<u>4,703,274</u>	<u>2,592,138</u>	<u>2,672,060</u>	<u>2,375,129</u>	
<u><b>\$ 45,640,600</b></u>	<u><b>\$ 41,516,670</b></u>	<u><b>\$ 39,426,924</b></u>	<u><b>\$ 38,749,424</b></u>	<u><b>\$ 36,649,050</b></u>	<u><b>\$ 36,250,108</b></u>	

**CITY OF HONDO, TEXAS**

**CHANGES IN NET POSITION**

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

	Fiscal Year			
	2023	2022	2021	2020
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 3,567,400	\$ 2,506,244	\$ 3,106,383	\$ 2,610,975
Public safety	3,089,210	2,275,794	2,198,655	2,094,485
Judicial	156,749	133,103	114,812	100,901
Culture and recreation	2,454,470	1,918,308	1,244,278	1,268,470
Public works	2,446,409	1,779,049	2,472,981	2,477,122
Interest on long-term debt	208,946	179,467	172,059	276,529
Issuance cost	-	55,968	-	-
Total governmental activities expenses	<u>11,923,184</u>	<u>8,847,933</u>	<u>9,309,168</u>	<u>8,828,482</u>
Business-type activities:				
Electric	6,944,846	6,101,439	5,976,797	6,231,640
Water and sewer	3,441,573	2,196,852	2,492,616	2,907,202
Airport	1,599,295	1,373,368	1,202,003	1,311,027
Sanitation	1,433,208	1,349,044	1,287,090	1,331,743
Total business-type activities expenses	<u>13,418,922</u>	<u>11,020,703</u>	<u>10,958,506</u>	<u>11,781,612</u>
Total primary government expenses	<u>\$ 25,342,106</u>	<u>\$ 19,868,636</u>	<u>\$ 20,267,674</u>	<u>\$ 20,610,094</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Fees, fines, and charges for services:				
General government	\$ 494,929	\$ 406,575	\$ 390,501	\$ 888,289
Public safety	52,346	49,720	100,215	51,194
Judicial	71,150	42,216	54,134	35,663
Culture and recreation	248,336	216,159	170,651	124,310
Public works	-	-	35	403,261
Operating grants and contributions	919,140	41,269	1,191,787	690,274
Capital grants and contributions	<u>93,590</u>	<u>11,076</u>	<u>102,879</u>	<u>162,618</u>
Total governmental activities program revenues	<u>1,879,491</u>	<u>767,015</u>	<u>2,010,202</u>	<u>2,355,609</u>
Business-type activities:				
Charges for services:				
Electric	10,484,737	9,329,708	9,090,890	9,760,677
Water and sewer	4,657,996	5,250,831	5,089,597	4,974,223
Airport	986,057	1,116,441	750,247	808,866
Sanitation	1,584,132	1,425,948	1,433,623	1,449,009
Capital grants and contributions	<u>108,402</u>	<u>32,642</u>	<u>311,965</u>	<u>134,602</u>
Total business-type activities program revenues	<u>17,821,324</u>	<u>17,155,570</u>	<u>16,676,322</u>	<u>17,127,377</u>
Total primary government program revenues	<u>\$ 19,700,815</u>	<u>\$ 17,922,585</u>	<u>\$ 18,686,524</u>	<u>\$ 19,482,986</u>

TABLE 2

Fiscal Year											
2019		2018		2017		2016		2015		2014	
\$ 1,683,062		\$ 1,569,611		\$ 1,537,248		\$ 1,398,252		\$ 1,341,414		\$ 1,932,881	
2,100,858		1,904,235		1,885,309		1,699,171		1,629,587		1,539,701	
110,905		107,932		116,926		103,791		133,077		95,117	
1,928,242		1,886,141		1,815,614		1,574,709		1,511,370		1,593,578	
1,284,772		1,324,824		1,437,598		1,450,028		1,328,843		1,567,434	
110,796		118,552		165,322		186,883		141,642		-	
-		-		-		-		-		-	
<u>7,218,635</u>		<u>6,911,295</u>		<u>6,958,017</u>		<u>6,412,834</u>		<u>6,085,933</u>		<u>6,728,711</u>	
6,110,591		6,905,253		6,897,935		6,435,595		6,052,647		5,744,881	
2,441,478		2,309,930		2,524,656		2,271,277		2,322,578		2,093,799	
1,379,249		1,304,189		1,360,976		1,318,748		1,383,178		1,490,499	
<u>1,321,953</u>		<u>1,317,579</u>		<u>1,319,815</u>		<u>1,203,091</u>		<u>1,175,650</u>		<u>1,217,815</u>	
<u>11,253,271</u>		<u>11,836,951</u>		<u>12,103,382</u>		<u>11,228,711</u>		<u>10,934,053</u>		<u>10,546,994</u>	
<u>\$ 18,471,906</u>		<u>\$ 18,748,246</u>		<u>\$ 19,061,399</u>		<u>\$ 17,641,545</u>		<u>\$ 17,019,986</u>		<u>\$ 17,275,705</u>	
\$ 320,971		\$ 265,375		\$ 289,589		\$ 355,682		\$ 208,224		\$ 822,324	
38,982		85,381		71,296		69,511		54,803		19,701	
60,570		86,539		111,206		101,527		159,637		110,065	
244,274		247,293		233,647		208,417		178,880		126,683	
708		-		-		-		-		-	
105,371		4,783		140,211		15,256		7,871		54,465	
<u>726,762</u>		<u>731,675</u>		<u>223,284</u>		<u>-</u>		<u>-</u>		<u>-</u>	
<u>1,497,638</u>		<u>1,421,046</u>		<u>1,069,233</u>		<u>750,393</u>		<u>609,415</u>		<u>1,133,238</u>	
9,360,017		9,493,009		9,178,972		10,163,815		9,128,350		9,203,394	
4,147,771		4,075,548		3,876,333		2,867,187		2,354,102		2,397,845	
894,012		837,023		776,901		827,271		840,819		841,029	
1,403,200		1,358,728		1,328,645		1,271,633		1,254,646		1,239,036	
<u>270,856</u>		<u>62,102</u>		<u>316,636</u>		<u>63,218</u>		<u>292,272</u>		<u>1,507,203</u>	
<u>16,075,856</u>		<u>15,826,410</u>		<u>15,477,487</u>		<u>15,193,124</u>		<u>13,870,189</u>		<u>15,188,507</u>	
<u>\$ 17,573,494</u>		<u>\$ 17,247,456</u>		<u>\$ 16,546,720</u>		<u>\$ 15,943,517</u>		<u>\$ 14,479,604</u>		<u>\$ 16,321,745</u>	

