



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2019**

Prepared by: Finance Department
Dee Willman
Assistant Director of Finance

**CITY OF HONDO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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City of Hondo

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

January 31, 2020

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

We are pleased to present the Comprehensive Annual Financial Report of the City of Hondo, Texas (the City) for the fiscal year ended September 30, 2019. State law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hondo for the fiscal year ended September 30, 2019.

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 Armstrong, Vaughan & Associates P.C. 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, 2019, 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, 2019, 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 issued \$5.5 million in bonds in January 2017 to fund water and sewer system improvements. The projects are expected to be completed in the 2019-2020 fiscal year. The City's is saving funds every year to help offset the costs of street and drainage issues and limit the need for long-term bonds for those purposes.

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.

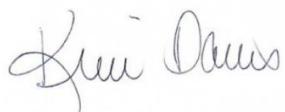
An independent audit is performed every year of the general ledger, accounts, financial records, and transactions of all city departments. The audit is completed by an independent certified public accounting firm selected by the City Council. The City is in compliance with this requirement and the independent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

Acknowledgements

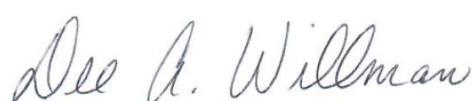
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

In conclusion, we would have none of the success we have enjoyed without the assistance of each and every 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,



Kim Davis
City Manager



Dee Willman
Assistant Finance Director

CITY OF HONDO

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

JAMES W. DANNER

CITY COUNCIL

ANN-MICHELLE LONG

JOHN MCANELLY

BOBBY VELA

ERIC TORRES

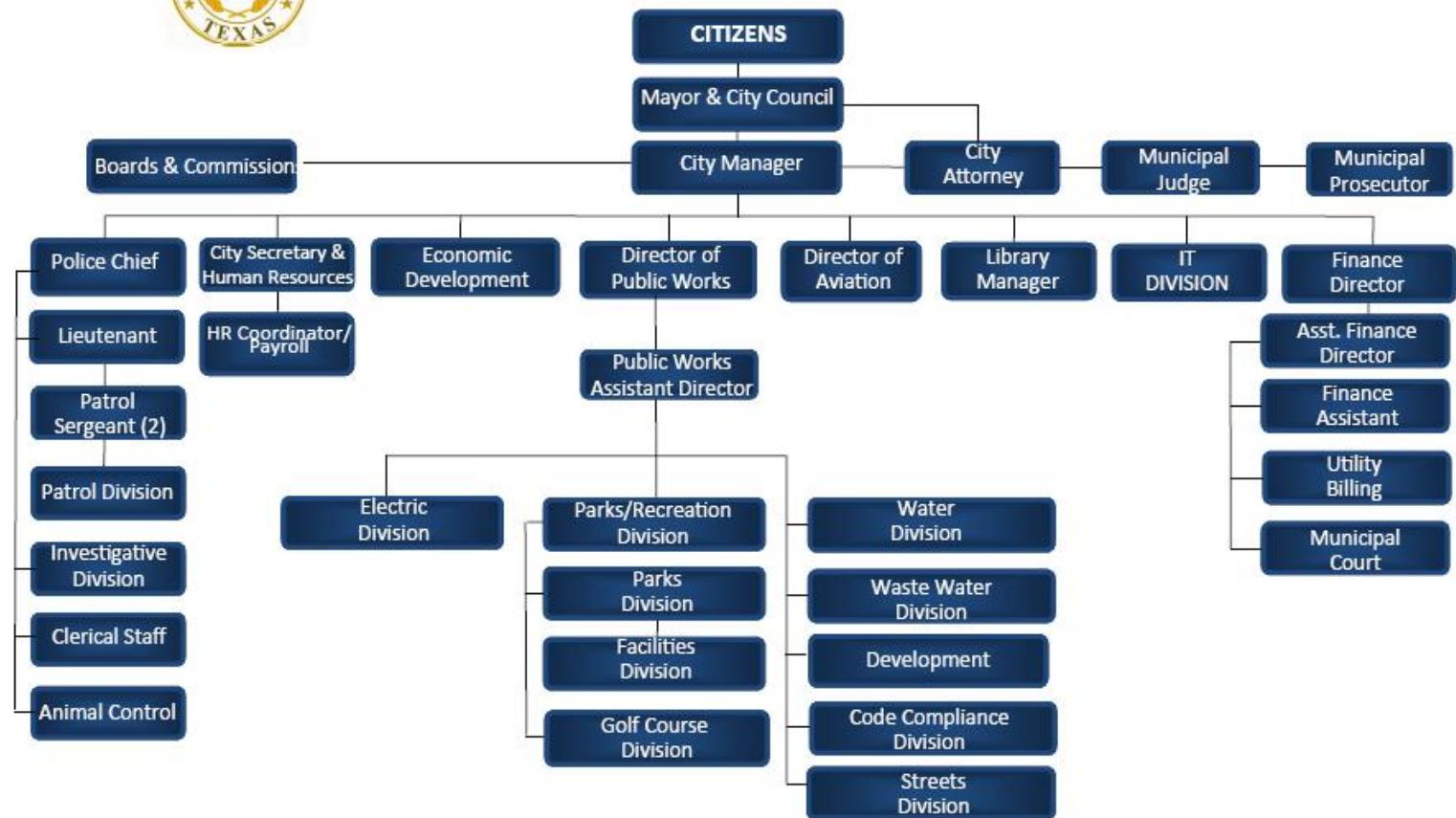
JOHN E. VILLA

CITY MANAGER

KIM DAVIS



CITY OF HONDO ORGANIZATIONAL CHART



HONDO



THIS IS GOD'S COUNTRY



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hondo as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Hondo's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hondo, as of September 30, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hondo's basic financial statements as a whole. The transmittal letter, statistical section, combining and individual nonmajor fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The transmittal letter and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020 on our consideration of City of Hondo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hondo's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive style with a slight slant to the right.

Armstrong, Vaughan & Associates, P.C.

January 31, 2020

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, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

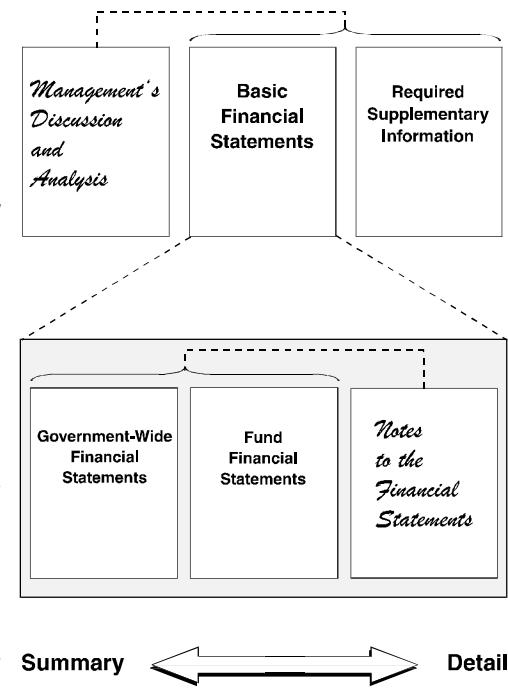
- The City's total combined net position was \$45.6 million at September 30, 2019.
- The City's governmental expenses were \$2.5 million less than the \$9.7 million generated in general and program revenues for governmental activities, including transfers and payments in lieu of taxes. The total cost of the City's governmental programs increased 4.4% from the prior year primarily to increases in public safety activities.
- The City's business-type expenses (including transfers and payments in lieu of taxes) were \$1.6 million less than the \$16.2 million generated in charges for services and other revenues. The total cost of the City's business-type activities decreased 5% from the prior year primarily from a renegotiated wholesale power agreement.
- The general fund reported a fund balance of \$3.0 million, an increase of \$1.0 million, largely due to increased sales tax revenues and decreased capital outlay for streets and buildings.
- No new debt was issued but construction continues in the Water & Sewer fund from the 2017 bond issuance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Figure A-1F, Required Components of the City's Annual Financial Report



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. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
Fund Statements			
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the town that are not proprietary or fiduciary	Activities of the City that operate similar to private businesses: electric, water, airport, and sanitation
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. 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 \$45.6 million at September 30, 2019. (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<i>Assets:</i>						
Current Assets	\$ 6,664,134	\$ 6,068,561	\$ 6,046,828	\$ 5,347,534	\$ 12,710,962	\$ 11,416,095
Other Assets	564,290	545,990	1,244,443	2,121,920	1,808,733	2,667,910
Capital Assets (net)	15,142,676	13,774,119	31,453,286	30,926,649	46,595,962	44,700,768
<i>Total Assets</i>	<u>22,371,100</u>	<u>20,388,670</u>	<u>38,744,557</u>	<u>38,396,103</u>	<u>61,115,657</u>	<u>58,784,773</u>
<i>Deferred Outflows:</i>	1,232,201	554,180	365,541	153,698	1,597,742	707,878
<i>Liabilities:</i>						
Current Liabilities	1,099,572	1,240,903	2,141,269	2,932,926	3,240,841	4,173,829
Long-Term Liabilities	5,310,693	4,822,999	7,666,297	7,909,854	12,976,990	12,732,853
<i>Total Liabilities</i>	<u>6,410,265</u>	<u>6,063,902</u>	<u>9,807,566</u>	<u>10,842,780</u>	<u>16,217,831</u>	<u>16,906,682</u>
<i>Deferred Inflows:</i>	657,473	820,780	197,495	248,519	854,968	1,069,299
<i>Net Position:</i>						
Net Invested in Capital Assets	11,207,516	9,422,569	25,074,025	24,902,646	36,281,541	34,325,215
Restricted	3,321,276	3,645,681	-	-	3,321,276	3,645,681
Unrestricted	2,006,771	989,918	4,031,012	2,555,856	6,037,783	3,545,774
<i>Total Net Position</i>	<u>\$ 16,535,563</u>	<u>\$ 14,058,168</u>	<u>\$ 29,105,037</u>	<u>\$ 27,458,502</u>	<u>\$ 45,640,600</u>	<u>\$ 41,516,670</u>

Governmental Activities

- Property tax rates for the fiscal year ending September 30, 2019 decreased, but increasing property values led to an increase in ad valorem tax revenue of 7%.
- Sales tax collections increased 59% to \$2.9 million. Construction of steel buildings contributed to the increase in sales tax.
- Expenses increased somewhat due to higher public safety spending.

Business-Type Activities

- Expenses decreased slightly by an average of 4.9%. The largest expense decline occurred in the electrical utility due to rate reductions by CPS, the City's power provider.
- Total revenues from all business-type activities increased modestly from the prior year, by \$68 thousand, or .4%. The customer base and usage is fairly flat.

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<i>Program Revenues:</i>						
Charges for Services	\$ 665,505	\$ 684,588	\$ 15,805,000	\$ 15,764,308	\$ 16,470,505	\$ 16,448,896
Operating Grants and Contributions	105,371	4,783	-	-	105,371	4,783
Capital Contributions	726,762	731,675	270,856	62,102	997,618	793,777
<i>General Revenues:</i>						
Taxes	4,673,412	3,478,062	-	-	4,673,412	3,478,062
Interest Earnings	99,953	75,061	85,036	30,523	184,989	105,584
Miscellaneous	151,729	66,729	12,212	248,333	163,941	315,062
TOTAL REVENUES	6,422,732	5,040,898	16,173,104	16,105,266	22,595,836	21,146,164
<i>Program Expenses:</i>						
General Government	1,463,703	1,373,751	-	-	1,463,703	1,373,751
Tax and Finance	219,359	195,860	-	-	219,359	195,860
Public Safety	2,100,858	1,904,235	-	-	2,100,858	1,904,235
Municipal Court	110,905	107,932	-	-	110,905	107,932
Public Works	1,284,772	1,324,824	-	-	1,284,772	1,324,824
Parks, Recreation	1,534,793	1,507,742	-	-	1,534,793	1,507,742
Library	393,449	378,399	-	-	393,449	378,399
Electric Utility	-	-	6,110,591	6,905,253	6,110,591	6,905,253
Water & Sewer	-	-	2,441,478	2,309,930	2,441,478	2,309,930
Airport	-	-	1,379,249	1,304,189	1,379,249	1,304,189
Sanitation	-	-	1,321,953	1,317,579	1,321,953	1,317,579
Interest on Debt	110,796	118,552	-	-	110,796	118,552
TOTAL EXPENSES	7,218,635	6,911,295	11,253,271	11,836,951	18,471,906	18,748,246
Transfers	3,273,298	3,273,297	(3,273,298)	(3,273,297)	-	-
Change in Net Position	2,477,395	1,402,900	1,646,535	995,018	4,123,930	2,397,918
Beginning Net Position	14,058,168	12,655,268	27,458,502	26,463,484	41,516,670	39,118,752
Ending Net Position	\$ 16,535,563	\$ 14,058,168	\$ 29,105,037	\$ 27,458,502	\$ 45,640,600	\$ 41,516,670

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by grants as well as local tax dollars. The cost of all *governmental* activities this year was \$7.2 million. Taxpayers paid for 22% of these activities through property taxes of \$1.6 million. 9.2% of the cost was paid by those who directly benefited from the programs. Business-type activities charges for services equaled 140% of expenses.

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
General Government	\$ 1,463,703	\$ 1,373,751	\$ 497,800	\$ 540,196
Tax and Finance	219,359	195,860	219,359	195,860
Public Safety	2,100,858	1,904,235	1,907,004	1,732,924
Municipal Court	110,905	107,932	50,335	21,393
Public Works	1,284,772	1,324,824	1,284,064	1,324,824
Parks, Recreation	1,534,793	1,507,742	1,311,426	1,294,449
Library	393,449	378,399	340,213	262,051
Electric Utility	6,110,591	6,905,253	(3,249,426)	(2,587,756)
Water & Sewer	2,441,478	2,309,930	(1,939,614)	(1,779,681)
Airport	1,379,249	1,304,189	447,702	419,127
Sanitation	1,321,953	1,317,579	(81,247)	(41,149)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- The General fund increased its fund balance by \$1.0 million primarily from enhanced sales tax collections.
- The Economic Development Corporation decreased its fund balance by \$368 thousand due primarily to the renovation and expansion of the South Texas Regional Training Center. Funds were received from the U.S. Department of Commerce to assist with the expansion.
- Total nonmajor funds fund balance increased \$180 thousand, due primarily to donations and grants at the South Texas Regional Training Center.
- All of the proprietary funds generated sufficient operating revenues to cover operating expenses and debt service, except for the Airport. The Airport continues to sell available land and pursue rental agreements to cover operations.

Budgetary Highlights

- General Fund revenues exceeded the budget by \$1.0 million, mostly from better than expected sales tax collections.
- General Fund expenditures were \$1.8 million under budget. A large portion of the savings was from capital outlay not advancing as quickly as anticipated.
- The General Fund balance increased \$1.0 million, which was \$1.9 million better than what the final budget projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2019, the City had invested \$82 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant changes in fiscal year 2019 included completion of the South Texas Regional Training Center renovations, a new Police building, a new Public Works building, and reconstruction of Castro Avenue. Significant additions were also made to the City's Water Utility infrastructure. (See Table A-4)

Table A-4
City's Capital Assets
(*in thousands dollars*)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 628	\$ 628	\$ 2,284	\$ 2,284	\$ 2,912	\$ 2,912
Water Rights	-	-	200	200	200	200
Buildings and Improvements	10,340	8,059	18,963	18,497	29,303	26,556
Infrastructure	17,183	16,510	27,148	23,353	44,331	39,863
Equipment	2,819	3,079	1,896	1,866	4,715	4,945
Construction in Progress	-	978	647	3,980	647	4,958
Totals at Historical Cost	30,970	29,254	51,138	50,180	82,108	79,434
Total Accumulated Depreciation	(15,828)	(15,479)	(19,685)	(19,253)	(35,513)	(34,732)
Net Capital Assets	<u>\$15,142</u>	<u>\$13,775</u>	<u>\$31,453</u>	<u>\$30,927</u>	<u>\$46,595</u>	<u>\$44,702</u>

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

Long Term Debt

The City had bonds payable at year end as outlined in Table A-5. No new debt was issued during the 2019 fiscal year. More detailed information about the City's debt is presented in the notes H and I to the financial statements.