**CITY OF HONDO, TEXAS**

**CHANGES IN NET POSITION**  
(continued)

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

	Fiscal Year			
	2023	2022	2021	2020
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$ (10,043,693)	\$ (8,080,918)	\$ (7,298,966)	\$ (6,472,873)
Business-type activities	<u>4,402,402</u>	<u>6,134,867</u>	<u>5,717,816</u>	<u>5,345,765</u>
Total primary government net expense	<u>(5,641,291)</u>	<u>(1,946,051)</u>	<u>(1,581,150)</u>	<u>(1,127,108)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental activities:				
Taxes				
Property	1,944,763	1,888,019	1,785,669	1,694,073
Sales	2,123,969	1,989,510	1,883,673	1,729,403
Other	192,574	201,951	190,201	127,592
Investment earnings	548,431	47,973	19,081	83,300
Miscellaneous	101,154	156,965	46,772	74,240
Gain on sale of capital assets	-	-	37,830	322,914
Transfers and PILOT	<u>4,891,577</u>	<u>4,426,366</u>	<u>4,561,934</u>	<u>3,861,178</u>
Total governmental activities	<u>9,802,468</u>	<u>8,710,784</u>	<u>8,525,160</u>	<u>7,892,700</u>
Business-type activities:				
Investment earnings	291,523	24,651	399	30,987
Miscellaneous	377,878	339,227	359,935	167,012
Gain on sale of capital assets	-	-	-	105,000
Transfers and PILOT	<u>(4,891,577)</u>	<u>(4,426,366)</u>	<u>(4,561,934)</u>	<u>(3,861,178)</u>
Total business-type activities	<u>(4,222,176)</u>	<u>(4,062,488)</u>	<u>(4,201,600)</u>	<u>(3,558,179)</u>
Total primary government	<u>5,580,292</u>	<u>4,648,296</u>	<u>4,323,560</u>	<u>4,334,521</u>
<b>CHANGE IN NET POSITION</b>				
Governmental activities	(241,225)	629,866	1,226,194	1,419,827
Business-type activities	<u>180,226</u>	<u>2,072,379</u>	<u>1,516,216</u>	<u>1,787,586</u>
Total primary government	<u>\$ (60,999)</u>	<u>\$ 2,702,245</u>	<u>\$ 2,742,410</u>	<u>\$ 3,207,413</u>

Source: Annual Comprehensive Financial Reports

**TABLE 2**

Fiscal Year					
2019	2018	2017	2016	2015	2014
\$ (5,720,997)	\$ (5,490,249)	\$ (5,888,784)	\$ (5,662,441)	\$ (5,476,518)	\$ (5,595,473)
<u>4,822,585</u>	<u>3,989,459</u>	<u>3,374,105</u>	<u>3,964,413</u>	<u>2,936,136</u>	<u>4,641,513</u>
<u>(898,412)</u>	<u>(1,500,790)</u>	<u>(2,514,679)</u>	<u>(1,698,028)</u>	<u>(2,540,382)</u>	<u>(953,960)</u>
1,601,434	1,511,949	1,389,066	1,183,968	1,070,383	1,019,171
2,896,251	1,824,144	1,509,044	1,631,989	1,591,844	1,324,079
175,727	141,969	189,760	172,642	184,952	101,677
99,953	75,061	22,730	11,178	8,927	14,936
151,729	66,729	74,111	554,349	32,381	118,496
-	-	-	-	-	-
<u>3,273,298</u>	<u>3,273,297</u>	<u>3,258,399</u>	<u>3,153,347</u>	<u>3,320,854</u>	<u>2,744,033</u>
<u>8,198,392</u>	<u>6,893,149</u>	<u>6,443,110</u>	<u>6,707,473</u>	<u>6,209,341</u>	<u>5,322,392</u>
85,036	30,523	7,468	78	663	557
12,212	248,333	-	244,198	50,174	(96,988)
-	-	-	-	-	-
<u>(3,273,298)</u>	<u>(3,273,297)</u>	<u>(3,258,399)</u>	<u>(3,153,347)</u>	<u>(3,320,854)</u>	<u>(2,744,033)</u>
<u>(3,176,050)</u>	<u>(2,994,441)</u>	<u>(3,250,931)</u>	<u>(2,909,071)</u>	<u>(3,270,017)</u>	<u>(2,840,464)</u>
<u>5,022,342</u>	<u>3,898,708</u>	<u>3,192,179</u>	<u>3,798,402</u>	<u>2,939,324</u>	<u>2,481,928</u>
2,477,395	1,402,900	554,326	1,045,032	732,823	(273,081)
<u>1,646,535</u>	<u>995,018</u>	<u>123,174</u>	<u>1,055,342</u>	<u>(333,881)</u>	<u>1,801,049</u>
<u>\$ 4,123,930</u>	<u>\$ 2,397,918</u>	<u>\$ 677,500</u>	<u>\$ 2,100,374</u>	<u>\$ 398,942</u>	<u>\$ 1,527,968</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			
	2023	2022	2021	2020
General Fund				
Non-spendable	\$ 713	\$ 7,734	\$ 4,336	\$ 7,686
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	27,579	6,967	-	74,713
Unassigned	<u>6,450,291</u>	<u>4,639,965</u>	<u>3,241,185</u>	<u>3,937,618</u>
Total general fund	<u><u>\$ 6,478,583</u></u>	<u><u>\$ 4,654,666</u></u>	<u><u>\$ 3,245,521</u></u>	<u><u>\$ 4,020,017</u></u>
All other governmental funds				
Non-spendable	\$ 567,691	\$ 566,576	\$ 560,479	\$ 554,399
Restricted	7,791,645	7,398,974	7,468,573	2,624,358
Committed	289,146	254,830	355,469	219,545
Unassigned, reported in:				
Special revenue funds	-	-	-	-
Total all other governmental funds	<u><u>\$ 8,648,482</u></u>	<u><u>\$ 8,220,380</u></u>	<u><u>\$ 8,384,521</u></u>	<u><u>\$ 3,398,302</u></u>