Table A-5
City's Long-Term Debt
(*in thousands dollars*)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds Payable	\$ 3,935	\$ 4,352	\$ 7,652	\$ 8,173	\$11,587	\$12,525
Total Long-Term Debt	<u>\$ 3,935</u>	<u>\$ 4,352</u>	<u>\$ 7,652</u>	<u>\$ 8,173</u>	<u>\$11,587</u>	<u>\$12,525</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2019-2020 year, the City decreased the property tax rate from \$0.5109 to \$0.5105. However, property value growth is expected to offset the decrease in the rate. The City intends to maintain current service levels to the citizens, while containing and reducing overall operational costs. Any increases in revenue are targeted towards improving working capital and fund capital improvements. The City plans to continue water system rehabilitation efforts associated with its five-year Capital improvement Program.

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.

HONDO



THIS IS GOD'S COUNTRY

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

HONDO



THIS IS GOD'S COUNTRY

CITY OF HONDO
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,962,002	\$ 3,030,199	\$ 5,992,201
Certificates of Deposit	2,699,722	-	2,699,722
Ad Valorem Tax Receivable (Net)	123,805	-	123,805
Other Receivables (Net)	720,465	2,566,387	3,286,852
Due from Other Governments	153,513	9,498	163,011
Prepaid Expenses	4,627	-	4,627
Inventory	-	440,744	440,744
Restricted Cash and Investments	564,290	1,244,443	1,808,733
Capital Assets (net)	<u>15,142,676</u>	<u>31,453,286</u>	<u>46,595,962</u>
TOTAL ASSETS	<u>22,371,100</u>	<u>38,744,557</u>	<u>61,115,657</u>
DEFERRED OUTFLOWS			
Deferred Pension Related Outflows	1,219,643	361,561	1,581,204
Deferred OPEB Related Outflows	12,558	3,980	16,538
TOTAL DEFERRED OUTFLOWS	<u>1,232,201</u>	<u>365,541</u>	<u>1,597,742</u>
LIABILITIES			
Accounts Payable	321,913	1,077,980	1,399,893
Accrued Wages	179,150	55,623	234,773
Accrued Interest	17,897	29,352	47,249
Accrued Compensated Absences	128,990	22,750	151,740
Deposits and Unearned Revenue	27,712	427,474	455,186
<i>Long-term Liabilities</i>			
Long-term Debt Due in One Year	423,910	528,090	952,000
Long-term Debt Due in More than One Year	3,511,250	7,123,750	10,635,000
Total OPEB Liabilities Due in More than One Year	439,677	147,028	586,705
Net Pension Liability Due in More than One Year	<u>1,359,766</u>	<u>395,519</u>	<u>1,755,285</u>
TOTAL LIABILITIES	<u>6,410,265</u>	<u>9,807,566</u>	<u>16,217,831</u>
DEFERRED INFLOWS			
Deferred Pension Related Inflows	636,947	191,082	828,029
Deferred OPEB Related Outflows	20,526	6,413	26,939
TOTAL DEFERRED INFLOWS	<u>657,473</u>	<u>197,495</u>	<u>854,968</u>
NET POSITION			
Net Investment in Capital Assets	11,207,516	25,074,025	36,281,541
Restricted for:			
Nonexpendable Perpetual Care Trust	564,290	-	564,290
Debt Service	160,421	-	160,421
Economic Development	2,385,850	-	2,385,850
Police, Municipal Court and Library	27,780	-	27,780
Tourism Development	179,846	-	179,846
Cemetery Maintenance	3,089	-	3,089
Unrestricted	<u>2,006,771</u>	<u>4,031,012</u>	<u>6,037,783</u>
TOTAL NET POSITION	<u><u>\$ 16,535,563</u></u>	<u><u>\$ 29,105,037</u></u>	<u><u>\$ 45,640,600</u></u>

See accompanying notes to basic financial statements.

**CITY OF HONDO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions and Programs	Expenses		Program Revenues		Operating Grants and Contributions	
	Direct	Indirect Allocation	Charges for Services			
Primary Government:						
<i>Governmental Activities:</i>						
General Government	\$ 1,692,446	\$ (228,743)	\$ 320,971	\$ -	-	
Tax and Finance	318,772	(99,413)	-	-	-	
Public Safety	2,100,858	-	38,982	103,872		
Municipal Court	110,905	-	60,570	-		
Public Works	1,676,062	(391,290)	708	-		
Parks, Recreation and Golf Course	1,534,793	-	223,364	3		
Library	393,449	-	20,910	1,496		
Interest on Long-term Debt	110,796	-	-	-		
<i>Total Governmental Activities</i>	<u>7,938,081</u>	<u>(719,446)</u>	<u>665,505</u>	<u>105,371</u>		
<i>Business-Type Activities:</i>						
Electric	5,802,200	308,391	9,360,017	-		
Water & Sewer	2,172,623	268,855	4,147,771	-		
Airport	1,291,362	87,887	894,012	-		
Sanitation	1,267,640	54,313	1,403,200	-		
<i>Total Business-Type Activities</i>	<u>10,533,825</u>	<u>719,446</u>	<u>15,805,000</u>	<u>-</u>		
Total Primary Government	\$ 18,471,906	\$ -	\$ 16,470,505	\$ 105,371		

General Revenues:

Taxes
 Ad Valorem Taxes
 Sales Taxes
 Other Taxes
 Interest and Investment Earnings
 Miscellaneous

Total General Revenues

Transfers and Payments in Lieu of Taxes

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

Program Revenues	<u>Net (Expense) Revenue and Changes in Net Position</u>		
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 644,932	\$ (497,800)	\$ (497,800)	
-	(219,359)	(219,359)	
51,000	(1,907,004)	(1,907,004)	
-	(50,335)	(50,335)	
-	(1,284,064)	(1,284,064)	
-	(1,311,426)	(1,311,426)	
30,830	(340,213)	(340,213)	
-	(110,796)	(110,796)	
<u>726,762</u>	<u>(5,720,997)</u>	<u>(5,720,997)</u>	
-	\$ 3,249,426	3,249,426	
233,321	1,939,614	1,939,614	
37,535	(447,702)	(447,702)	
-	81,247	81,247	
<u>270,856</u>	<u>4,822,585</u>	<u>4,822,585</u>	
<u>\$ 997,618</u>		<u>(898,412)</u>	
1,601,434	-	1,601,434	
2,896,251	-	2,896,251	
175,727	-	175,727	
99,953	85,036	184,989	
151,729	12,212	163,941	
<u>4,925,094</u>	<u>97,248</u>	<u>5,022,342</u>	
<u>3,273,298</u>	<u>(3,273,298)</u>	<u>-</u>	
2,477,395	1,646,535	4,123,930	
<u>14,058,168</u>	<u>27,458,502</u>	<u>41,516,670</u>	
<u>\$ 16,535,563</u>	<u>\$ 29,105,037</u>	<u>\$ 45,640,600</u>	

CITY OF HONDO
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	<u>Major Fund</u> <u>General Fund</u>	<u>Major Fund</u> <u>Economic Development</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 2,030,064	\$ 355,911	\$ 576,028	\$ 2,962,003
Certificates of Deposit	874,651	1,817,269	7,802	2,699,722
Ad Valorem Taxes Receivable (Net)	94,520	-	29,285	123,805
Other Receivables (Net)	463,530	203,882	53,053	720,465
Due from Other Governments	-	153,513	-	153,513
Prepaid Items	4,627	-	-	4,627
Restricted Certificates of Deposit	-	-	564,290	564,290
TOTAL ASSETS	<u>\$ 3,467,392</u>	<u>\$ 2,530,575</u>	<u>\$ 1,230,458</u>	<u>\$ 7,228,425</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 158,849	\$ 139,129	\$ 23,934	\$ 321,912
Accrued Wages	173,555	5,596	-	179,151
Unearned Revenue	19,670	-	8,042	27,712
<i>Total Liabilities</i>	<u>352,074</u>	<u>144,725</u>	<u>31,976</u>	<u>528,775</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	94,520	-	29,285	123,805
<i>Total Deferred Inflows of Resources</i>	<u>94,520</u>	<u>-</u>	<u>29,285</u>	<u>123,805</u>
<i>Fund Balances:</i>				
Nonspendable:				
Prepaid Items	4,627	-	-	4,627
Perpetual Care Trust	-	-	564,290	564,290
Restricted for:				
Debt Service	-	-	149,033	149,033
Economic Development	-	2,385,850	-	2,385,850
Police Department	-	-	3,471	3,471
Tourism Development	-	-	179,846	179,846
Cemetery Maintenance	-	-	3,089	3,089
Municipal Court	24,309	-	-	24,309
Committed for:				
South TX Regional Training Center	-	-	267,602	267,602
Capital Projects	441,923	-	-	441,923
Other	7,190	-	1,866	9,056
Unassigned	2,542,749	-	-	2,542,749
<i>Total Fund Balances</i>	<u>3,020,798</u>	<u>2,385,850</u>	<u>1,169,197</u>	<u>6,575,845</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,467,392</u>	<u>\$ 2,530,575</u>	<u>\$ 1,230,458</u>	<u>\$ 7,228,425</u>

See accompanying notes to basic financial statements.

**CITY OF HONDO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 6,575,845

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 15,142,676

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 123,805

Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds. (128,990)

Long-term liabilities, including capital leases and related accrued interest, are not due and payable in the current period and, therefore not reported in the funds. (3,953,058)

Net pension and total other post-employment liabilities (and related deferred outflows and inflows of resources) do not consume or create current financial resources and are not reported in the funds.

Net Pension Liability	(1,359,766)
Pension Related Deferred Outflows	1,219,643
Pension Related Deferred Inflows	(636,947)
OPEB Related Deferred Outflows	12,558
Total OPEB Obligation	(439,677)
OPEB Related Deferred Inflows	(20,526) (1,224,715)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 16,535,563

See accompanying notes to basic financial statements.

CITY OF HONDO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Major Fund</u> <u>Economic</u> <u>Development</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES				
Ad Valorem Taxes	\$ 1,205,803	\$ -	\$ 391,105	\$ 1,596,908
Sales Taxes	1,930,834	965,417	-	2,896,251
Other Taxes	43,011	-	132,716	175,727
Licenses and Permits	185,801	-	-	185,801
Grants and Donations	164,511	644,932	111,500	920,943
Charges for Services	347,011	-	90,209	437,220
Fines and Penalties	60,570	-	254	60,824
Interest Income	50,244	34,043	15,687	99,974
Miscellaneous	51,213	-	-	51,213
TOTAL REVENUES	4,038,998	1,644,392	741,471	6,424,861
EXPENDITURES				
<i>Current:</i>				
General Government	1,052,534	164,311	157,559	1,374,404
Tax and Finance	215,469	-	-	215,469
Public Safety	1,927,856	-	3,166	1,931,022
Municipal Court	109,830	-	-	109,830
Public Works	805,287	-	-	805,287
Parks, Recreation and Golf Course	1,406,489	-	-	1,406,489
Library	320,009	-	-	320,009
Capital Outlay	558,375	1,687,924	-	2,246,299
<i>Debt Service:</i>				
Principal	-	90,000	326,390	416,390
Interest and Fiscal Charges	-	39,895	72,067	111,962
TOTAL EXPENDITURES	6,395,849	1,982,130	559,182	8,937,161
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,356,851)	(337,738)	182,289	(2,512,300)
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Assets	12,366	-	-	12,366
Payments in Lieu of Taxes	3,154,988	-	-	3,154,988
Transfers In (Out)	148,310	(30,000)	-	118,310
TOTAL OTHER FINANCING SOURCES (USES)	3,315,664	(30,000)	-	3,285,664
Net Change in Fund Balance	958,813	(367,738)	182,289	773,364
Fund Balances at Beginning of Year	2,061,985	2,753,588	986,908	5,802,481
Fund Balances at End of Year	\$ 3,020,798	\$ 2,385,850	\$ 1,169,197	\$ 6,575,845

See accompanying notes to basic financial statements.

CITY OF HONDO
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, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 773,364

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 reported as depreciation expense.

Capital Outlay	2,246,300
Depreciation	(869,868) 1,376,432

Governmental funds report proceeds from the sale of capital assets as other financing sources. However in the statement of activities, the proceeds are reduced by the net book value of the capital assets disposed. This amount represents the net book value of capital assets disposed. (7,875)

Revenues in the Statement of Activities that do not provide current financial resources
are not reported as revenues in the funds. 4,526

Governmental funds report required contributions to employee pensions and other post-employment benefits (OPEB) as expenditures. However in the Statement of Activities the cost of these benefits are recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded (fell short of) the actuarially determined plan expenses.

Pension Plan	(54,501)
Other Post-employment Benefits	(15,776)

The issuance of long-term debt (e.g. bonds and capital leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Payments 416,390 416,390

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

Change in Compensated Absences	(16,331)
Change in Accrued Interest	1,166

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 2,477,395**

CITY OF HONDO
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities		
	Electric Utility	Water & Sewer	Airport
ASSETS			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 142,868	\$ 2,607,408	\$ -
Receivables (net of allowances for uncollectibles)	1,692,969	664,672	70,586
Due from Other Governments	-	9,498	-
Inventory	259,797	140,505	40,442
Due From Other Funds	247,383	-	-
<i>Total Current Assets</i>	<u>2,343,017</u>	<u>3,422,083</u>	<u>111,028</u>
<i>Noncurrent Assets:</i>			
Restricted Cash for Construction	-	1,244,443	-
Property and Equipment (net)	1,614,873	13,909,446	15,928,967
<i>Total Noncurrent Assets</i>	<u>1,614,873</u>	<u>15,153,889</u>	<u>15,928,967</u>
TOTAL ASSETS	<u>3,957,890</u>	<u>18,575,972</u>	<u>16,039,995</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	157,396	144,351	58,006
OPEB Related Deferred Outflows	1,606	1,660	661
TOTAL DEFERRED OUTFLOWS	<u>159,002</u>	<u>146,011</u>	<u>58,667</u>
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	647,417	250,412	64,720
Accrued Wages	21,731	24,847	9,045
Accrued Interest	1,290	27,674	388
Accrued Compensated Absences	9,672	9,889	3,189
Deposits and Unearned Revenue	315,563	104,835	7,056
Due to Other Funds	-	-	247,383
Current Portion of Long-Term Debt	50,000	463,090	15,000
<i>Total Current Liabilities</i>	<u>1,045,673</u>	<u>880,747</u>	<u>346,781</u>
<i>Long-term Liabilities:</i>			
Long-term Debt (Net of Current Portion)	415,000	6,583,750	125,000
Total OPEB Liability	59,561	62,247	23,777
Net Pension Liability	171,211	162,721	60,279
<i>Total Long-term Liabilities</i>	<u>645,772</u>	<u>6,808,718</u>	<u>209,056</u>
TOTAL LIABILITIES	<u>1,691,445</u>	<u>7,689,465</u>	<u>555,837</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows	79,282	75,586	33,588
OPEB Related Deferred Inflows	2,708	2,732	965
TOTAL DEFERRED INFLOWS	<u>81,990</u>	<u>78,318</u>	<u>34,553</u>
NET POSITION			
Net Investment In Capital Assets	1,149,873	8,135,185	15,788,967
Unrestricted (Deficit)	1,193,584	2,819,015	(280,695)
TOTAL NET POSITION	<u>\$ 2,343,457</u>	<u>\$ 10,954,200</u>	<u>\$ 15,508,272</u>

See accompanying notes to basic financial statements.

Business-Type Activities

	Sanitation	Total	Proprietary
--	------------	-------	-------------

\$	279,923	\$ 3,030,199	
	138,160	2,566,387	
	-	9,498	
	-	440,744	
	-	247,383	
	<u>418,083</u>	<u>6,294,211</u>	

-	1,244,443	
	-	31,453,286
	-	32,697,729
	<u>418,083</u>	<u>38,991,940</u>

1,808	361,561	
	53	3,980
	<u>1,861</u>	<u>365,541</u>

115,431	1,077,980	
	-	55,623
	-	29,352
	-	22,750
	20	427,474
	-	247,383
	-	528,090
	<u>115,451</u>	<u>2,388,652</u>

-	7,123,750	
	1,443	147,028
	<u>1,308</u>	<u>395,519</u>
	2,751	7,666,297
	<u>118,202</u>	<u>10,054,949</u>

2,626	191,082	
	8	6,413
	<u>2,634</u>	<u>197,495</u>

-	25,074,025	
	299,108	4,031,012
	<u>\$ 299,108</u>	<u>\$ 29,105,037</u>

CITY OF HONDO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR SEPTEMBER 30, 2019

	Business-Type Activities		
	Electric Utility	Water & Sewer	Airport
OPERATING REVENUES			
Charges for Utility Service	\$ 9,209,590	\$ 4,060,707	\$ -
Fuel Sales	-	-	394,108
Rentals and Leases	-	-	492,803
Miscellaneous Charges	150,427	87,064	7,101
TOTAL OPERATING REVENUES	9,360,017	4,147,771	894,012
OPERATING EXPENSES			
Personnel	611,097	638,966	246,255
Materials and Supplies	411,193	417,164	295,954
Services	4,696,848	505,824	243,710
Depreciation	75,123	441,562	503,053
Overhead Allocation from General Fund	308,391	268,855	87,887
TOTAL OPERATING EXPENSES	6,102,652	2,272,371	1,376,859
OPERATING INCOME (LOSS)	3,257,365	1,875,400	(482,847)
NONOPERATING REVENUES (EXPENSES)			
Grants	-	233,321	37,535
Interest Income	9,994	70,515	-
Gain on Sale of Capital Assets	12,212	-	-
Interest Expense	(7,939)	(169,107)	(2,390)
TOTAL NONOPERATING	14,267	134,729	35,145
INCOME (LOSS) BEFORE TRANSFERS	3,271,632	2,010,129	(447,702)
TRANSFERS			
Payment in Lieu of Taxes	(2,775,000)	(379,988)	-
Transfers Out	(69,244)	(35,394)	(12,944)
TOTAL TRANSFERS	(2,844,244)	(415,382)	(12,944)
CHANGE IN NET POSITION	427,388	1,594,747	(460,646)
BEGINNING NET POSITION	1,916,069	9,359,453	15,968,918
ENDING NET POSITION	\$ 2,343,457	\$ 10,954,200	\$ 15,508,272

See accompanying notes to basic financial statements.

Business-Type Activities		
	Total	
Sanitation	Proprietary	
\$ 1,386,779	\$ 14,657,076	
-	394,108	
-	492,803	
16,421	261,013	
<u>1,403,200</u>	<u>15,805,000</u>	
997	1,497,315	
-	1,124,311	
1,266,643	6,713,025	
-	1,019,738	
54,313	719,446	
<u>1,321,953</u>	<u>11,073,835</u>	
<u>81,247</u>	<u>4,731,165</u>	
-	270,856	
4,527	85,036	
-	12,212	
-	(179,436)	
<u>4,527</u>	<u>188,668</u>	
<u>85,774</u>	<u>4,919,833</u>	
-	(3,154,988)	
(728)	(118,310)	
<u>(728)</u>	<u>(3,273,298)</u>	
85,046	1,646,535	
214,062	27,458,502	
<u>\$ 299,108</u>	<u>\$ 29,105,037</u>	

CITY OF HONDO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Business-Type Activities</u>		
	<u>Electric Utility</u>	<u>Water & Sewer</u>	<u>Airport</u>
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 9,211,408	\$ 4,063,133	\$ 870,614
Cash Paid to Employees for Services	(604,432)	(623,709)	(241,975)
Cash Paid to Suppliers for Goods and Services	(5,648,902)	(1,294,948)	(518,103)
Cash Paid to General Fund for Indirect Costs	(308,391)	(268,855)	(87,887)
Net Cash Provided (Used) by Operating Activities	<u>2,649,683</u>	<u>1,875,621</u>	<u>22,649</u>
Cash Flows From Noncapital Financing Activities:			
Payments in Lieu of Taxes and Transfers	(2,865,456)	(415,382)	8,268
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,865,456)</u>	<u>(415,382)</u>	<u>8,268</u>
Cash Flows From Capital and Related Financing Activities:			
Capital Grants	-	223,823	37,535
Proceeds from the Sale of Capital Assets	12,212	-	-
Purchase of Capital Assets	(402,565)	(1,092,777)	(51,033)
Principal Payments on Long-Term Debt	(50,000)	(456,610)	(15,000)
Interest Paid	(8,034)	(169,928)	(2,419)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(448,387)</u>	<u>(1,495,492)</u>	<u>(30,917)</u>
Cash Flows From Investing Activities:			
Investment Interest Received	9,994	70,515	-
Net Cash Provided (Used) by Investing Activities	<u>9,994</u>	<u>70,515</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(654,166)</u>	<u>35,262</u>	<u>-</u>
Beginning of Year:			
Cash and Cash Equivalents	797,034	1,694,669	-
Restricted Cash	-	2,121,920	-
Total Beginning of Year	<u>797,034</u>	<u>3,816,589</u>	<u>-</u>
End of Year:			
Cash and Cash Equivalents	142,868	2,607,408	-
Restricted Cash	-	1,244,443	-
Total End of Year	<u>\$ 142,868</u>	<u>\$ 3,851,851</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

Business-Type Activities		
Total		
Sanitation	Proprietary	
\$ 1,398,122	\$ 15,543,277	
(971)	(1,471,087)	
(1,257,610)	(8,719,563)	
(54,313)	(719,446)	
<u>85,228</u>	<u>4,633,181</u>	
<u>(728)</u>	<u>(3,273,298)</u>	
<u>(728)</u>	<u>(3,273,298)</u>	
- 261,358		
- 12,212		
- (1,546,375)		
- (521,610)		
- (180,381)		
<u>- (1,974,796)</u>		
<u>4,527</u>	<u>85,036</u>	
<u>4,527</u>	<u>85,036</u>	
89,027	(529,877)	
190,896	2,682,599	
-	2,121,920	
<u>190,896</u>	<u>4,804,519</u>	
279,923	3,030,199	
-	1,244,443	
<u>\$ 279,923</u>	<u>\$ 4,274,642</u>	

CITY OF HONDO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Business-Type Activities</u>			
	Electric Utility	Water & Sewer	Airport
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 3,257,365	\$ 1,875,400	\$ (482,847)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	308,391	268,855	87,887
(Increase) Decrease in Operating Assets:			
Accounts Receivable (net)	(151,328)	(84,498)	(24,196)
Inventory	(63,834)	80	(13,342)
(Increase) Decrease in Deferred Outflows:			
Pension Related Deferred Outflows	(89,900)	(90,714)	(32,030)
OPEB Related Deferred Outflows	452	456	161
Increase (Decrease) in Current Liabilities:			
Accounts Payable	(477,027)	(372,040)	34,903
Accrued Wages	(70)	3,380	216
Accrued Compensated Absences	(2,414)	2,646	804
Deposits and Unearned Revenue	2,719	(140)	798
Total OPEB Liability	(1,200)	(1,211)	(428)
Net Pension Liability	121,341	122,440	43,232
Increase (Decrease) in Deferred Inflows:			
Pension Related Deferred Inflows	(24,252)	(24,472)	(8,640)
OPEB Related Deferred Inflows	2,708	2,732	965
Total Adjustments to Reconcile Operating Activities	<u>(374,414)</u>	<u>(172,486)</u>	<u>90,330</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,882,951</u>	<u>\$ 1,702,914</u>	<u>\$ (392,517)</u>

See accompanying notes to basic financial statements.

Business-Type Activities		
Sewer Sanitation	Total	Proprietary Funds
\$ 81,247	\$ 4,731,165	
54,313	719,446	
(5,078)	(265,100)	
-	(77,096)	
(269)	(212,913)	
1	1,070	
9,033	(805,131)	
-	3,526	
-	1,036	
-	3,377	
(4)	(2,843)	
363	287,376	
(73)	(57,437)	
8	6,413	
<u>58,294</u>	<u>(398,276)</u>	
<u>\$ 139,541</u>	<u>\$ 4,332,889</u>	

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE A -- 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.

1. REPORTING ENTITY

Component Units

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations; thus, data from these units, if any existed, would be combined with data 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 government. As of September 30, 2019, the City had one component unit that is blended in these financial statements:

Hondo Economic Development Corporation

The City exerts significant control over the Economic Development Corporation (EDC), a legally separate entity. The EDC uses the taxing authority of the City and provides services almost exclusively to the City and its constituents. This poses a significant benefit to the City. City Council appoints all members of the Board, approves the Budget, and is charged with hiring and firing of EDC employees. In addition, management of the City has operational responsibility for the component unit. This qualifies the EDC as a component unit, which is recorded as a separate fund of the City, using the blended method described in the previous paragraph. The EDC collects a $\frac{1}{2}$ cent sales tax to promote economic growth in the City of Hondo. The EDC does not issue separate financial statements.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 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 in program revenues are reported as general revenues.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund and Economic Development Fund meet the criteria as **major governmental funds**. All of the City's proprietary funds are all major funds.

3. 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. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, property taxes, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences, pension benefits and other post-employment benefits, are recorded only when the liability has matured and payment is due.

The government 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.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Economic Development Fund is used to account for the $\frac{1}{2}$ cent sales tax used to promote business development in the City. This fund is a separate legal entity reported as a blended component unit of the City.

The City has the following nonmajor governmental funds: Debt Service, Forfeiture, Unclaimed Funds, South Texas Regional Training Center, Hotel Tax, Perpetual Care, and Capital Projects.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Funds are the Electric Utility, Water and Sewer Utility, Airport and Sanitation Utility.

The **Proprietary Funds** are accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

4. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

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.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. 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.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2018 and past due after January 31, 2019. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectibles of \$16,680 and \$5,168 in the general and debt service funds, respectively.

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

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

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

9. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as deferred revenue. Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unavailable revenue.

10. CAPITAL ASSETS

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

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

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

<u>Asset</u>	<u>Estimated Life</u>
Buildings and Improvements	10 to 40 years
Streets, Utilities and Infrastructure	10 to 60 years
Furniture, Fixtures, Vehicles	5 to 30 years

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. INVENTORY

Inventory consists of utility supplies and fuel for sale. The inventory is recorded at cost using the first in/first out method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

12. COMPENSATED ABSENCES

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

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

13. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt (including capital leases) and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bond. Bond issuance costs are expensed as incurred.

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

14. PENSIONS

The net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. OTHER POST-EMPLOYMENT 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..

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

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.

16. FUND BALANCES

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for a specific purpose by a resolution of City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. Assignments may be created by the Council, City Manager or Finance Director.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

17. NET POSITION

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

18. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. INTERFUND TRANSFERS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds. The City charges a Payment in Lieu of Taxes to Proprietary Funds. In addition, overhead allocations are made from the General Fund to other funds. These allocations are reported as expenditures/expenses in the paying funds and reduction of expenditures in the General Fund.

20. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B -- DEPOSITS AND INVESTMENTS

1. 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, 2019, the carrying amount of the City's deposits were fully collateralized by a combination of federal deposit insurance (FDIC) and securities pledged by the City's depository.

2. Investments

The City's investments at September 30, 2019 consist of \$3,264,012 in certificates of deposit covered by pledged securities from the City's depository. The certificates are reported at amortized cost.

3. 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.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE C -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. 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, 2018, upon which the fiscal 2019 levy was based, was \$309 million (i.e., market value less exemptions). The estimated market value was \$343 million, making the taxable value 90% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2019, was \$0.5109 per \$100 of assessed value, which means that the City has a tax margin of \$1.9891 for each \$100 value and could increase its annual tax levy by approximately \$6.8 million based upon the present assessed valuation before the limit is reached. However, 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

NOTE D -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2019 are as follows:

	General Fund	EDC	Nonmajor Funds	Governmental Totals
Sales and Mixed Beverage Tax	\$ 407,940	\$ 203,882	\$ -	\$ 611,822
Franchise Fees	5,461	-	-	5,461
Hotel Occupancy Tax	-	-	32,971	32,971
Customer Charges	58,700	-	20,082	78,782
Allowance for Uncollectibles	(8,571)	-	-	(8,571)
Total Other Receivables	\$ 463,530	\$ 203,882	\$ 53,053	\$ 720,465

	Electric Utility	Water & Sewer	Airport	Sanitation	Proprietary Totals
Customer Charges	\$ 1,713,156	\$ 670,671	\$ 95,115	\$ 142,808	\$ 2,621,750
Allowance for Uncollectibles	(20,187)	(5,999)	(24,529)	(4,648)	(55,363)
Total Other Receivables	\$ 1,692,969	\$ 664,672	\$ 70,586	\$ 138,160	\$ 2,566,387

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE E -- RESTRICTED CASH AND INVESTMENTS

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

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

NOTE F -- INTERFUND TRANSACTIONS

Interfund balances as of September 30, 2019 were as follows:

Due From	Due To	Amount	Purpose
Airport	Electric	\$ 247,383	<i>Short-term pooled cash loan</i>

Interfund transfers during the year ending September 30, 2019 were as follows:

Transfer From	Transfer to	Amount	Purpose
Electric	General	\$ 69,244	<i>Contributions toward capital projects</i>
Water & Sewer	General	35,394	<i>Contributions toward capital projects</i>
Airport	General	12,944	<i>Contributions toward capital projects</i>
Sanitation	General	728	<i>Contributions toward capital projects</i>
Economic Development	General	30,000	<i>Contributions toward capital projects</i>
		<u>\$ 148,310</u>	

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE G -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

<i>Governmental Activities</i>	Balance 10/1/2018	Additions	Disposals/ Transfers	Balance 9/30/2019
Land	\$ 628,148	\$ -	\$ -	\$ 628,148
Buildings and Improvements	8,058,644	-	2,280,912	10,339,556
Infrastructure	16,509,868	-	672,632	17,182,500
Vehicles and Equipment	3,078,508	240,735	(500,182)	2,819,061
Construction in Progress	977,979	2,005,565	(2,983,544)	-
	<u>29,253,147</u>	<u>2,246,300</u>	<u>(530,182)</u>	<u>30,969,265</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,763,474)	(193,447)	-	(2,956,921)
Vehicles and Equipment	(1,957,157)	(269,371)	492,307	(1,734,221)
Infrastructure	(10,758,397)	(407,050)	30,000	(11,135,447)
	<u>(15,479,028)</u>	<u>(869,868)</u>	<u>522,307</u>	<u>(15,826,589)</u>
Capital Assets, Net	<u>\$ 13,774,119</u>	<u>\$ 1,376,432</u>	<u>\$ (7,875)</u>	<u>\$ 15,142,676</u>
<i>Business-Type Activities</i>	Balance 10/1/2018	Additions	Disposals/ Transfers	Balance 9/30/2019
Land	\$ 2,284,348	\$ -	\$ -	\$ 2,284,348
Water Rights	199,541	-	-	199,541
Buildings and Improvements	18,496,863	58,328	408,031	18,963,222
Infrastructure	23,353,005	191,019	3,603,917	27,147,941
Vehicles and Equipment	1,865,843	247,651	(217,410)	1,896,084
Construction in Progress	3,979,660	1,049,377	(4,381,948)	647,089
	<u>50,179,260</u>	<u>1,546,375</u>	<u>(587,410)</u>	<u>51,138,225</u>
Less Accumulated Depreciation				
Buildings and Improvements	(6,498,816)	(425,559)	-	(6,924,375)
Vehicles and Equipment	(1,146,274)	(128,246)	217,410	(1,057,110)
Infrastructure	(11,607,521)	(465,933)	370,000	(11,703,454)
	<u>(19,252,611)</u>	<u>(1,019,738)</u>	<u>587,410</u>	<u>(19,684,939)</u>
Capital Assets, Net	<u>\$ 30,926,649</u>	<u>\$ 526,637</u>	<u>\$ -</u>	<u>\$ 31,453,286</u>

Land, water rights, and construction in progress are not depreciated.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE G -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

General Government	\$ 93,174
Public Safety	139,033
Public Works	464,357
Parks, Recreation and Golf Course	106,713
Library	<u>66,591</u>
Total Depreciation Expense -	
Governmental Activities	<u>\$ 869,868</u>

NOTE H -- LONG-TERM LIABILITIES

	Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019
<i>Governmental Activities</i>				
Bonds Payable	\$ 4,351,550	\$ -	\$ (416,390)	\$ 3,935,160
Net Pension Liability	439,981	1,227,469	(307,684)	1,359,766
Accrued Compensated Absences	112,659	128,990	(112,659)	128,990
Total OPEB Liabilities				
SBDF	216,525	17,215	(26,314)	207,426
Retiree Insurance	<u>231,333</u>	<u>10,042</u>	<u>(9,124)</u>	<u>232,251</u>
Total Governmental Activities	<u>\$ 5,352,048</u>	<u>\$ 1,383,716</u>	<u>\$ (872,171)</u>	<u>\$ 5,863,593</u>
<i>Business-Type Activities</i>				
Bonds Payable	\$ 8,173,450	\$ -	\$ (521,610)	\$ 7,651,840
Net Pension Liability	108,143	301,700	(14,324)	395,519
Accrued Compensated Absences	21,714	22,750	(21,714)	22,750
Total OPEB Liabilities				
SBDF	68,192	5,738	(8,582)	65,348
Retiree Insurance	<u>81,679</u>	<u>3,476</u>	<u>(3,475)</u>	<u>81,680</u>
Total Business-Type Activities	<u>\$ 8,453,178</u>	<u>\$ 333,664</u>	<u>\$ (569,705)</u>	<u>\$ 8,217,137</u>

Historically, the General Fund and Economic Development Funds have been used to pay for governmental activities accrued compensated absences. Because of time restrictions placed on compensated absences, the City estimates that accrued compensated absences are generally taken within one year from the fiscal year end. Thus, the liability is shown as a current liability on the Statement of Net Position.