Source: Annual Comprehensive Financial Reports

**TABLE 3**

Fiscal Year						
2019	2018	2017	2016	2015	2014	
\$ 4,627	\$ 5,149	\$ 66,382	\$ 2,040	\$ 56,717	\$ -	
24,309	25,141	24,325	19,376	18,235	-	
449,113	144,066	85,786	268,770	483,515	195,475	
-	-	-	-	-	-	
<u>2,542,749</u>	<u>1,887,629</u>	<u>2,221,841</u>	<u>2,397,127</u>	<u>1,346,429</u>	<u>1,008,975</u>	
<u>\$ 3,020,798</u>	<u>\$ 2,061,985</u>	<u>\$ 2,398,334</u>	<u>\$ 2,687,313</u>	<u>\$ 1,904,896</u>	<u>\$ 1,204,450</u>	
\$ 564,290	\$ 545,990	\$ 532,590	\$ 519,290	\$ 600,835	\$ -	
2,721,289	3,065,666	2,712,416	3,366,672	2,587,639	971,097	
269,468	128,840	96,259	89,534	206,686	-	
-	-	-	-	-	<u>233,712</u>	
<u>\$ 3,555,047</u>	<u>\$ 3,740,496</u>	<u>\$ 3,341,265</u>	<u>\$ 3,975,496</u>	<u>\$ 3,395,160</u>	<u>\$ 1,204,809</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			
	2023	2022	2021	2020
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,958,495	\$ 1,882,159	\$ 1,793,943	\$ 1,716,679
Sales	2,123,969	1,989,510	1,883,673	1,729,403
Other	192,574	201,951	190,201	127,592
Licenses and permits	274,094	169,709	124,549	312,905
Intergovernmental	1,536,353	657,367	521,376	373,408
Charges for services	553,361	517,517	511,639	443,137
Fines and forfeitures	71,452	42,776	61,395	39,206
Interest income	548,431	47,973	19,081	83,300
Payments in lieu of taxes	-	-	-	-
Miscellaneous	<u>74,395</u>	<u>72,426</u>	<u>46,772</u>	<u>74,240</u>
Total revenues	<u>7,333,124</u>	<u>5,581,388</u>	<u>5,152,629</u>	<u>4,899,870</u>
<b>EXPENDITURES</b>				
General government	3,346,639	2,399,915	2,884,633	2,139,053
Public safety	2,717,262	2,251,375	2,053,805	1,931,559
Judicial	137,449	141,326	118,515	101,587
Culture and recreation	2,025,690	1,820,369	1,059,696	1,092,810
Public works	1,555,234	1,386,959	2,081,668	1,623,890
Capital outlay	639,371	922,729	500,131	649,590
Debt service:				
Principal	580,101	454,278	437,690	423,910
Interest and fiscal charges	224,523	164,323	159,410	279,089
Bond issuance costs	<u>48,172</u>	<u>72,860</u>	-	-
Total expenditures	<u>11,274,441</u>	<u>9,614,134</u>	<u>9,295,548</u>	<u>8,241,488</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>\$(3,941,317)</u></b>	<b><u>\$(4,032,746)</u></b>	<b><u>\$(4,142,919)</u></b>	<b><u>\$(3,341,618)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	\$ 1,275,000	\$ 685,000	\$ 3,725,000	\$ -
Refunding bonds issued	-	615,000	-	-
Premium on bonds	-	-	337,834	-
Payment to refunded bond escrow agent	-	(570,140)	-	-
Leases issued	-	36,985	-	-
Sale of capital assets	-	-	37,830	322,914
Transfers in (out)	4,891,577	4,426,366	4,561,934	3,861,178
Insurance recoveries	<u>26,759</u>	<u>84,539</u>	-	-
Total other financing sources (uses)	<u>6,193,336</u>	<u>5,277,750</u>	<u>8,662,598</u>	<u>4,184,092</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b><u>\$ 2,252,019</u></b>	<b><u>\$ 1,245,004</u></b>	<b><u>\$ 4,519,679</u></b>	<b><u>\$ 842,474</u></b>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<b><u>7.9%</u></b>	<b><u>7.1%</u></b>	<b><u>6.6%</u></b>	<b><u>9.3%</u></b>