Historically, the General Fund and Economic Development Fund have been used to pay for governmental pension and other post employment benefits.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE I -- BONDS PAYABLE

Sales Tax Revenue Bonds, Series 2010

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

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

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

General Obligation Refunding Bonds, Series 2014

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

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

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

General Obligation Refunding Bonds, Series 2016

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

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE I – BONDS PAYABLE (Continued)

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

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

Changes in Bonds Payable

	Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
2015 Series	\$ 1,750,000	\$ -	\$ (170,000)	\$ 1,580,000	\$ 175,000
2016 Series	1,155,000	-	(105,000)	1,050,000	105,000
2010 Series	700,000	-	(45,000)	655,000	45,000
2014 Series	746,550	-	(96,390)	650,160	98,910
<i>Total Governmental Activities</i>	<u>\$ 4,351,550</u>	<u>\$ -</u>	<u>\$ (416,390)</u>	<u>\$ 3,935,160</u>	<u>\$ 423,910</u>

Business-Type Activities

Bonds Payable:

2015 Series	\$ 1,255,000	\$ -	\$ (60,000)	\$ 1,195,000	\$ 65,000
2016 Series	1,185,000	-	(115,000)	1,070,000	115,000
2017 Series	5,045,000	-	(240,000)	4,805,000	240,000
2013 Series	250,000	-	(50,000)	200,000	50,000
2014 Series	438,450	-	(56,610)	381,840	58,090
<i>Total Business-Type Activities</i>	<u>\$ 8,173,450</u>	<u>\$ -</u>	<u>\$ (521,610)</u>	<u>\$ 7,651,840</u>	<u>\$ 528,090</u>

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE I – BONDS PAYABLE (Continued)

The annual requirements to amortize all private placement long-term debt and obligations outstanding as of September 30, 2019, including interest payments, are as follows:

Fiscal Year Ending					
September 30,		Principal	Interest	Total	
<i>Governmental Activities</i>					
2020	\$ 423,910	\$ 104,653	\$ 528,563		
2021	437,690	96,270	533,960		
2022	346,470	86,830	433,300		
2023	349,620	78,323	427,943		
2024	364,030	69,083	433,113		
2025-2029	1,353,440	211,686	1,565,126		
2030-2034	555,000	70,644	625,644		
2035	105,000	3,801	108,801		
	<u>\$ 3,935,160</u>	<u>\$ 721,290</u>	<u>\$ 4,656,450</u>		
<i>Business-Type Activities</i>					
2020	\$ 528,090	\$ 174,436	\$ 702,526		
2021	535,310	167,187	702,497		
2022	537,530	158,702	696,232		
2023	544,380	149,295	693,675		
2024	501,970	139,334	641,304		
2025-2029	2,279,560	538,327	2,817,887		
2030-2034	1,955,000	287,552	2,242,552		
2035-2036	770,000	33,054	803,054		
	<u>\$ 7,651,840</u>	<u>\$ 1,647,887</u>	<u>\$ 9,299,727</u>		

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS retirement system.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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 benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	<u>2017</u>	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefits	64	67
Inactive employees entitled to but not yet receiving benefits	68	85
Active employees	<u>111</u>	<u>109</u>
	<u>243</u>	<u>261</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 either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.00% and 8.55% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$390,123 and matched the required contributions.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Increases	3.5%-10.5% including inflation
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions (Continued)

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 Health Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100%. 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 Disabled Retiree Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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 arithmetic real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term
		Expected Real
		Rate of Return
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
	100.00%	

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 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.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2018:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2017	<u>\$ 14,925,473</u>	<u>\$ 14,377,349</u>	<u>\$ 548,124</u>
Changes for the year:			
Service Cost	525,962	-	525,962
Interest	1,003,207	-	1,003,207
Change of Benefit Terms	-	-	-
Difference Between Expected and			
Actual Experience	(140,952)	-	(140,952)
Changes of Assumptions	-	-	-
Contributions - Employer	-	398,019	(398,019)
Contributions - Employee	-	222,300	(222,300)
Net Investment Income	-	(430,504)	430,504
Benefit Payments, Including Refunds			
of Employee Contributions	(652,242)	(652,242)	-
Administrative Expense	-	(8,323)	8,323
Other Changes	-	(436)	436
Net Changes	<u>735,975</u>	<u>(471,186)</u>	<u>1,207,161</u>
Balance at December 31, 2018	<u>\$ 15,661,448</u>	<u>\$ 13,906,163</u>	<u>\$ 1,755,285</u>

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

	Discount Rate	Discount Rate	Discount Rate
	5.75%	6.75%	7.75%
Net Pension Liability (Asset)	\$ 4,097,872	\$ 1,755,285	\$ (131,500)

Pension Plan Fiduciary Net Position

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

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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

For the year ended September 30, 2019, the City recognized pension expense of \$452,270. Also as of September 30, 2019, 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	\$ -	\$ 280,218
Changes in Actuarial Assumptions	8,276	-
Differences Between Projected and Actual Investment Earnings	1,286,230	547,811
Contributions Subsequent to the Measurement Date	<u>286,698</u>	<u>-</u>
	<u><u>\$ 1,581,204</u></u>	<u><u>\$ 828,029</u></u>

Deferred outflows of resources in the amount of \$286,698 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Fiscal Year ended September 30,

2020	\$ 104,029
2021	14,485
2022	67,768
2023	<u>280,195</u>
	<u><u>\$ 466,477</u></u>

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT – SUPPLEMENTAL DEATH BENEFIT

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT - SBDF (Continued)

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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. Membership in the plan at December 31, 2018, the valuation and measurement date, consisted of:

	2018
Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	9
Active employees	109
	173

The SDBF required contribution rates, based on these assumptions, are as follows:

For the Plan Year Ended	Total	Retiree
December 31,	Rate	Portion
2019	0.17%	0.04%
2018	0.22%	0.04%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method. These assumptions are summarized below:

Inflation	2.50%
Salary Increases	3.5% to 10.5% including Inflation
Discount Rate	3.71% based on Fidelity 20-year Municipal GO AA Index
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both male and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT - SBDF (Continued)

The changes in the City's Total OPEB Liability (TOL), based on the above actuarial factors, during the year ended December 31, 2018, were as follows:

	Total OPEB Liability
Balance at December 31, 2017	<u><u>\$ 284,717</u></u>
Changes for the year:	
Service Cost	13,338
Interest	9,615
Change of Benefit Terms	-
Difference Between Expected and	
Actual Experience	(12,219)
Changes of Assumptions	(20,899)
Benefit Payments	<u><u>(1,778)</u></u>
Net Changes	<u><u>(11,943)</u></u>
Balance at December 31, 2018	<u><u>\$ 272,774</u></u>

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 3.71% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.71%) and 1-percentage point higher (4.71%) than the current rate:

	Discount Rate	Discount Rate	Discount Rate
	2.71%	3.71%	4.71%
Total OPEB Liability	\$ 329,403	\$ 272,774	\$ 228,702

For the year ended September 30, 2019, the City recognized OPEB expense of \$21,288. Also as of September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and		
Actual Economic Experience	\$ -	\$ 9,939
Changes in Actuarial Assumptions	15,170	17,000
Contributions Subsequent to the		
Measurement Date	1,368	-
	<u><u>\$ 16,538</u></u>	<u><u>\$ 26,939</u></u>

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT - SBDF (Continued)

Deferred outflows of resources in the amount of \$1,368 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Fiscal Year ending September 30,

2020	\$ (1,665)
2021	(1,665)
2022	(1,665)
2023	(4,552)
2024	<u>(2,222)</u>
	<u><u>\$ (11,769)</u></u>

NOTE L -- OTHER POSTEMPLOYMENT BENEFIT – RETIREE INSURANCE

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

Membership in the plan as of September 30, 2019, was as follows:

	2018
Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>3</u>
	<u><u>7</u></u>

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

Actuarial Valuation Date	September 30, 2018
Actuarial Method	Entry Age Normal
	Level Percentage of Projected Salary
Discount Rate	4.06%
Mortality Table	RP-2014 Total with Projection MP-2018
Health Cost Trend	Level 5%

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE L -- OTHER POSTEMPLOYMENT BENEFIT – RETIREE INSURANCE (Continued)

Changes in the City's TOL for the measurement period ending September 30, 2019 were as follows:

	Total OPEB Liability
Balance at October 1, 2018	<u>\$ 313,012</u>
Changes for the year:	
Service Cost	1,063
Interest	12,453
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments	<u>(12,597)</u>
Net Changes	<u>919</u>
Balance at September 30, 2019	<u><u>\$ 313,931</u></u>

The TOL of the City's retiree insurance is calculated using a discount rate of 4.06% and a health care cost trend rate of 5%. The following tables present the sensitivity of the TOL to a 1% swing in the discount rate and health care cost trend rate:

	Discount Rate		
	3.06%	4.06%	5.06%
Total OPEB Liability (Asset)	\$ 392,687	\$ 313,931	\$ 255,204
Health Care Cost Trend Rate			
	4.00%	5.00%	6.00%
Total OPEB Liability (Asset)	\$ 255,301	\$ 313,931	\$ 390,838

For the year ended September 30, 2019, the City recognized OPEB expense of \$13,516. Also as of September 30, 2019, the City reported no deferred outflows or inflows of resources related to the retiree insurance OPEB.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE M – EDUCATION FACILITY CORPORATIONS

On August 6, 2013, the City created City of Hondo, Texas Higher Education Facilities Corporation (HHEFC), a nonprofit corporation under Section 53.35(b) of The Texas Education code. The HHEFC was established for the purpose of assisting in the financing of accredited primary and secondary schools as provided by state law. In accordance with the terms establishing the nonprofit corporation, the City is not liable for any expenses incurred in establishing or administering the HHEFC. The HHEFC is not consolidated into the financial statements of City because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards. As of September 30, 2019, the HHEFC had issued two series of bonds:

Issue	Original		Amount Outstanding	Maturity
	Principal			
2013 Series	\$ 2,500,000		\$ 2,500,000	2028
2016 Series		5,000,000	4,657,000	2035

NOTE N -- COMMITMENTS AND CONTINGENCIES

Litigation

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

Commitments

The City has entered into several contracts related to construction projects. The amounts as of September 30, 2019 were as follows:

Commitment	Estimated Project		Expended to Date	Estimated Future Commitment
	Cost to City			
Street Improvements	\$ 604,016		\$ 142,405	\$ 461,611
Water Tank Rehabilitation		719,750	316,575	403,175
Water Distribution Projects		259,616	239,296	20,320
	<u>\$ 1,583,382</u>		<u>\$ 698,276</u>	<u>\$ 885,106</u>

NOTE O -- 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.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE P -- SUBSEQUENT EVENTS

In October 2019, the City created the City of Hondo, Texas Cultural Education Facilities Corporation (HCEFC) to issued revenue bonds for constructing or acquiring cultural facilities. In November 2019, the HCEFC issues its first bond series for \$6 million. The City has no responsibility for this conduit debt obligation.

HONDO

THIS IS GOD'S COUNTRY

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Economic Development Fund
- Schedule of Changes – Net Pension Liability
- Schedule of Employer Pension Contributions
- Schedule of Changes – Total OPEB Liability – Supplemental Death Benefits Fund
- Schedule of Changes – Total OPEB Liability – Retiree Insurance

CITY OF HONDO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Ad Valorem Taxes	\$ 1,206,406	\$ 1,206,406	\$ 1,205,803	\$ (603)
Sales Taxes	1,000,000	1,000,000	1,930,834	930,834
Other Taxes	65,200	65,200	43,011	(22,189)
Licenses and Permits	134,500	134,500	185,801	51,301
Grants and Donations	53,200	104,200	164,511	60,311
Charges for Services	371,742	371,742	347,011	(24,731)
Fines and Penalties	100,500	100,500	60,570	(39,930)
Interest Income	7,500	7,500	50,244	42,744
Miscellaneous	32,500	32,500	51,213	18,713
TOTAL REVENUES	2,971,548	3,022,548	4,038,998	1,016,450
EXPENDITURES				
General Government				
Personnel	648,414	645,526	640,495	5,031
Supplies	56,325	66,103	67,431	(1,328)
Services	670,490	670,300	573,351	96,949
Capital Outlay	-	-	5,733	(5,733)
Allocated to Other Funds	(228,743)	(228,743)	(228,743)	-
Total General Government	1,146,486	1,153,186	1,058,267	94,919
Tax and Finance				
Personnel	188,108	188,108	185,126	2,982
Supplies	9,900	9,143	8,588	555
Services	130,600	131,357	121,168	10,189
Allocated to Other Funds	(99,413)	(99,413)	(99,413)	-
Total Tax and Finance	229,195	229,195	215,469	13,726
Public Safety				
Personnel	1,701,961	1,701,961	1,679,778	22,183
Supplies	133,800	133,800	136,115	(2,315)
Services	84,407	84,407	111,963	(27,556)
Capital Outlay	100,780	561,765	503,904	57,861
Total Public Safety	2,020,948	2,481,933	2,431,760	50,173
Municipal Court				
Personnel	48,183	48,183	49,145	(962)
Supplies	4,500	4,500	2,617	1,883
Services	61,350	61,350	58,068	3,282
Total Municipal Court	\$ 114,033	\$ 114,033	\$ 109,830	\$ 4,203

CITY OF HONDO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Public Works				
Personnel	\$ 1,130,638	\$ 1,125,708	\$ 887,493	\$ 238,215
Supplies	164,050	166,350	155,436	10,914
Services	151,079	153,709	153,648	61
Capital Outlay	340,000	340,000	-	340,000
Allocated to Other Funds	(391,290)	(391,290)	(391,290)	-
Total Public Works	<u>1,394,477</u>	<u>1,394,477</u>	<u>805,287</u>	<u>589,190</u>
Parks, Recreation and Golf Course				
Personnel	1,012,004	1,002,818	938,100	64,718
Supplies	200,800	198,300	207,591	(9,291)
Services	253,021	264,707	260,798	3,909
Capital Outlay	115,740	128,740	48,738	80,002
Total Parks, Recreation and Golf	<u>1,581,565</u>	<u>1,594,565</u>	<u>1,455,227</u>	<u>139,338</u>
Library				
Personnel	255,712	252,912	249,493	3,419
Supplies	42,700	48,500	48,011	489
Services	24,800	21,800	22,505	(705)
Total Library	<u>323,212</u>	<u>323,212</u>	<u>320,009</u>	<u>3,203</u>
TOTAL EXPENDITURES	<u>6,809,916</u>	<u>7,290,601</u>	<u>6,395,849</u>	<u>1,789,504</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,838,368)</u>	<u>(4,268,053)</u>	<u>(2,356,851)</u>	<u>1,911,202</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Assets	20,000	20,000	12,366	(7,634)
Payments in Lieu of Taxes	3,155,000	3,155,000	3,154,988	(12)
Transfers In	148,313	148,313	148,310	(3)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,323,313</u>	<u>3,323,313</u>	<u>3,315,664</u>	<u>(7,649)</u>
Net Change in Fund Balance	(515,055)	(944,740)	958,813	1,903,553
Beginning Fund Balance	<u>2,061,985</u>	<u>2,061,985</u>	<u>2,061,985</u>	<u>-</u>
Ending Fund Balance	<u>\$ 1,546,930</u>	<u>\$ 1,117,245</u>	<u>\$ 3,020,798</u>	<u>\$ 1,903,553</u>

CITY OF HONDO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL – ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Sales Taxes	\$ 480,000	\$ 480,000	\$ 965,417	\$ 485,417
Grants and Donations	960,000	960,000	644,932	(315,068)
Interest Income	4,000	4,000	34,043	30,043
TOTAL REVENUES	1,444,000	1,444,000	1,644,392	200,392
EXPENDITURES				
<i>Current:</i>				
General Government				
Personnel	102,672	102,672	96,146	6,526
Supplies	1,000	1,000	1,014	(14)
Services	63,900	63,900	67,151	(3,251)
Capital Outlay	2,194,852	2,594,368	1,687,924	906,444
<i>Debt Service:</i>				
Principal	90,000	90,000	90,000	-
Interest	39,916	39,916	39,895	21
TOTAL EXPENDITURES	2,492,340	2,891,856	1,982,130	909,726
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,048,340)	(1,447,856)	(337,738)	1,110,118
OTHER FINANCING SOURCES (USES)				
Transfers Out	(30,000)	(30,000)	(30,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(30,000)	(30,000)	(30,000)	-
Net Change in Fund Balance	(1,078,340)	(1,477,856)	(367,738)	1,110,118
Beginning Fund Balance	2,753,588	2,753,588	2,753,588	-
Ending Fund Balance	<u>\$ 1,675,248</u>	<u>\$ 1,275,732</u>	<u>\$ 2,385,850</u>	<u>\$ 1,110,118</u>

CITY OF HONDO

NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2019

Budgetary Information – 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 legal level of budgetary control is at the department 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, STRTC Fund, Hotel Fund, Perpetual Care Fund and Economic Development Fund.

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

The City does not use encumbrances.

CITY OF HONDO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST FIVE PLAN (CALENDAR) YEARS

	Total Pension Liability				
	2014	2015	2016	2017	2018
Service Cost	\$ 380,720	\$ 454,101	\$ 451,176	\$ 529,405	\$ 525,962
Interest (on the Total Pension Liability)	876,063	928,615	930,512	966,146	1,003,207
Changes of Benefit Terms	-	-	-	-	-
Difference between Expected and Actual Experience	(9,620)	(333,876)	(147,843)	(199,900)	(140,952)
Change of Assumptions	-	66,360	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(530,190)</u>	<u>(536,015)</u>	<u>(652,613)</u>	<u>(837,486)</u>	<u>(652,242)</u>
Net Change in Total Pension Liability	716,973	579,185	581,232	458,165	735,975
Total Pension Liability - Beginning	<u>12,589,918</u>	<u>13,306,891</u>	<u>13,886,076</u>	<u>14,467,308</u>	<u>14,925,473</u>
Total Pension Liability - Ending	<u><u>\$ 13,306,891</u></u>	<u><u>\$ 13,886,076</u></u>	<u><u>\$ 14,467,308</u></u>	<u><u>\$ 14,925,473</u></u>	<u><u>\$ 15,661,448</u></u>
Plan Fiduciary Net Position					
	2014	2015	2016	2017	2018
Contributions - Employer	\$ 367,137	\$ 375,069	\$ 361,571	\$ 388,643	\$ 398,019
Contributions - Employee	191,417	199,868	199,981	221,323	222,300
Net Investment Income	652,089	17,814	819,014	1,778,722	(430,504)
Benefit Payments, Including Refunds of Employee Contributions	(530,190)	(536,015)	(652,613)	(837,486)	(652,242)
Administrative Expense	(6,808)	(10,850)	(9,249)	(9,220)	(8,323)
Other	<u>(560)</u>	<u>(538)</u>	<u>(497)</u>	<u>(466)</u>	<u>(436)</u>
Net Change	673,085	45,348	718,207	1,541,516	(471,186)
Plan Fiduciary Net Postion - Beginning	<u>11,399,193</u>	<u>12,072,278</u>	<u>12,117,626</u>	<u>12,835,833</u>	<u>14,377,349</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 12,072,278</u></u>	<u><u>\$ 12,117,626</u></u>	<u><u>\$ 12,835,833</u></u>	<u><u>\$ 14,377,349</u></u>	<u><u>\$ 13,906,163</u></u>
Net Pension Liability (Asset) - Ending	\$ 1,234,613	\$ 1,768,450	\$ 1,631,475	\$ 548,124	\$ 1,755,285
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.72%	87.26%	88.72%	96.33%	88.79%
Covered Payroll	\$ 3,828,342	\$ 3,997,364	\$ 3,869,430	\$ 4,426,466	\$ 4,445,998
Net Pension Liability as a Percentage of Covered Payroll	32.25%	44.24%	42.16%	12.38%	39.48%

Information for this schedule is being accumulated prospectively until 10 years is presented.

CITY OF HONDO
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST FIVE FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially			Contributions as a Percentage of Covered Payroll	
	Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	
2019	\$ 381,972	\$ 381,972	\$ -	\$ 4,482,180	8.52%
2018	409,452	409,452	-	4,586,352	8.93%
2017	387,082	387,082	-	4,283,333	9.04%
2016	353,707	353,707	-	3,887,020	9.10%
2015	374,593	375,510	(917)	3,979,540	9.41%

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information

Benefit Changes	None
Changes in Assumptions	None

Information for this schedule is being accumulated prospectively until 10 years is presented.

CITY OF HONDO
SCHEDULE OF CHANGES – TOTAL OPEB LIABILITY AND RELATED RATIOS
SUPPLEMENTAL DEATH BENEFIT
LAST TWO PLAN (CALENDAR) YEARS

		Total OPEB Liability	
		2017	2018
Service Cost	\$ 11,951	\$ 13,338	
Interest (on the Total OPEB Liability)	9,304	9,615	
Changes of Benefit Terms	-	-	
Difference between Expected and Actual Experience	-	(12,219)	
Change of Assumptions	24,197	(20,899)	
Benefit Payments	(1,771)	(1,778)	
Net Change in Total OPEB Liability	43,681	(11,943)	
Total OPEB Liability - Beginning	241,036	284,717	
Total OPEB Liability - Ending	\$ 284,717	\$ 272,774	
 Covered Payroll	\$ 4,426,466	\$ 4,445,998	
 Total OPEB Liability as a Percentage of Covered Payroll	6.43%	6.14%	

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) months later.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.5% to 10.5% including Inflation
Discount Rate	3.71% based on Fidelity 20-year Municipal GO AA Index
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both male and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information

No assets are accumulated to meet future OPEB benefits.

Benefit Changes None

Changes in Assumptions None

Information for this schedule is being accumulated prospectively until 10 years is presented.

CITY OF HONDO
SCHEDULE OF CHANGES – TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE INSURANCE
LAST TWO PLAN (CALENDAR) YEARS

	Total OPEB Liability	
	2018	2019
Service Cost	\$ 1,022	\$ 1,063
Interest (on the Total OPEB Liability)	12,458	12,453
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	-	-
Change of Assumptions	-	-
Benefit Payments	<u>(12,598)</u>	<u>(12,598)</u>
Net Change in Total OPEB Liability	882	918
Total OPEB Liability - Beginning	<u>312,130</u>	<u>313,012</u>
Total OPEB Liability - Ending	<u><u>\$ 313,012</u></u>	<u><u>\$ 313,930</u></u>
 Covered Payroll	 \$ 146,284	 \$ 146,284
 Total OPEB Liability as a Percentage of Covered Payroll	 213.98%	 214.60%

Actuarial Assumptions:

Actuarial Valuation Date	September 30, 2018
Actuarial Method	Entry Age Normal
	Level Percentage of Projected Salary
Discount Rate	4.06%
Mortality Table	RP-2014 Total with Projection MP-2018
Health Cost Trend	Level 5%

No assets are accumulated to fund this benefit.

Information for this schedule is being accumulated prospectively until 10 years is presented.

HONDO



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SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Combining Statements – Nonmajor Governmental Funds
- Individual Nonmajor Fund Budgetary Comparison Schedules
 - Debt Service
 - Perpetual Care
 - South Texas Regional Training Center (STRTC) Fund
 - Hotel Tax Fund

SPECIAL REVENUE FUNDS

South Central Regional Training Center (STRTC)– 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.

Seizure and Forfeiture – 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.

DEBT SERVICE FUNDS

Debt Service Fund – To account for property taxes levied specifically to service voter approved bond issues.

PERMANENT FUNDS

Perpetual Care – 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
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDING SEPTEMBER 30, 2019**

		Special Revenue Funds		
	Debt Service	Seizure & Forfeiture	Unclaimed Funds	
ASSETS				
Cash and Cash Equivalents	\$ 149,033	\$ 12,523	\$ 10,371	
Certificates of Deposit	-	-	7,802	
Property Taxes Receivable (net)	29,285	-	-	
Other Receivables (net)	-	-	-	
Restricted Cash and Investments	-	-	-	
TOTAL ASSETS	<u>\$ 178,318</u>	<u>\$ 12,523</u>	<u>\$ 18,173</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCED & FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ 2,350	\$ 16,307	
Unearned Revenue	-	6,702	-	
<i>Total Liabilities</i>	<u>-</u>	<u>9,052</u>	<u>16,307</u>	
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	29,285	-	-	
<i>Total Deferred Inflows</i>	<u>29,285</u>	<u>-</u>	<u>-</u>	
<i>Fund Balances:</i>				
Nonspendable:				
Perpetual Care Trust	-	-	-	
Restricted For:				
Debt Service	149,033	-	-	
Police Department	-	3,471	-	
Tourism Development	-	-	-	
Cemetery Maintenance	-	-	-	
Committed For:				
South TX Regional Training Center	-	-	-	
Other	-	-	1,866	
<i>Total Fund Balances</i>	<u>149,033</u>	<u>3,471</u>	<u>1,866</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 178,318</u>	<u>\$ 12,523</u>	<u>\$ 18,173</u>	

Special Revenue Funds		Permanent		Total Nonmajor Funds
STRTC Fund	Hotel Tax	Fund Perpetual Care		
\$ 249,137	\$ 151,875	\$ 3,089	\$ 576,028	
-	-	-	-	7,802
-	-	-	-	29,285
20,082	32,971	-	-	53,053
-	-	564,290	564,290	
<u>\$ 269,219</u>	<u>\$ 184,846</u>	<u>\$ 567,379</u>	<u>\$ 1,230,458</u>	

\$ 277	\$ 5,000	\$ -	\$ 23,934	
1,340	-	-	-	8,042
1,617	5,000	-	-	31,976

-	-	-	-	29,285
-	-	-	-	29,285

-	-	564,290	564,290	
-	-	-	-	149,033
-	-	-	-	3,471
-	179,846	-	-	179,846
-	-	3,089	3,089	
267,602	-	-	-	267,602
-	-	-	-	1,866
<u>267,602</u>	<u>179,846</u>	<u>567,379</u>	<u>1,169,197</u>	

<u>\$ 269,219</u>	<u>\$ 184,846</u>	<u>\$ 567,379</u>	<u>\$ 1,230,458</u>	
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CITY OF HONDO
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDING SEPTEMBER 30, 2019

	Special Revenue Funds		
	Debt Service	Seizure & Forfeiture	Unclaimed Funds
REVENUES			
Ad Valorem Taxes	\$ 391,105	\$ -	\$ -
Other Taxes	-	-	-
Charges for Services	-	-	-
Grants and Donations	-	-	-
Fines and Forfeitures	-	254	-
Interest Income	5,175	-	280
TOTAL REVENUES	396,280	254	280
EXPENDITURES			
<i>Current:</i>			
General Government	-	-	-
Public Safety	-	3,166	-
<i>Debt Service:</i>			
Principal	326,390	-	-
Interest and Fiscal Charges	72,067	-	-
TOTAL EXPENDITURES	398,457	3,166	-
Net Change in Fund Balance	(2,177)	(2,912)	280
Fund Balances at Beginning of Year	151,210	6,383	1,586
Fund Balances at End of Year	\$ 149,033	\$ 3,471	\$ 1,866

Special Revenue Funds		Permanent		Total Nonmajor Funds
STRTC Fund	Hotel Tax	Fund Perpetual Care		
\$ -	\$ -	\$ -	\$ 391,105	
-	132,716	-	132,716	
71,909	-	18,300	90,209	
111,500	-	-	111,500	
-	-	-	254	
-	-	10,232	15,687	
<u>183,409</u>	<u>132,716</u>	<u>28,532</u>	<u>741,471</u>	

43,061	95,000	19,498	157,559	
-	-	-	3,166	
-	-	-	326,390	
-	-	-	72,067	
<u>43,061</u>	<u>95,000</u>	<u>19,498</u>	<u>559,182</u>	
140,348	37,716	9,034	182,289	
<u>127,254</u>	<u>142,130</u>	<u>558,345</u>	<u>986,908</u>	
<u>\$ 267,602</u>	<u>\$ 179,846</u>	<u>\$ 567,379</u>	<u>\$ 1,169,197</u>	

CITY OF HONDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDING SEPTEMBER 30, 2019

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property Taxes	\$ 420,800	\$ 420,800	\$ 391,105	\$ (29,695)
Interest Income	300	300	5,175	4,875
TOTAL REVENUES	421,100	421,100	396,280	(24,820)
EXPENDITURES				
<i>Debt Service:</i>				
Principal	326,390	326,390	326,390	-
Interest and Fiscal Charges	72,069	72,069	72,067	2
TOTAL EXPENDITURES	398,459	398,459	398,457	2
Net Change in Fund Balance	22,641	22,641	(2,177)	(24,818)
Beginning Fund Balance	151,210	151,210	151,210	-
Ending Fund Balance	\$ 173,851	\$ 173,851	\$ 149,033	\$ (24,818)

CITY OF HONDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – PERPETUAL CARE
FOR THE YEAR ENDING SEPTEMBER 30, 2019

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Charges for Services	\$ 15,000	\$ 15,000	\$ 18,300	\$ 3,300
Interest Income	2,000	2,000	10,232	8,232
TOTAL REVENUES	17,000	17,000	28,532	11,532
EXPENDITURES				
<i>Current:</i>				
General Government				
Services	40,500	40,500	19,498	21,002
TOTAL EXPENDITURES	40,500	40,500	19,498	21,002
Net Change in Fund Balance	(23,500)	(23,500)	9,034	32,534
Beginning Fund Balance	558,345	558,345	558,345	-
Ending Fund Balance	<u>\$ 534,845</u>	<u>\$ 534,845</u>	<u>\$ 567,379</u>	<u>\$ 32,534</u>

CITY OF HONDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – SOUTH TEXAS REGIONAL TRAINING CENTER
FOR THE YEAR ENDING SEPTEMBER 30, 2019

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Charges for Services	\$ 68,270	\$ 76,249	\$ 71,909	\$ (4,340)
Grants and Donations	-	76,000	111,500	35,500
TOTAL REVENUES	68,270	152,249	183,409	31,160
EXPENDITURES				
<i>Current:</i>				
General Government				
Supplies	5,650	5,650	7,004	(1,354)
Services	27,250	37,250	36,057	1,193
Capital Outlay	-	152,000	-	152,000
TOTAL EXPENDITURES	32,900	194,900	43,061	151,839
Net Change in Fund Balance	35,370	(42,651)	140,348	182,999
Beginning Fund Balance	127,254	127,254	127,254	-
Ending Fund Balance	\$ 162,624	\$ 84,603	\$ 267,602	\$ 182,999

CITY OF HONDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - HOTEL TAX FUND
FOR THE YEAR ENDING SEPTEMBER 30, 2019

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Occupancy Tax	\$ 110,000	\$ 110,000	\$ 132,716	\$ 22,716
TOTAL REVENUES	<u>110,000</u>	<u>110,000</u>	<u>132,716</u>	<u>22,716</u>
EXPENDITURES				
<i>Current:</i>				
General Government				
Services	97,500	97,500	95,000	2,500
TOTAL EXPENDITURES	<u>97,500</u>	<u>97,500</u>	<u>95,000</u>	<u>2,500</u>
Net Change in Fund Balance	12,500	12,500	37,716	25,216
Beginning Fund Balance	142,130	142,130	142,130	-
Ending Fund Balance	<u>\$ 154,630</u>	<u>\$ 154,630</u>	<u>\$ 179,846</u>	<u>\$ 25,216</u>

HONDO



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STATISTICAL SECTION

This part of the City of Hondo's annual 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 Hondo's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

- Net Position by Component
- Changes in Net Position
- Fund Balances, Governmental Funds
- Changes in Fund Balances, Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales tax.