Source: Annual Comprehensive Financial Reports

TABLE 4

Fiscal Year					
2019	2018	2017	2016	2015	2014
\$ 1,596,908	\$ 1,487,987	\$ 1,378,474	\$ 1,174,053	\$ 1,064,110	\$ 1,018,498
2,896,251	1,824,144	1,509,043	1,631,988	1,591,844	1,324,079
175,727	141,969	189,759	172,642	184,954	258,918
185,801	138,474	162,402	218,810	76,182	39,431
920,943	663,097	496,456	20,539	10,778	49,730
437,220	473,401	445,275	415,343	382,035	1,236,014
60,824	91,039	117,486	103,921	162,693	110,066
99,974	75,062	22,732	11,169	8,924	14,936
3,154,988	3,154,988	3,154,988	3,155,000	3,155,004	-
51,213	124,062	46,154	63,189	23,837	83,800
<u>9,579,849</u>	<u>8,174,223</u>	<u>7,522,769</u>	<u>6,966,654</u>	<u>6,660,361</u>	<u>4,135,472</u>
1,589,873	1,488,800	1,442,226	1,284,656	1,297,852	1,765,100
1,931,022	1,825,309	1,760,014	1,607,141	1,603,595	1,501,501
109,830	108,650	116,165	101,102	132,518	95,117
1,726,498	1,737,885	1,793,557	1,438,348	1,474,574	1,503,475
805,287	906,233	1,006,556	1,029,662	957,164	1,205,369
2,246,299	1,642,161	1,954,319	2,327,330	380,035	-
416,390	414,500	384,907	248,829	187,712	1,131,657
111,962	119,814	111,371	180,513	141,988	144,109
-	-	25,504	-	-	-
<u>8,937,161</u>	<u>8,243,352</u>	<u>8,594,619</u>	<u>8,217,581</u>	<u>6,175,438</u>	<u>7,346,328</u>
<u>\$ 642,688</u>	<u>\$ (69,129)</u>	<u>\$ (1,071,850)</u>	<u>\$ (1,250,927)</u>	<u>\$ 484,923</u>	<u>\$ (3,210,856)</u>
\$ -	\$ -	\$ 1,300,000	\$ 2,030,000	\$ -	\$ 1,053,360
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(1,272,005)	-	-	-
-	-	-	-	-	-
12,366	13,702	17,234	585,333	935	-
118,310	118,309	103,411	(1,653)	165,850	2,744,033
-	-	-	-	-	-
<u>130,676</u>	<u>132,011</u>	<u>148,640</u>	<u>2,613,680</u>	<u>166,785</u>	<u>3,797,393</u>
<u>\$ 773,364</u>	<u>\$ 62,882</u>	<u>\$ (923,210)</u>	<u>\$ 1,362,753</u>	<u>\$ 651,708</u>	<u>\$ 586,537</u>
<u>7.9%</u>	<u>8.1%</u>	<u>7.5%</u>	<u>7.3%</u>	<u>5.7%</u>	<u>17.4%</u>

**CITY OF HONDO, TEXAS**

**TABLE 5**

TAX REVENUE BY SOURCE - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Fiscal Year	Property	Sales & Use	Mixed Beverage	Franchise	Hotel	Total
2023	\$ 1,944,763	\$ 2,123,969	\$ 2,772	\$ 81,859	\$ 110,038	4,263,401
2022	1,882,159	1,989,510	7,476	71,283	123,192	4,073,620
2021	1,785,669	1,883,673	2,937	66,733	120,531	3,859,543
2020	1,716,679	1,729,403	857	43,349	83,386	3,573,674
2019	1,596,908	2,896,251	1,210	41,801	132,716	4,668,886
2018	1,487,987	1,824,144	2,952	28,896	110,121	3,454,100
2017	1,378,474	1,509,043	3,301	66,664	119,794	3,077,276
2016	1,174,053	1,631,988	4,708	62,024	105,910	2,978,683
2015	1,064,110	1,591,844	2,714	58,654	123,584	2,840,906
2014	1,018,498	1,324,079	2,720	157,241	98,957	2,601,495

**CITY OF HONDO, TEXAS**

**TABLE 6**

**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
2023	479,295,200	31.21	2.44	25.00	1.70
2022	602,567,631	31.21	2.44	25.00	1.70
2021	536,810,300	31.21	2.44	25.00	1.70
2020	536,564,300	30.00	2.44	25.00	1.70
2019	476,853,400	30.00	2.44	25.00	1.70
2018	447,534,800	30.00	2.44	25.00	1.70
2017	526,194,400	30.00	2.44	25.00	1.70
2016	378,476,700	23.00	2.44	15.00	1.70
2015	483,572,500	11.50	2.44	7.08	1.70
2014	490,208,500	11.50	2.44	7.08	1.70

**CITY OF HONDO, TEXAS**

**TABLE 7**

PRINCIPAL WATER AND SEWER CONSUMERS  
CURRENT AND NINE YEARS AGO

Consumers	2023		2014			
	Total Water Consumption (in Gallons)	Rank	Percentage of Total City Water Consumption	Total Water Consumption (in Gallons)	Rank	Percentage of Total City Consumption
Texas Dept of Criminal Justice	153,360,000	1	32.00%	107,345,300	1	21.90%
Texas Dept of Criminal Justice	21,430,000	2	4.47%	16,865,200	3	3.44%
PTCAA	12,824,300	3	2.68%	-	-	-
Martin Resources	5,293,300	4	1.10%	-	-	-
Landmark Apartments	2,766,200	5	0.58%	-	-	-
Medina Community Hospital	2,261,000	6	0.47%	1,312,700	10	0.27%
Medina County Sheriff's Office	2,211,900	7	0.46%	2,910,800	5	0.59%
City of Hondo Swimming pool	2,188,000	8	0.46%	2,323,800	6	0.47%
City of Hondo Golf Course	2,028,200	9	0.42%	17,379,000	2	3.55%
James Avery Craftsman	1,986,100	10	0.41%	1,252,400	11	0.26%
South Texas Liquid Terminal	1,778,400	11	-	1,794,000	8	0.37%
Medina Ranch Mobile Homes	-	-	-	3,935,100	4	0.80%
Blue Liine Corporation	-	-	-	1,954,400	7	0.40%
Hondo Washateria	-	-	-	1,404,700	9	0.29%
<b>TOTAL</b>	<b><u>208,127,400</u></b>		<b><u>43.42%</u></b>	<b><u>158,477,400</u></b>		<b><u>32.33%</u></b>
Total City Water Consumption	479,295,200			490,208,500		

**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
2023	74,991,273	15.00	0.1310
2022	78,286,807	15.00	0.1137
2021	73,038,220	15.00	0.1137
2020	75,767,613	15.00	0.1137
2019	73,616,091	15.00	0.1137
2018	76,206,703	15.00	0.1137
2017	72,464,108	15.00	0.1137
2016	73,555,397	15.00	0.1137
2015	74,378,945	9.30	0.1160
2014	74,963,254	9.30	0.1160

**CITY OF HONDO, TEXAS**

**TABLE 9**

PRINCIPLE ELECTRIC CONSUMERS  
CURRENT AND NINE YEARS AGO

Consumers	2023			2014		
	Total Electric Consumption (in KWH)	Rank	Percentage of Total City Electric Consumption	Total Electric Consumption (in KWH)	Rank	Percentage of Total City Consumption
Texas Dept of Criminal Justice	5,837,936	1	7.78%	6,976,872	1	9.31%
Wal-mart Stores	3,753,500	2	5.01%	4,079,000	2	5.44%
Medina Community Hospital	3,221,250	3	4.30%	2,815,500	3	3.76%
Martin Resources	2,082,000	4	2.78%		7	-
James Avery Craftsman	1,676,270	5	2.24%	940,800	4	1.26%
HEB	1,489,800	6	1.99%	2,127,600	6	2.84%
Medina County Sheriff's Office	1,222,200	7	1.63%	879,400		1.17%
City of Hondo	1,054,200	8	1.41%	902,379	8	1.20%
Hondo ISD	679,000	9	0.91%	855,000	5	1.14%
City of Hondo Water Utilities	672,040	10	0.90%	1,724,100	9	2.30%
McDonald's	-		-	728,640	10	0.97%
<b>TOTAL</b>	<b>21,688,196</b>		<b>28.92%</b>	<b>22,029,291</b>		<b>29.39%</b>
Total City Electric Consumption	74,991,273			74,963,254		

**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
2023	\$ 225,230,800	\$ 248,041,026	\$ 45,924,924	\$ 427,346,902	0.4370
2022	219,050,573	175,555,656	41,418,847	353,187,382	0.4866
2021	216,587,473	174,641,114	39,171,839	352,056,748	0.4940
2020	170,955,903	187,347,334	19,873,170	338,430,067	0.5105
2019	166,674,313	176,297,851	33,483,972	309,488,192	0.5109
2018	163,024,971	164,400,490	36,092,637	291,332,824	0.5139
2017	137,805,351	141,818,105	25,719,269	253,904,187	0.5139
2016	137,129,210	140,440,295	19,092,370	258,477,135	0.4527
2015	134,856,515	142,109,350	19,263,450	257,702,415	0.4974
2014	123,259,604	125,039,826	18,904,001	229,395,429	0.4089

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
2023	0.2858	0.1512	0.4370	0.9384	0.3526	0.0898
2022	0.2894	0.1476	0.4370	1.1446	0.4822	0.0937
2021	0.3668	0.1198	0.4866	1.1320	0.4312	0.0984
2020	0.3796	0.1144	0.4940	1.1997	0.4562	0.1000
2019	0.3823	0.1286	0.5109	1.3750	0.5517	0.0645
2018	0.3759	0.1380	0.5139	1.3750	0.5517	0.0644
2017	0.3866	0.1273	0.5139	1.3800	0.5517	0.0638
2016	0.3614	0.0913	0.4527	1.3150	0.5517	0.0641
2015	0.3010	0.1964	0.4974	1.1400	0.5250	0.0608
2014	0.3362	0.0727	0.4089	1.1400	0.5250	0.0581

**CITY OF HONDO, TEXAS**

PRINCIPAL PROPERTY TAXPAYERS  
CURRENT AND NINE YEARS AGO

**TABLE 12**

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Stores Business Trust	10,517,881	1	2.98%	8,430,660	1	3.68%
Revive Las Palomas LLC	5,047,922	2	1.43%	1,922,392	4	0.84%
Irene B. Hoadley	4,072,881	3	1.15%	1,983,458	3	0.86%
Atkission Hondo LTD	3,204,080	4	0.91%	1,255,072	10	0.55%
Siddhi Inc. Best Western	2,663,359	5	0.75%	1,650,191	5	0.72%
JW Hondo I LTD	2,338,579	6	0.66%	-	-	-
Groff Land Enterprises LP	2,215,350	7	0.63%	-	-	-
HEB Grocery	2,126,831	8	0.60%	2,203,979	2	0.96%
Revive Landmark Hondo LLC	2,057,641	9	0.58%	-	-	-
Archland Property II LP	1,876,879	10	0.53%	-	-	-
James Avery Craftsman Inc	-		-	1,481,389	6	0.65%
Hanumante LLC	-		-	1,370,851	7	0.60%
Hanbeck LTD	-		-	1,300,000	8	0.57%
Holland & Lee Properties LLC	-		-	1,268,202	9	0.55%
Total	<u>\$ 36,121,403</u>		<u>8.45%</u>	<u>\$ 22,866,195</u>		<u>9.97%</u>

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**CITY OF HONDO, TEXAS**

**TABLE 13**

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 1,007,151	\$ 972,266	96.54%	\$ 34,362	\$ 1,006,628	99.95%
2015	1,062,074	1,027,490	96.74%	33,816	1,061,306	99.93%
2016	1,178,873	1,137,045	96.45%	40,475	1,177,520	99.89%
2017	1,367,968	1,322,063	96.64%	43,214	1,365,277	99.80%
2018	1,489,579	1,441,735	96.79%	44,688	1,486,423	99.79%
2019	1,582,108	1,534,743	97.01%	43,337	1,578,080	99.75%
2020	1,742,423	1,709,313	98.10%	28,055	1,737,368	99.71%
2021	1,739,126	1,698,163	97.64%	27,488	1,725,652	99.23%
2022	1,865,706	1,810,909	97.06%	42,234	1,853,143	97.06%
2023	1,942,493	1,887,517	97.17%	39,695	1,927,212	99.21%