- Tax Revenues by Source, Governmental Funds
- Total Water and Sewer Consumption and Rates
- Principal Water Consumers
- Total Electric Consumption and Rates
- Principal Electric Consumers
- Assessed Value and Actual Value of Property
- Direct and Overlapping Property Tax Rates
- Principal Property Taxpayers
- Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Direct and Overlapping Governmental Activities Debt
- Legal Debt Margin
- Pledged Revenue Coverage – Water and Sewer
- Pledged Revenue Coverage – Electric

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.

- Demographic and Economic Statistics
- Principal Employers

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

- Operating Indicators by Function
- Capital Asset Statistics
- Full-time Equivalent City Employees by Function

CITY OF HONDO
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year			
	2010	2011	2012	2013
<i>Governmental Activities:</i>				
Net Investment in Capital Assets	\$ 7,683,820	\$ 8,908,588	\$ 8,854,700	\$ 8,868,905
Restricted	2,299,343	1,471,898	2,585,591	1,713,408
Unrestricted	33,735	238,035	802,462	859,873
<i>Total Governmental Activities</i>	<u>\$ 10,016,898</u>	<u>\$ 10,618,521</u>	<u>\$ 12,242,753</u>	<u>\$ 11,442,186</u>
<i>Business-Type Activities:</i>				
Net Investment in Capital Assets	\$ 17,929,114	\$ 19,088,163	\$ 20,614,145	\$ 22,941,746
Restricted	539,562	-	466,590	586,691
Unrestricted	2,079,001	3,180,881	1,398,216	88,369
<i>Total Business-Type Activities</i>	<u>\$ 20,547,677</u>	<u>\$ 22,269,044</u>	<u>\$ 22,478,951</u>	<u>\$ 23,616,806</u>
<i>Primary Government:</i>				
Net Investment in Capital Assets	\$ 25,612,934	\$ 27,996,751	\$ 29,468,845	\$ 31,810,651
Restricted	2,838,905	1,471,898	3,052,181	2,300,099
Unrestricted	2,112,736	3,418,916	2,200,678	948,242
<i>Total Primary Government</i>	<u>\$ 30,564,575</u>	<u>\$ 32,887,565</u>	<u>\$ 34,721,704</u>	<u>\$ 35,058,992</u>

Note:

GASB 65 was implemented prospectively effective October 1, 2012. Prior years have not been restated.

GASB 68 was implemented prospectively effective October 1, 2014. Prior years have not been restated.

GASB 75 was implemented prospectively effective October 1, 2017. Prior years have not been restated.

TABLE 1

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

CITY OF HONDO
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
<i>Governmental Activities:</i>				
General Government	\$ 1,190,028	\$ 1,557,261	\$ 881,032	\$ 1,414,142
Tax and Finance	240,899	159,918	172,892	169,911
Public Safety	1,432,213	1,455,764	1,472,529	1,429,390
Municipal Court	221,756	152,890	72,347	72,587
Public Works	2,530,648	2,209,856	2,768,570	1,318,524
Parks, Recreation and Golf Course	1,236,571	1,170,680	1,178,716	1,223,199
Library	260,300	254,070	252,329	231,236
Interest on Long-term Debt	108,972	127,066	101,363	95,841
<i>Total Governmental Activities</i>	<u>7,221,387</u>	<u>7,087,505</u>	<u>6,899,778</u>	<u>5,954,830</u>
<i>Business-Type Activities:</i>				
Electric	5,952,436	6,129,124	6,067,577	6,001,541
Water & Sewer	1,871,118	1,668,041	1,868,575	1,899,773
Airport	1,136,269	1,458,597	1,883,172	1,260,199
Sanitation	-	-	-	1,170,246
<i>Total Business-Type Activities</i>	<u>8,959,823</u>	<u>9,255,762</u>	<u>9,819,324</u>	<u>10,331,759</u>
<i>Total Primary Government Expenses</i>	<u>\$ 16,181,210</u>	<u>\$ 16,343,267</u>	<u>\$ 16,719,102</u>	<u>\$ 16,286,589</u>
Program Revenues				
<i>Governmental Activities:</i>				
Charges for Service:				
General Government	\$ 387,955	\$ 329,823	\$ 265,618	\$ 374,376
Public Safety	-	12,060	26,809	16,181
Municipal Court	68,516	95,769	93,501	72,360
Public Works	954,186	1,013,381	1,058,377	-
Parks, Recreation and Golf Course	156,365	156,063	54,492	106,525
Library	14,889	15,179	13,779	13,625
Operating Grants and Contributions	6,673	12,903	13,838	-
Capital Grants and Contributions	-	315,000	80,449	695,573
<i>Total Governmental Activities</i>	<u>1,588,584</u>	<u>1,950,178</u>	<u>1,606,863</u>	<u>1,278,640</u>
<i>Business-Type Activities:</i>				
Charges for Service:				
Electric	\$ 7,454,882	\$ 8,724,137	\$ 8,392,116	\$ 8,144,304
Water & Sewer	1,738,371	2,044,162	2,025,592	2,311,614
Airport	977,814	1,235,730	1,468,433	1,149,867
Sanitation	-	-	-	772,920
Capital Grants and Contributions	5,539,887	776,733	2,304,658	587,380
<i>Total Business-Type Activities</i>	<u>15,710,954</u>	<u>12,780,762</u>	<u>14,190,799</u>	<u>12,966,085</u>
<i>Total Primary Government</i>				
Program Revenues	<u>\$ 17,299,538</u>	<u>\$ 14,730,940</u>	<u>\$ 15,797,662</u>	<u>\$ 14,244,725</u>

TABLE 2

Fiscal Year											
2014		2015		2016		2017		2018		2019	
\$ 1,673,378		\$ 1,184,455		\$ 1,203,002		\$ 1,289,075		\$ 1,373,751		\$ 1,463,703	
259,503		156,959		195,250		248,173		195,860		219,359	
1,539,701		1,629,587		1,699,171		1,885,309		1,904,235		2,100,858	
95,117		133,077		103,791		116,926		107,932		110,905	
1,567,434		1,328,843		1,450,028		1,437,598		1,324,824		1,284,772	
1,310,999		1,296,458		1,312,772		1,470,009		1,507,742		1,534,793	
282,579		214,912		261,937		345,605		378,399		393,449	
-		141,642		186,883		165,322		118,552		110,796	
<u>6,728,711</u>		<u>6,085,933</u>		<u>6,412,834</u>		<u>6,958,017</u>		<u>6,911,295</u>		<u>7,218,635</u>	
5,744,881		6,052,647		6,435,595		6,897,935		6,905,253		6,110,591	
2,093,799		2,322,578		2,271,277		2,524,656		2,309,930		2,441,478	
1,490,499		1,383,178		1,318,748		1,360,976		1,304,189		1,379,249	
1,217,815		1,175,650		1,203,091		1,319,815		1,317,579		1,321,953	
<u>10,546,994</u>		<u>10,934,053</u>		<u>11,228,711</u>		<u>12,103,382</u>		<u>11,836,951</u>		<u>11,253,271</u>	
<u>\$ 17,275,705</u>		<u>\$ 17,019,986</u>		<u>\$ 17,641,545</u>		<u>\$ 19,061,399</u>		<u>\$ 18,748,246</u>		<u>\$ 18,471,906</u>	
\$ 822,324		\$ 208,224		\$ 355,682		\$ 289,589		\$ 265,375		\$ 320,971	
19,701		54,803		69,511		71,296		85,381		38,982	
110,065		159,637		101,527		111,206		86,539		60,570	
-		-		-		-		-		708	
115,087		164,125		192,044		215,730		211,440		223,364	
11,596		14,755		16,373		17,917		35,853		20,910	
54,465		7,871		15,256		140,211		4,783		105,371	
-		-		-		223,284		731,675		726,762	
<u>1,133,238</u>		<u>609,415</u>		<u>750,393</u>		<u>1,069,233</u>		<u>1,421,046</u>		<u>1,497,638</u>	
\$ 9,203,394		\$ 9,128,350		\$ 10,163,815		\$ 9,178,972		\$ 9,493,009		\$ 9,360,017	
2,397,845		2,354,102		2,867,187		3,876,333		4,075,548		4,147,771	
841,029		840,819		827,271		776,901		837,023		894,012	
1,239,036		1,254,646		1,271,633		1,328,645		1,358,728		1,403,200	
<u>1,507,203</u>		<u>292,272</u>		<u>63,218</u>		<u>316,636</u>		<u>62,102</u>		<u>270,856</u>	
<u>15,188,507</u>		<u>13,870,189</u>		<u>15,193,124</u>		<u>15,477,487</u>		<u>15,826,410</u>		<u>16,075,856</u>	
<u>\$ 16,321,745</u>		<u>\$ 14,479,604</u>		<u>\$ 15,943,517</u>		<u>\$ 16,546,720</u>		<u>\$ 17,247,456</u>		<u>\$ 17,573,494</u>	

CITY OF HONDO
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS

	Fiscal Year			
	2010	2011	2012	2013
Net (Expenses) Revenue				
Governmental Activities	\$ (5,632,803)	\$ (5,137,327)	\$ (5,292,915)	\$ (4,676,190)
Business-Type Activities	6,751,131	3,525,000	4,371,475	2,634,326
Total Primary Government				
Net Expenses	<u><u>\$ 1,118,328</u></u>	<u><u>\$ (1,612,327)</u></u>	<u><u>\$ (921,440)</u></u>	<u><u>\$ (2,041,864)</u></u>
Governmental Revenues and Other Changes in Net Assets				
<i>Governmental Activities:</i>				
Taxes:				
Ad Valorem Taxes	\$ 885,825	\$ 932,123	\$ 966,254	\$ 992,802
Sales Taxes	1,075,920	1,145,755	1,250,327	1,270,315
Other Taxes	108,916	176,613	161,554	112,885
Interest and Investment Earnings	18,962	5,840	8,111	10,506
Miscellaneous	223,655	78,568	234,270	95,704
Transfers and PILOT	2,665,000	2,949,126	2,951,895	1,639,289
Total Governmental Activities	<u><u>4,978,278</u></u>	<u><u>5,288,025</u></u>	<u><u>5,572,411</u></u>	<u><u>4,121,501</u></u>
<i>Business-Type Activities:</i>				
Interest and Investment Earnings	10,766	11,701	2,239	1,498
Miscellaneous	-	1,584,717	132,824	65,741
Transfers and PILOT	(2,665,000)	(2,949,126)	(2,951,895)	(1,639,289)
Total Business-Type /Activities	<u><u>(2,654,234)</u></u>	<u><u>(1,352,708)</u></u>	<u><u>(2,816,832)</u></u>	<u><u>(1,572,050)</u></u>
Total Primary Government	<u><u>\$ 2,324,044</u></u>	<u><u>\$ 3,935,317</u></u>	<u><u>\$ 2,755,579</u></u>	<u><u>\$ 2,549,451</u></u>
Changes In Net Assets				
Governmental Activities	\$ (654,525)	\$ 150,698	\$ 279,496	\$ (554,689)
Business-Type Activities	4,096,897	2,172,292	1,554,643	1,062,276
Total Primary Government	<u><u>\$ 3,442,372</u></u>	<u><u>\$ 2,322,990</u></u>	<u><u>\$ 1,834,139</u></u>	<u><u>\$ 507,587</u></u>

Note:

GASB 65 was implemented prospectively effective October 1, 2012. Prior years have not been restated. GASB 68 was implemented prospectively effective October 1, 2014. Prior years have not been restated. GASB 75 was implemented prospectively effective October 1, 2017. Prior years have not been restated.

TABLE 2 (CONT.)

Fiscal Year											
2014		2015		2016		2017		2018		2019	
\$ (5,595,473)	4,641,513	\$ (5,476,518)	2,936,136	\$ (5,662,441)	3,964,413	\$ (5,888,784)	3,374,105	\$ (5,490,249)	3,989,459	\$ (5,720,997)	4,822,585
<u>\$ (953,960)</u>		<u>\$ (2,540,382)</u>		<u>\$ (1,698,028)</u>		<u>\$ (2,514,679)</u>		<u>\$ (1,500,790)</u>		<u>\$ (898,412)</u>	
\$ 1,019,171	1,324,079	\$ 1,070,383	1,591,844	\$ 1,183,968	1,631,989	\$ 1,389,066	1,509,044	\$ 1,511,949	1,824,144	\$ 1,601,434	2,896,251
101,677	14,936	184,952	8,927	172,642	11,178	189,760	22,730	141,969	75,061	175,727	99,953
118,496	2,744,033	32,381	3,320,854	554,349	3,153,347	74,111	3,258,399	66,729	3,273,297	151,729	3,273,298
<u>5,322,392</u>		<u>6,209,341</u>		<u>6,707,473</u>		<u>6,443,110</u>		<u>6,893,149</u>		<u>8,198,392</u>	
557	(96,988)	663	50,174	78	244,198	7,468	-	30,523	248,333	85,036	12,212
(2,744,033)	(2,840,464)	(3,320,854)	(3,270,017)	(3,153,347)	(2,909,071)	(3,258,399)	(3,250,931)	(3,273,297)	(2,994,441)	(3,273,298)	(3,176,050)
<u>\$ 2,481,928</u>		<u>\$ 2,939,324</u>		<u>\$ 3,798,402</u>		<u>\$ 3,192,179</u>		<u>\$ 3,898,708</u>		<u>\$ 5,022,342</u>	
\$ (273,081)	1,801,049	\$ 732,823	(333,881)	\$ 1,045,032	1,055,342	\$ 554,326	123,174	\$ 1,402,900	995,018	\$ 2,477,395	1,646,535
<u>\$ 1,527,968</u>		<u>\$ 398,942</u>		<u>\$ 2,100,374</u>		<u>\$ 677,500</u>		<u>\$ 2,397,918</u>		<u>\$ 4,123,930</u>	

CITY OF HONDO
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year			
	2010	2011	2012	2013
Nonspendable Fund Balance:				
Prepaid Items	\$ -	\$ -	\$ -	\$ -
Perpetual Care Trust	574,857	599,335	608,665	630,065
Total Nonspendable Fund Balance	574,857	599,335	608,665	630,065
Restricted Fund Balance:				
Debt Service	257,510	125,034	136,664	138,019
Economic Development	3,165,499	2,404,958	1,672,737	1,854,865
Cemetery Maintenance	-	-	-	-
Police Department	-	-	-	-
Tourism Development	-	-	-	-
Library	-	-	-	-
Municipal Court	-	-	-	34,606
Other Restrictions	-	-	-	199,039
Total Restricted Fund Balance	3,423,009	2,529,992	1,809,401	2,226,529
Committed Fund Balance:				
South TX Regional Training Center	-	-	-	-
Capital Projects	-	67,878	1,403,878	447,520
Other	-	-	-	-
Total Committed Fund Balance:	-	67,878	1,403,878	447,520
Unassigned Fund Balance	(212,246)	157,053	819,005	943,297
Total Governmental Funds	\$ 3,785,620	\$ 3,354,258	\$ 4,640,949	\$ 4,247,411