**CITY OF HONDO, TEXAS**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

**LAST TEN FISCAL YEARS**

**Governmental Activities**

Fiscal Year	Certificates of Obligation	General Obligation Bonds	Revenue Bonds	Tax Notes	Leases
2023	\$ 4,680,000	\$ 847,470	\$ 485,000	\$ 1,845,000	\$ 51,053
2022	5,140,942	1,067,090	550,000	685,000	91,534
2021	5,287,834	1,288,560	560,000	-	-
2020	1,405,000	1,496,250	610,000	-	-
2019	2,230,160	1,050,000	655,000	-	-
2018	2,561,550	1,090,000	700,000	-	-
2017	2,761,050	1,260,000	745,000	-	-
2016	2,953,030	1,317,314	785,000	31,975	-
2015	1,023,120	1,395,814	825,000	62,215	-
2014	1,038,870	1,498,502	865,000	91,489	-

**TABLE 14****Business-Type Activities**

Certificates of Obligation	General Obligation Bonds	Tax Notes	Leases	Total Primary Government	Percent of Personal Income	Per Capita
\$ 4,760,000	\$ 746,530	\$ 155,000	\$ 39,523	\$ 13,609,576	6.62%	1,377
5,125,000	925,910	-	55,552	13,641,028	7.73%	1,394
5,485,000	1,103,440	-	-	13,387,000	7.39%	1,395
5,845,000	1,278,750	-	-	10,635,000	5.97%	1,127
6,200,000	1,451,840	-	-	11,587,000	6.90%	1,234
6,550,000	1,648,450	-	-	12,550,000	8.14%	1,349
6,900,000	1,783,950	-	-	13,450,000	9.32%	1,461
1,717,685	1,917,970	-	-	8,722,974	6.65%	961
1,849,186	600,880	-	-	5,756,215	4.67%	639
2,013,318	652,310	27,629	-	6,187,118	5.15%	692

**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			
2023	\$ 4,680,000	\$ 847,470	\$ (213,259)	\$ 5,314,211	\$ 427,346,902	1.24%	538
2022	5,140,942	1,067,090	(189,475)	6,018,557	353,187,382	1.70%	615
2021	4,950,000	2,392,000	(193,852)	7,148,148	352,056,748	2.03%	745
2020	1,405,000	2,775,000	(169,725)	4,010,275	329,798,889	1.22%	425
2019	1,050,000	3,682,000	(160,421)	4,571,579	309,488,192	1.48%	487
2018	1,090,000	4,210,000	(160,094)	5,139,906	291,332,824	1.76%	552
2017	1,260,000	4,545,000	(166,158)	5,638,842	253,904,187	2.22%	613
2016	1,317,314	4,871,000	(162,788)	6,025,526	258,477,135	2.33%	664
2015	1,395,814	1,624,000	(167,495)	2,852,319	257,702,415	1.11%	317
2014	1,498,502	1,691,180	(148,764)	3,040,918	229,395,429	1.33%	340

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

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

**CITY OF HONDO, TEXAS**

**TABLE 16**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2023

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<i>Debt repaid with property taxes:</i>			
Hondo ISD	\$ 34,705,000	43.93%	\$ 15,245,907
Medina County	29,375,000	8.80%	<u>2,585,000</u>
Subtotal, Overlapping Debt			17,830,907
City Governmental Activities Direct Debt			<u>7,908,523</u>
<b>TOTAL NET OVERLAPPING DEBT</b>			<b><u>\$ 25,739,430</u></b>
Total Direct and Overlapping Debt % of A.V.			7.29%
Total Direct and Overlapping Debt per Capita			\$ 41,860

**CITY OF HONDO, TEXAS**

**TABLE 17**

LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

Assessed Value, 2023 Tax Roll	<u>\$ 427,346,902</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.	\$ 42,734,690
---	---------------

Amount of Applicable Debt:

General Bonded Debt	\$ 5,527,470
Less Debt Service Net Position	<u>(213,259)</u>
	<u>5,314,211</u>
DEBT MARGIN	<u>\$ 37,420,479</u>

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

	Fiscal Year		
	2020	2021	2022
Assessed Value	\$ 329,798,889	\$ 352,056,748	\$ 353,187,382
Debt Limit	32,979,889	35,205,675	35,318,738
Total Net Debt Applicable to Limit	<u>4,010,275</u>	<u>4,010,275</u>	<u>6,018,557</u>
Total Debt Margin	<u>\$ 28,969,614</u>	<u>\$ 31,195,400</u>	<u>\$ 29,300,181</u>
Assessed Value	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt Limit	25,390,419	29,133,282	30,948,819
Total Net Debt Applicable to Limit	<u>5,638,842</u>	<u>5,139,906</u>	<u>4,571,579</u>
Total Debt Margin	<u>\$ 19,751,577</u>	<u>\$ 23,993,376</u>	<u>\$ 26,377,240</u>
Assessed Value	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Limit	22,939,543	25,770,242	25,847,714
Total Net Debt Applicable to Limit	<u>3,040,918</u>	<u>2,852,319</u>	<u>6,025,526</u>
Total Debt Margin	<u>\$ 19,898,625</u>	<u>\$ 22,917,923</u>	<u>\$ 19,822,188</u>

**CITY OF HONDO, TEXAS**

**TABLE 18**

PLEDGED REVENUE COVERAGE - WATER AND SEWER REVENUE BONDS  
LAST TEN FISCAL YEARS

Fiscal Year	Water and Sewer Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2023	\$ 4,657,996	\$ 3,441,573	\$ 1,216,423	494,630	140,783	1.91
2022	5,391,545	1,592,829	3,798,716	472,530	149,385	6.11
2021	5,089,597	2,337,031	2,752,566	470,310	158,350	4.38
2020	5,039,847	2,843,919	2,195,928	470,310	164,767	3.46
2019	4,147,768	1,561,953	2,585,815	456,610	169,107	4.13
2018	4,075,548	1,473,489	2,602,059	450,500	173,069	4.17
2017	3,876,333	1,520,862	2,355,471	957,888	153,823	2.12
2016	2,867,187	1,556,267	1,310,920	188,299	71,937	5.04
2015	2,354,102	1,635,959	718,143	130,828	46,916	4.04
2014	2,397,845	1,454,058	943,787	82,296	51,692	7.04

**CITY OF HONDO, TEXAS**

**TABLE 19**

PLEDGED REVENUE COVERAGE - ELECTRIC REVENUE BONDS  
LAST TEN FISCAL YEARS

Fiscal Year	Electric Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2023	\$ 10,484,737	\$ 6,944,846	\$ 3,539,891	\$ 90,000	\$ 10,215	35.32
2022	9,513,989	5,973,147	3,540,842	50,000	5,981	63.25
2021	9,090,890	5,970,117	3,120,773	50,000	6,791	54.95
2020	9,760,677	6,231,743	3,528,934	50,000	6,791	62.14
2019	9,360,015	5,719,139	3,640,876	50,000	7,939	62.84
2018	9,487,016	6,543,267	2,943,749	45,000	8,470	55.05
2017	9,178,970	6,535,110	2,643,860	613,868	18,424	4.18
2016	10,163,815	6,072,879	4,090,936	35,389	29,039	63.50
2015	9,128,350	5,705,769	3,422,581	130,828	19,476	22.77
2014	9,203,395	5,446,641	3,756,754	30,892	31,879	59.85

**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
2023	9,886	205,585,080	20,796	31.3	6.2%
2022	9,788	176,437,046	18,026	34.7	4.0%
2021	9,596	181,124,500	18,875	32.4	6.2%
2020	9,436	178,104,500	18,875	32.4	3.3%
2019	9,387	167,830,173	17,879	30.1	3.0%
2018	9,305	154,267,595	16,579	30.1	3.4%
2017	9,206	144,304,050	15,675	30.5	3.6%
2016	9,079	131,246,024	14,456	30.0	4.7%
2015	9,002	123,210,374	13,687	29.6	4.4%
2014	8,941	120,175,981	13,441	31.1	4.6%

*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

<u>Employer</u>	2023			2014			Percentage of Total City Employment
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>		
Texas Dept of Corrections	432	1	4.37%	497	1		5.59%
Medina County	325	2	3.29%	205	4		2.30%
Medina Healthcare System	282	3	2.85%	150	5		1.69%
Hondo ISD	278	4	2.81%	475	2		5.34%
Walmart	150	5	1.52%	260	3		2.92%
City of Hondo	145	6	1.47%	98	8		1.10%
HEB	118	7	1.19%	115	7		1.29%
Medina Electric	66	8	0.67%	66	9		0.74%
Hondo Rail	48	9	0.49%	124	6		1.39%
<b>Total</b>	<b>1,844</b>		<b>18.65%</b>	<b>1,990</b>			<b>22.37%</b>

*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

<b>Function</b>	<b>Fiscal Year</b>			
	2014	2015	2016	2017
<u>General Government</u>				
Building Permits Issued	538	607	498	612
<u>Police</u>				
Citations Issued	1,898	2,598	1,067	1,106
<u>Park and Civic Center</u>				
Park User Reservations	71	85	96	100
Civic Center Rentals	78	111	100	108
<u>Library</u>				
Annual Circulation	28,988	18,689	14,292	18,748
Library Visits	49,991	50,917	46,932	46,380
Items in Collection	29,162	25,069	20,153	14,607
<u>Water &amp; Sewer</u>				
Water Customers	2,717	2,723	2,762	2,731
Sewer Customers	2,536	2,530	2,566	2,548
Total Consumption (hundreds of gallons)	4,902,085	4,835,725	3,784,767	5,261,944
Average Monthly Consumption	15,035	14,799	11,419	16,056
<u>Electric Utility</u>				
Electric Customers	2,975	2,981	3,012	2,990
Total Consumption	74,963,254	74,378,945	73,555,397	72,464,108
<u>Sanitation</u>				
Customers	2,354	2,346	2,368	2,354
<u>Airport</u>				
Gallons of Fuel Sold	49,640	76,248	100,989	76,862
Number of Flights	1,027	1,454	2,222	1,669

**TABLE 22**

<b>Fiscal Year</b>					
<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
477	507	700	1,080	387	526
865	604	432	578	510	915
122 142	103 117	44 135	83 111	140 140	89 165
23,703 44,808 14,637	24,978 45,106 16,168	16,145 25,934 17,208	15,212 16,937 17,654	23,258 28,740 16,776	32,427 33,815 18,779
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	2,841 2,763 5,368,103 15,746	2,716 2,523 6,144,747 18,851	2,698 2,433 4,792,952 14,800
2,987 76,206,703	2,893 73,616,091	2,721 75,767,613	2,751 73,038,220	2,968 78,286,807	2,959 74,989,989
2,350	2,353	2,368	2,153	2,373	2,367
96,602 1,880	95,878 4,208	80,545 4,581	70,414 8,312	85,424 13,625	70,495 15,990

**CITY OF HONDO, TEXAS**

**CAPITAL ASSET STATISTICS**

**LAST TEN FISCAL YEARS**

<b>Function</b>	<b>Fiscal Year</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<u><b>Streets</b></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><b>Police</b></u>				
Stations	1	1	1	1
Patrol Units	31	31	32	32
<u><b>Animal Control</b></u>				
Facility	1	1	1	1
Control Vehicle	2	2	2	2
<u><b>Library</b></u>				
Facility	1	1	1	1
Volumes in Collection	29,162	25,069	20,153	14,607
<u><b>Parks and Recreation</b></u>				
Parks	16	16	16	16
Swimming Pools	1	1	1	1
Baby Pools	1	1	1	1
Baseball/Softball Diamonds	3	5	5	5
Soccer Fields	2	2	2	2
Community Centers	1	1	1	1
<u><b>Water &amp; Sewer</b></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><b>Electric</b></u>				
Facility	1	1	1	1
Substations	1	1	1	1
Power Lines (Miles)	69	69	69	69
<u><b>Facilities Maintenance</b></u>				
City Buildings (Square Feed)	381,868	381,868	381,868	385,034