TABLE 3

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ -	\$ 56,717	\$ 2,040	\$ 66,382	\$ 5,149	\$ 4,627
633,400	600,835	519,290	532,590	545,990	564,290
<u>633,400</u>	<u>657,552</u>	<u>521,330</u>	<u>598,972</u>	<u>551,139</u>	<u>568,917</u>
148,764	173,673	173,697	165,856	151,210	149,033
1,924,744	2,238,347	2,462,720	2,380,197	2,753,588	2,385,850
-	29,713	62,866	25,155	12,355	3,089
-	8,396	419	5,699	6,383	3,471
-	81,628	111,538	135,509	142,130	179,846
-	55,882	555,432	-	-	-
-	18,235	19,376	24,325	25,141	24,309
<u>30,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,103,552</u>	<u>2,605,874</u>	<u>3,386,048</u>	<u>2,736,741</u>	<u>3,090,807</u>	<u>2,745,598</u>
-	45,561	72,374	94,577	127,254	267,602
158,889	632,455	267,230	85,786	141,566	441,923
195,475	12,185	18,700	1,682	4,086	9,056
<u>354,364</u>	<u>690,201</u>	<u>358,304</u>	<u>182,045</u>	<u>272,906</u>	<u>718,581</u>
1,242,687	1,346,429	2,397,127	2,221,841	1,887,629	2,542,749
<u>\$ 4,334,003</u>	<u>\$ 5,300,056</u>	<u>\$ 6,662,809</u>	<u>\$ 5,739,599</u>	<u>\$ 5,802,481</u>	<u>\$ 6,575,845</u>

CITY OF HONDO
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year			
	2010	2011	2012	2013
REVENUES				
Ad Valorem Taxes	\$ 896,330	\$ 919,918	\$ 956,549	\$ 993,367
Sales Taxes	1,075,920	1,145,755	1,250,327	1,270,315
Other Taxes	53,720	61,969	44,028	156,473
Licenses and Permits	31,530	43,636	31,058	35,185
Grants and Donations	109,172	778,828	94,287	651,955
Charges for Services	1,545,807	1,514,839	1,525,652	434,637
Fines and Penalties	51,889	93,294	93,501	72,360
Interest Income	14,833	5,840	8,111	10,506
Miscellaneous	108,951	152,918	209,831	225,287
TOTAL REVENUES	3,888,152	4,716,997	4,213,344	3,850,085
EXPENDITURES				
<i>Current:</i>				
General Government	1,138,537	1,531,524	1,305,019	1,581,134
Tax and Finance	240,899	159,918	172,892	169,911
Public Safety	1,371,512	1,511,302	1,482,158	1,372,327
Municipal Court	221,756	152,890	72,347	72,587
Public Works	2,307,277	2,243,496	2,511,899	985,097
Parks, Recreation and Golf Course	1,145,085	1,084,315	1,112,230	1,136,501
Library	247,300	241,798	240,514	219,421
Capital Outlay	-	1,226,884	-	-
<i>Debt Service:</i>				
Principal	82,314	88,902	119,929	153,951
Interest and Fiscal Charges	103,666	125,095	97,174	98,075
Bond Issue Costs	-	-	-	-
TOTAL EXPENDITURES	6,858,346	8,366,124	7,114,162	5,789,004
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,970,194)	(3,649,127)	(2,900,818)	(1,938,919)
OTHER FINANCING SOURCES (USES)				
Issuance of Long-Term Financing	-	55,756	147,260	-
Payment to Refunding Escrow Agent	-	-	-	-
Proceeds from Disposal of Assets	2,460	10,800	5,635	48,932
Payments in Lieu of Taxes	-	-	-	-
Transfers In (Out)	2,665,000	4,202,875	2,951,895	1,639,289
TOTAL OTHER FINANCING SOURCES (USES)	2,667,460	4,269,431	3,104,790	1,688,221
Net Change in Fund Balance	\$ (302,734)	\$ 620,304	\$ 203,972	\$ (250,698)
Debt Service as a Percentage of Noncapital Expenditures	2.7%	3.0%	3.1%	4.4%

TABLE 4

Fiscal Year						
	2014	2015	2016	2017	2018	2019
\$ 1,018,498	\$ 1,064,110	\$ 1,174,053	\$ 1,378,474	\$ 1,487,987	\$ 1,596,908	
1,324,079	1,591,844	1,631,988	1,509,043	1,824,144	2,896,251	
258,918	184,952	172,642	189,759	141,969	175,727	
39,431	76,182	218,810	162,402	138,474	185,801	
49,730	10,778	20,539	496,456	663,097	920,943	
1,236,014	382,035	415,343	445,275	473,401	437,220	
110,066	162,693	103,921	117,486	91,039	60,824	
14,936	8,924	11,169	22,732	75,062	99,974	
83,800	23,839	63,189	46,154	124,062	51,213	
<u>4,135,472</u>	<u>3,505,357</u>	<u>3,811,654</u>	<u>4,367,781</u>	<u>5,019,235</u>	<u>6,424,861</u>	
1,505,597	1,134,413	1,096,134	1,197,446	1,289,108	1,374,404	
259,503	163,439	188,522	244,780	199,692	215,469	
1,501,501	1,603,595	1,607,141	1,760,014	1,825,309	1,931,022	
95,117	132,518	101,102	116,165	108,650	109,830	
1,205,369	957,164	1,029,662	1,006,556	906,233	805,287	
1,232,711	1,225,726	1,193,238	1,359,964	1,421,299	1,406,489	
270,764	248,848	245,110	433,593	316,586	320,009	
-	380,035	2,327,330	1,954,319	1,642,161	2,246,299	
1,131,657	187,712	248,829	384,907	414,500	416,390	
144,109	141,988	180,513	111,371	119,814	111,962	
-	-	-	25,504	-	-	
<u>7,346,328</u>	<u>6,175,438</u>	<u>8,217,581</u>	<u>8,594,619</u>	<u>8,243,352</u>	<u>8,937,161</u>	
(3,210,856)	(2,670,081)	(4,405,927)	(4,226,838)	(3,224,117)	(2,512,300)	
1,053,360	-	2,030,000	1,300,000	-	-	
-	-	-	(1,272,005)	-	-	
-	935	585,333	17,234	13,702	12,366	
-	3,155,004	3,155,000	3,154,988	3,154,988	3,154,988	
<u>2,744,033</u>	<u>165,850</u>	<u>(1,653)</u>	<u>103,411</u>	<u>118,309</u>	<u>118,310</u>	
<u>3,797,393</u>	<u>3,321,789</u>	<u>5,768,680</u>	<u>3,303,628</u>	<u>3,286,999</u>	<u>3,285,664</u>	
<u>\$ 586,537</u>	<u>\$ 651,708</u>	<u>\$ 1,362,753</u>	<u>\$ (923,210)</u>	<u>\$ 62,882</u>	<u>\$ 773,364</u>	

17.4%

5.7%

7.3%

7.5%

8.1%

7.9%

CITY OF HONDO
TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year	Property	Sales & Use	Mixed			Hotel	Total
			Beverage	Franchise			
2019	\$ 1,596,908	\$ 2,896,251	\$ 1,210	\$ 41,801	\$ 132,716	\$ 4,668,886	
2018	1,487,987	1,824,144	2,952	28,896	110,121		3,454,100
2017	1,378,474	1,509,043	3,301	66,664	119,794		3,077,276
2016	1,174,053	1,631,988	4,708	62,024	105,910		2,978,683
2015	1,064,110	1,591,844	2,714	58,654	123,584		2,840,906
2014	1,018,498	1,324,079	2,720	157,241	98,957		2,601,495
2013	993,367	1,270,315	1,491	45,109	111,364		2,420,155
2012	956,549	1,250,327	1,542	44,028	-		2,250,904
2011	919,918	1,145,755	2,240	61,969	-		2,127,642
2010	896,330	1,075,920	-	53,720	-		2,025,970

CITY OF HONDO
TOTAL WATER AND SEWER CONSUMPTION AND RATES
LAST TEN FISCAL YEARS

TABLE 6

Fiscal Year Ended September 30,	Total Water Consumption (In Gallons)	Water		Sewer	
		Base Rate (Includes first 2,000)	Water Initial Rate Per 1,000 Gallons	Base Rate (Includes first 2,000)	Sewer Initial Rate Per 1,000 Gallons
2019	476,853,400	\$ 30.00	\$ 2.44	\$ 25.00	\$ 1.70
2018	447,534,800	30.00	2.44	25.00	1.70
2017	526,194,400	30.00	2.44	25.00	1.70
2016	378,476,700	23.00	2.44	15.00	1.70
2015	483,572,500	11.50	2.44	7.08	1.70
2014	490,208,500	11.50	2.44	7.08	1.70
2013	501,434,700	11.50	2.44	7.08	1.70
2012	475,798,100	11.50	1.95	7.08	1.36
2011	550,403,000	9.20	1.69	7.08	1.36
2010	460,510,000	9.20	1.69	7.08	1.36

Rates presented above are for typical residential meters inside city limits. Rates increase for commercial meters and meters outside the City limits.

CITY OF HONDO
PRINCIPAL WATER AND SEWER CONSUMERS
CURRENT AND NINE YEARS AGO

TABLE 7

Consumers	2019			2010		
	Total Water Consumption (in Gallons)	Rank	Percentage of Total City Water Consumption	Total Water Consumption (in Gallons)	Rank	Percentage of Total City Water Consumption
Texas Dept of Criminal Justice	161,187,000	1	33.80%	88,861,100	1	19.30%
Texas Dept of Criminal Justice	17,896,800	2	3.75%	19,185,400	2	4.17%
PTCAA	13,828,900	3	2.90%			
USRC Medina Cty Dialysis	7,991,900	4	1.68%			
Medina County Sheriffs Office	3,034,400	5	0.64%	2,902,400	6	0.63%
South Texas Liquid Terminal	2,584,100	6	0.54%	2,310,700	7	0.50%
Las Palomas	2,383,800	7	0.50%			
City of Hondo	2,103,000	8	0.44%	8,798,300	5	1.91%
Hondo Nursing & Rehab	1,932,000	9	0.41%			
Dali, LLC	1,834,200	10	0.38%			
Rodriguez, Tommie				9,878,600	3	2.15%
Medina County Courthouse				9,015,000	4	1.96%
Best Western				1,792,000	8	0.39%
Medina Ranch Mobile Homes				1,595,100	9	0.35%
James Avery Craftsman				1,408,000	10	0.31%
TOTAL	<u>214,776,100</u>		45.04%	<u>145,746,600</u>		31.65%

CITY OF HONDO
TOTAL ELECTRIC CONSUMPTION AND RATES
LAST TEN FISCAL YEARS

TABLE 8

Fiscal Year Ended September 30,	Total Electric Consumption (In KWH)	Electric Base Rate	Initial Rate Per Per KWH
2019	73,616,091	15.00	0.1137
2018	76,206,703	15.00	0.1137
2017	72,464,108	15.00	0.1137
2016	73,555,397	15.00	0.1137
2015	74,378,945	9.30	0.1160
2014	74,963,254	9.30	0.1160
2013	72,520,229	9.30	0.1040
2012	75,314,682	9.30	0.1040
2011	77,924,332	9.30	0.1040
2010	73,503,881	9.30	0.1040

Rates presented above are for typical residential meters inside city limits. Rates increase for commercial meters and meters outside the City limits.

CITY OF HONDO
PRINCIPAL ELECTRIC CONSUMERS
CURRENT AND NINE YEARS AGO

TABLE 9

Consumers	2019			2010		
	Total Electric Consumption (in KWH)	Rank	Percentage of Total City Electric Consumption	Total Electric Consumption (in KWH)	Rank	Percentage of Total City Electric Consumption
Texas Dept of Criminal Justice	6,824,472	1	9.27%	7,514,850	1	10.22%
Wal-mart Stores	3,588,500	2	4.87%	4,223,500	2	5.75%
Medina Community Hospital	3,283,500	3	4.46%	2,546,250	3	3.46%
HEB	2,094,600	4	2.85%	2,184,600	4	2.97%
Martin Resources	1,727,000	5	2.35%			
City of Hondo	1,497,000	6	2.03%	1,619,700	5	2.20%
James Avery Craftsman	1,276,720	7	1.73%	927,720	6	1.26%
Medina County Sheriff's Office	824,400	8	1.12%	802,000	7	1.09%
City of Hondo Water Tower	820,600	9	1.11%	801,816	8	1.09%
McDonald's	636,240	10	0.86%	649,200	10	0.88%
Hondo ISD				668,400	9	0.91%
TOTAL	<u>22,573,032</u>		30.66%	<u>21,938,036</u>		29.85%

CITY OF HONDO
ASSESSED VALUE AND ACTUAL TAXABLE VALUE OF PROPERTY
LAST TEN FISCAL YEARS

TABLE 10

Fiscal Year Ended <u>September 30,</u>	Residential Property	Agricultural & Commercial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2019	\$ 166,674,313	\$ 176,297,851	\$ 33,483,972	\$ 309,488,192	0.5109
2018	163,024,971	164,400,490	36,092,637	291,332,824	0.5139
2017	137,805,351	141,818,105	25,719,269	253,904,187	0.5139
2016	137,129,210	140,440,295	19,092,370	258,477,135	0.4527
2015	134,856,515	142,109,350	19,263,450	257,702,415	0.4974
2014	123,259,604	125,039,826	18,904,001	229,395,429	0.4089
2013	123,279,725	124,368,380	18,804,061	228,844,044	0.4089
2012	120,941,666	120,999,032	18,164,980	223,775,718	0.4089
2011	118,973,806	118,057,163	20,374,867	216,656,102	0.3939
2010	116,257,657	117,152,611	21,358,521	212,051,747	0.3939

Source: Medina County Appraisal District

Tax is assessed at the rate listed above per \$100 of assessed value.

CITY OF HONDO
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

TABLE 11

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	Debt Service	Total	Hondo ISD	Medina County	Medina County Hospital
2019	0.3823	0.1286	0.5109	1.3750	0.5517	0.0645
2018	0.3759	0.1380	0.5139	1.3750	0.5517	0.0644
2017	0.3866	0.1273	0.5139	1.3800	0.5517	0.0638
2016	0.3614	0.0913	0.4527	1.3150	0.5517	0.0641
2015	0.3010	0.1964	0.4974	1.1400	0.5250	0.0608
2014	0.3362	0.0727	0.4089	1.1400	0.5250	0.0581
2013	0.3181	0.0908	0.4089	1.1400	0.5380	0.0581
2012	0.3105	0.0984	0.4089	1.1400	0.5430	0.0555
2011	0.2618	0.1321	0.3939	1.1400	0.5423	0.0529
2010	0.2618	0.1321	0.3939	1.1400	0.5418	0.0500

Source: Medina County Tax Assessor Collector

**CITY OF HONDO
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

TABLE 12

Taxpayer	2019		2010		Percentage of Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	Taxable Assessed Value	Rank		
Martin Product Sales	\$ 15,625,000	1	5.05%			
Wal-Mart Real Estate Trust	5,501,700	2	1.78%	\$ 9,227,140	1	4.35%
James Avery Craftsman Plant	5,272,360	3	1.70%	1,846,485	8	0.87%
Baker Hughes Oilfield	4,351,530	4	1.41%			
Wal-Mart Stores East	4,223,920	5	1.36%	6,049,900	2	2.85%
Hampel Oil Distributors	3,252,940	6	1.05%			
Siddhi Inc	2,785,530	7	0.90%	2,096,840	4	0.99%
Hoadley, Irene	2,445,230	8	0.79%	1,865,410	7	0.88%
PTCAA Texas LP	2,047,380	9	0.66%			
Atkisson Hondo LTD	2,003,100	10	0.65%			
ADM Corn Processing				2,192,720	3	1.03%
North First Street Properties				2,048,550	5	0.97%
H E Butt Grocery Company				1,874,910	6	0.88%
Dattu LLC				1,699,280	9	0.80%
James Avery Craftsman Inc				1,640,980	10	0.77%
Total	<u>\$ 47,508,690</u>		<u>15.35%</u>	<u>\$ 30,542,215</u>		<u>14.40%</u>