**TABLE 23**

<b>Fiscal Year</b>					
<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
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 34	1 34	1 36	1 37	1 27	1 27
1 2	1 2	1 2	1 2	1 2	1 2
1 14,637	1 16,168	1 16,168	1 16,168	1 16,776	1 18,779
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	70	50	50
1	1	1	1	1	1
1	1	1	1	1	1
69	69	69	69	69	69
385,034	385,034	385,034	385,034	385,034	385,034

TABLE 24

## CITY OF HONDO, TEXAS

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>General Government</u>										
Administration	4	4	3	3	3	3	3	4	1	2
Finance	3	3	3	4	4	4	4	3	2	3
Police	22	23	23	23	23	24	25	25	25	25
Crossing Guards	7	7	7	7	7	7	7	7	7	7
Legal & Courts	1	2	2	1	1	1	1	1	1	1
Animal Control	1	2	2	2	2	2	2	2	2	2
Streets	10	10	10	10	10	10	10	11	11	11
Library	6	7	7	6	6	6	6	6	6	6
Parks	12	12	12	12	12	13	-	-	10	10
Facilities Maintenance	4	4	6	6	6	6	-	-	7	7
Building & Grounds Maintenance	-	-	-	-	-	-	19	19	-	-
Recreation	16	19	19	21	21	21	21	21	21	22
Golf Course	5	4	4	4	4	4	4	4	5	5
Development Services	3	3	3	3	4	4	4	4	4	4
City Secretary	3	4	2	2	2	2	1	1	1	1
Public Works	1	1	2	2	2	2	3	3	2	2
Human Resources	-	-	-	-	-	-	-	-	1	1
Information Technology	-	-	-	-	-	-	-	-	2	2
<u>Electric</u>	10	10	10	10	10	10	10	9	8	9
<u>Water &amp; Sewer</u>										
Water	8	8	8	8	8	8	8	8	8	8
Sewer	4	4	4	4	4	4	4	4	5	5
Utility Billing	4	4	4	4	4	4	4	4	4	4
<u>Airport</u>	4	4	4	4	4	4	4	4	5	5
<u>Sanitation</u>	1	1	1	1	1	-	-	-	-	-
<u>STRTC (Training Center)</u>	-	-	-	-	-	-	-	-	1	1
<u>Fair Hall</u>	-	-	-	-	-	-	-	-	1	#
<u>Economic Development</u>	1	1	1	1	1	1	1	2	-	-
<b>TOTAL</b>	<b>130</b>	<b>137</b>	<b>137</b>	<b>138</b>	<b>139</b>	<b>140</b>	<b>141</b>	<b>142</b>	<b>140</b>	<b>143</b>

## **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, 2023, 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 25, 2024.

#### **Report on Internal Control over Financial Reporting**

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

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

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

#### **Report on Compliance and Other Matters**

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

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#### **OFFICE LOCATIONS**

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

### **Purpose of this Report**

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

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

Waco, Texas  
March 25, 2024

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

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

**Report on Compliance for Each Major Federal Program*****Opinion on Each Major Federal Program***

We have audited the City of Hondo's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

**OFFICE LOCATIONS**

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

## **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

## **Report on Internal Control Over Compliance**

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

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

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

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

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

Waco, Texas  
March 25, 2024

**CITY OF HONDO, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>			
Direct:			
Police Vehicle Grants	10.766	NA	\$ 68,464
Total U. S. Department of Agriculture			<u>68,464</u>
<b><u>U. S. Department of Housing and Urban Development</u></b>			
Passed through Texas Department of Agriculture:			
Police Vehicle Grants			
Community Development Block Grant	14.228	7219200	17,500
Community Development Block Grant	14.228	7219200	<u>312,060</u>
Total Passed through Texas Department of Agriculture			<u>329,560</u>
Total U. S. Department of Housing and Urban Development			<u>329,560</u>
<b><u>U. S. Department of Transportation</u></b>			
Passed through Texas Department of Transportation:			
Airport Improvement Program	20.106	M2215HOND	<u>45,000</u>
Total Passed through Texas Department of Transportation			<u>45,000</u>
Total U. S. Department of Transportation			<u>45,000</u>
<b><u>U. S. Department of Treasury</u></b>			
Passed through Texas Division of Emergency Management:			
COVID-19 Coronavirus State and Local Fiscal Recovery	21.027	091703843	<u>825,312</u>
Total Passed through Texas Division of Emergency Management			<u>825,312</u>
Total U. S. Department of Treasury			<u>825,312</u>
<b><u>U. S. Institute of Museum and Library Services</u></b>			
Passed through Texas State Library and Archives Commission:			
Grants to States	45.310	LS-2252486-OLS-22	<u>39,585</u>
Total Passed through Texas State Library and Archives Commission			<u>39,585</u>
Total U. S. Institute of Museum and Library Services			<u>39,585</u>
Total Expenditures of Federal Awards			<u>\$ 1,307,921</u>

## **CITY OF HONDO, TEXAS**

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

SEPTEMBER 30, 2023

#### **1. GENERAL**

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

#### **2. BASIS OF ACCOUNTING**

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

#### **3. PASS-THROUGH EXPENDITURES**

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

#### **4. INDIRECT COSTS**

The City did not elect to apply the 10% de minimis indirect cost rate.

**CITY OF HONDO, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Summary of Auditor's Results:**

Financial Statements:

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? None

Significant deficiency(ies) identified? None

Noncompliance material to financial statements noted?

None

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? None

Significant deficiency(ies) identified? None reported

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

Unmodified

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

None

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster:

21.027

COVID-19 Coronavirus State and Local Fiscal Recovery

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

\$750,000

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

No

**Findings Relating to the Financial Statements**

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

None

**Findings and Questioned Costs for Federal Awards**

None

**CITY OF HONDO, TEXAS**  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

None