Source: Medina County Appraisal District

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

TABLE 13

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 873,184	\$ 841,473	96.37%	\$ 17,374	\$ 858,847	98.36%
2011	889,584	856,644	96.30%	18,590	875,234	98.39%
2012	945,556	910,465	96.29%	20,821	931,286	98.49%
2013	989,383	954,488	96.47%	20,956	975,444	98.59%
2014	1,007,151	972,266	96.54%	20,897	993,163	98.61%
2015	1,062,074	1,027,490	96.74%	22,031	1,049,521	98.82%
2016	1,178,873	1,137,045	96.45%	31,172	1,168,217	99.10%
2017	1,367,968	1,322,063	96.64%	27,213	1,349,276	98.63%
2018	1,489,579	1,441,735	96.79%	22,890	1,464,625	98.32%
2019	1,582,108	1,534,743	97.01%	-	1,534,743	97.01%

HONDO

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CITY OF HONDO
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			
	Certificates of Obligation	General Obligation Bonds	Revenue Bonds	Capital Lease
2019	\$ 2,230,160	\$ 1,050,000	\$ 655,000	\$ -
2018	2,561,550	1,090,000	700,000	-
2017	2,761,050	1,260,000	745,000	-
2016	2,953,030	1,317,314	785,000	31,975
2015	1,023,120	1,395,814	825,000	62,215
2014	1,038,870	1,498,502	865,000	91,489
2013	-	2,622,331	905,000	119,827
2012	-	2,575,290	940,000	175,138
2011	-	2,878,023	975,000	55,756
2010	-	2,996,925	1,000,000	-

TABLE 14

Business-Type Activities

Revenue Bonds	Certificates of Obligation	General Obligation Bonds	Note Payable	Total Primary Government	Percent of Personal Income	Per Capita
\$ -	\$ 6,200,000	\$ 1,451,840	\$ -	\$ 11,587,000	6.90%	\$ 1,234
-	6,550,000	1,648,450	-	12,550,000	8.14%	1,349
-	6,900,000	1,783,950	-	13,450,000	9.32%	1,461
-	1,717,685	1,917,970	-	8,722,974	6.65%	961
-	1,849,186	600,880	-	5,756,215	4.67%	639
-	2,013,318	652,310	27,629	6,187,118	5.15%	692
-	2,787,669	-	54,453	6,489,280	5.02%	730
-	2,581,710	-	80,496	6,352,634	4.91%	717
-	2,495,977	-	105,780	6,510,536	4.89%	737
50,000	2,589,075	96,000	130,328	6,862,328	5.17%	779

CITY OF HONDO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

TABLE 15

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			
2019	\$ 1,050,000	\$ 3,682,000	\$ (160,421)	\$ 4,571,579	\$ 309,488,192	1.48%	\$ 487
2018	1,090,000	4,210,000	(160,094)	5,139,906	291,332,824	1.76%	552
2017	1,260,000	4,545,000	(166,158)	5,638,842	253,904,187	2.22%	613
2016	1,317,314	4,871,000	(162,788)	6,025,526	258,477,135	2.33%	664
2015	1,395,814	1,624,000	(167,495)	2,852,319	257,702,415	1.11%	317
2014	1,498,502	1,691,180	(148,764)	3,040,918	229,395,429	1.33%	340
2013	2,622,331	-	(138,019)	2,484,312	228,844,044	1.09%	279
2012	2,575,290	-	(136,664)	2,438,626	223,775,718	1.09%	275
2011	2,878,023	-	(125,034)	2,752,989	216,656,102	1.27%	312
2010	2,996,925	96,000	(110,368)	2,982,557	212,051,747	1.41%	339

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
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2019**

TABLE 16

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<i>Debt repaid with property taxes:</i>			
Hondo ISD	\$ 35,765,000	48.93%	\$ 17,499,815
Medina County	3,445,320	9.96%	<u>343,154</u>
Subtotal, Overlapping Debt			17,842,968
City Governmental Activities Direct Debt			<u>3,935,160</u>
TOTAL NET OVERLAPPING DEBT			<u>\$ 21,778,128</u>

Note: Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Hondo, Texas. This process recognizes that, when considering the City of Hondo's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

**CITY OF HONDO
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

TABLE 17

Assessed Value, 2018 Tax Roll	\$ 309,488,192		
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.	\$ 30,948,819		
Amount of Applicable Debt:			
General Bonded Debt	\$ 3,935,160		
Less Debt Service Net Position	<u>(160,421)</u> 3,774,739		
DEBT MARGIN	<u><u>\$ 27,174,080</u></u>		
Total Net Debt as a Percentage of Debt Margin	14%		
Fiscal Year			
	2016	2017	2018
Assessed Value	\$ 258,477,135	\$ 253,904,187	\$ 291,332,824
Debt Limit	25,847,714	25,390,419	29,133,282
Total Net Debt Applicable to Limit	4,892,556	4,599,892	4,191,456
Total Debt Margin	<u><u>\$ 218,452,758</u></u>	<u><u>\$ 250,302,458</u></u>	<u><u>\$ 276,403,844</u></u>
	2013	2014	2015
Assessed Value	\$ 228,844,044	\$ 229,395,429	\$ 257,702,415
Debt Limit	22,884,404	22,939,543	25,770,242
Total Net Debt Applicable to Limit	3,389,312	3,253,608	3,076,439
Total Debt Margin	<u><u>\$ 181,090,821</u></u>	<u><u>\$ 180,153,436</u></u>	<u><u>\$ 199,536,987</u></u>
	2010	2011	2012
Assessed Value	\$ 212,051,747	\$ 216,656,102	\$ 223,775,718
Debt Limit	21,205,175	21,665,610	22,377,572
Total Net Debt Applicable to Limit	3,886,557	3,727,989	3,378,626
Total Debt Margin	<u><u>\$ 176,640,471</u></u>	<u><u>\$ 172,668,024</u></u>	<u><u>\$ 185,416,114</u></u>

Note: Texas does not have a legal debt margin for municipalities, but does impose a \$2.50 per \$100 assessed value cap on property taxes. Thus, 10% of assessed value is used as a limit.

CITY OF HONDO
PLEDGED REVENUE COVERAGE – WATER AND SEWER REVENUE BONDS
LAST TEN FISCAL YEARS

TABLE 18

Fiscal Year	Water and Sewer Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2019	\$ 4,147,768	\$ 1,561,953	\$ 2,585,815	\$ 456,610	\$ 169,107	4.13
2018	4,075,548	1,473,489	2,602,059	450,500	173,069	4.17
2017	3,876,333	1,520,862	2,355,471	957,888	153,823	2.12
2016	2,867,187	1,556,267	1,310,920	188,299	71,937	5.04
2015	2,354,102	1,635,959	718,143	130,828	46,916	4.04
2014	2,397,845	1,454,058	943,787	82,296	51,692	7.04
2013	2,350,539	1,505,266	845,273	65,508	64,610	6.50
2012	2,054,936	1,449,586	605,350	60,881	67,626	4.71
2011	2,103,361	1,254,280	849,081	205,031	70,023	3.09
2010	1,738,371	1,456,060	282,311	280,446	86,826	0.77

CITY OF HONDO
PLEDGED REVENUE COVERAGE – ELECTRIC REVENUE BONDS
LAST TEN FISCAL YEARS

TABLE 20

Fiscal Year	Electric Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2019	\$ 9,360,015	\$ 5,719,139	\$ 3,640,876	\$ 50,000	\$ 7,939	62.84
2018	9,487,016	6,543,267	2,943,749	45,000	8,470	55.05
2017	9,178,970	6,535,110	2,643,860	613,868	18,424	4.18
2016	10,163,815	6,072,879	4,090,936	35,389	29,039	63.50
2015	9,128,350	5,705,769	3,422,581	130,828	19,476	22.77
2014	9,203,395	5,446,641	3,756,754	30,892	31,879	59.85
2013	8,144,305	5,924,023	2,220,282	29,421	33,268	35.42
2012	8,392,116	5,987,169	2,404,947	26,479	35,015	39.11
2011	8,725,437	6,044,867	2,680,570	26,479	35,717	43.10
2010	7,454,882	5,869,540	1,585,342	20,398	37,509	27.38

**CITY OF HONDO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

TABLE 21

Year	Population	Total Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
2019	9,387	\$ 167,830,173	\$ 17,879	30.1	3.0%
2018	9,305	154,267,595	16,579	30.1	3.4%
2017	9,206	144,304,050	15,675	30.5	3.6%
2016	9,079	131,246,024	14,456	30.0	4.7%
2015	9,002	123,210,374	13,687	29.6	4.4%
2014	8,941	120,175,981	13,441	31.1	4.6%
2013	8,895	129,333,300	14,540	33.1	5.9%
2012	8,854	129,480,896	14,624	31.3	6.2%
2011	8,829	133,123,662	15,078	32.2	7.8%
2010	8,807	132,791,946	15,078	32.2	7.6%

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

**CITY OF HONDO
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO**

TABLE 22

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Texas Dept of Corrections	494	1	11.52%	490	1	15.16%
Hondo ISD	401	2	9.35%	317	2	9.81%
Medina Healthcare System	266	3	6.20%	150	5	4.64%
Walmart	260	4	6.06%	250	3	7.74%
Medina County	250	5	5.83%	218	4	6.75%
City of Hondo	140	6	3.26%	125	6	3.87%
Hondo Rail	124	7	2.89%	-	-	0.00%
HEB	104	8	2.42%	110	7	3.40%
Total	2,039		47.54%	1,660		51.36%

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

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CITY OF HONDO
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2010	2011	2012	2013
<u>General Government</u>				
Building Permits Issued	715	646	581	574
<u>Police</u>				
Citations Issued	1,408	1,555	1,286	1,132
<u>Park and Civic Center</u>				
Park User Reservations	76	71	64	74
Civic Center Rentals	103	93	77	71
<u>Library</u>				
Annual Circulation	28,720	38,994	20,544	24,036
Library Visits	80,885	76,785	49,668	53,265
Items in Collection	26,411	24,485	23,076	26,349
<u>Water & Sewer</u>				
Water Customers	2,662	2,653	2,687	2,699
Sewer Customers	2,491	2,484	2,525	2,535
Total Consumption (hundreds of gallons)	4,605,100	5,504,030	4,757,981	5,014,347
Average Monthly Consumption	14,418	17,292	14,758	15,483
<u>Electric Utility</u>				
Electric Customers	2,939	2,924	2,969	2,979
Total Consumption	73,503,881	77,924,332	75,314,682	72,520,229
<u>Sanitation</u>				
Customers	2,333	2,322	2,344	2,361
<u>Airport</u>				
Gallons of Fuel Sold	165,471	163,762	154,668	50,634
Number of Flights	3,159	2,373	2,142	1,156

TABLE 23

Fiscal Year					
2014	2015	2016	2017	2018	2019
538	607	498	612	477	507
1,898	2,598	1,067	1,106	865	604
71	85	96	100	122	103
78	111	100	108	142	117
28,988	18,689	14,292	18,748	23,703	24,978
49,991	50,917	46,932	46,380	44,808	45,106
29,162	25,069	20,153	14,607	14,637	16,168
2,717	2,723	2,762	2,731	2,735	2,736
2,536	2,530	2,566	2,548	2,536	2,530
4,902,085	4,835,725	3,784,767	5,261,944	4,475,348	4,768,534
15,035	14,799	11,419	16,056	13,636	14,524
2,975	2,981	3,012	2,990	2,987	2,893
74,963,254	74,378,945	73,555,397	72,464,108	76,206,703	73,616,091
2,354	2,346	2,368	2,354	2,350	2,353
49,640	76,248	100,989	76,862	96,602	95,878
1,027	1,454	2,222	1,669	1,880	4,208

**CITY OF HONDO
CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS**

Function	Fiscal Year			
	2010	2011	2012	2013
<u>Streets</u>				
Streets, paved (miles)	63.59	63.59	63.59	63.59
Streets, unpaved (miles)	55.39	55.39	55.39	55.39
Alleys, unpaved (miles)	13.28	13.28	13.28	13.28
<u>Police</u>				
Stations	1	1	1	1
Patrol Units	30	30	30	30
<u>Animal Control</u>				
Facility	1	1	1	1
Control Vehicle	1	1	1	2
<u>Library</u>				
Facility	1	1	1	1
Volumes in Collection	26,411	24,485	23,076	26,349
<u>Parks and Recreation</u>				
Parks	15	16	16	16
Swimming Pools	1	1	1	1
Baby Pools	1	1	1	1
Baseball/Softball Diamonds	3	3	3	3
Soccer Fields	2	2	2	2
Community Centers	1	1	1	1
<u>Water & Sewer</u>				
Number of Storage Tanks	5	5	5	5
Number of Pump Stations	3	3	3	3
Water Mains (Miles)	70	70	70	70
Sewer Mains (Miles)	50	50	50	50
Sewer Treatment Plants	1	1	1	1
<u>Electric</u>				
Facility	1	1	1	1
Substations	1	1	1	1
Power Lines (Miles)	69	69	69	69
<u>Facilities Maintenance</u>				
City Buildings (Square Feed)	381,868	381,868	381,868	381,868

TABLE 24

Fiscal Year					
2014	2015	2016	2017	2018	2019
63.59	63.59	63.59	63.59	63.59	63.59
55.39	55.39	55.39	55.39	55.39	55.39
13.28	13.28	13.28	13.28	13.28	13.28
1	1	1	1	1	1
31	31	32	32	34	34
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
29,162	25,069	20,153	14,607	14,637	16,168
16	16	16	16	16	16
1	1	1	1	1	1
1	1	1	1	1	1
3	5	5	5	5	5
2	2	2	2	2	2
1	1	1	1	1	1
5	5	5	5	5	5
3	3	3	3	3	3
70	70	70	70	70	70
50	50	50	50	50	50
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
69	69	69	69	69	69
381,868	381,868	381,868	385,034	385,034	385,034

CITY OF HONDO
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

TABLE 25

Function	Full-Time Equivalents									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>General Government</u>										
Administration	2	2	2	5	4	4	3	3	3	3
Finance	2	2	3	3	3	3	3	4	4	4
Police	21	21	21	21	22	23	23	23	23	24
Crossing Guards	6	6	7	7	7	7	7	7	7	7
Legal & Courts	1	1	1	1	1	2	2	1	1	1
Animal Control	2	2	2	1	1	2	2	2	2	2
Streets	11	11	10	11	10	10	10	10	10	10
Library	6	6	7	7	6	7	7	6	6	6
Parks	12	12	12	13	12	12	12	12	12	13
Facilities Maintenance	4	4	4	4	4	4	6	6	6	6
Recreation	15	15	16	16	16	19	19	21	21	21
Golf Course	5	5	5	5	5	4	4	4	4	4
Code Compliance	3	3	3	3	3	3	3	3	4	4
Utility Billing	4	4	5	4	4	4	4	4	4	4
City Secretary	2	2	2	1	3	4	2	2	2	2
Public Works	0	0	0	0	1	1	2	2	2	2
Electric	11	11	11	10	10	10	10	10	10	10
<u>Water & Sewer</u>										
Water	8	8	8	8	8	8	8	8	8	8
Sewer	4	4	4	4	4	4	4	4	4	4
Airport	5	5	5	4	4	4	4	4	4	4
Sanitation	1	1	1	1	1	1	1	1	1	0
Economic Development	0	0	0	1	1	1	1	1	1	1
TOTAL	125	125	129	130	130	137	137	138	139	140

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT

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*

Management, Mayor and Council of
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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Hondo's basic financial statements, and have issued our report thereon dated January 31, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hondo's internal control over financial reporting (internal control) to determine the 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 City of Hondo's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hondo'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 City'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hondo'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 determination of financial statement amounts. 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*.

We noted certain matters that we have reported to management in a separate letter dated January 31, 2020.

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 City'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.

Respectfully submitted,

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive style with a large, stylized 'A' at the beginning.

Armstrong, Vaughan & Associates, P.C.

January 31, 2020



INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Management, Mayor and Council of
City of Hondo, Texas

Report on Compliance for Each Major Federal Program

We have audited City of Hondo's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019. City of Hondo's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Hondo 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, 2019.

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive, flowing style.

Armstrong, Vaughan & Associates, P.C.

January 31, 2020

**CITY OF HONDO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued on the financial statements of the auditee:	Unmodified
2. Internal Control over Financial Reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	No
c. Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over Major Federal Programs:

1. Material weaknesses identified?	No
2. Significant deficiencies identified?	No
3. Type of auditor's report issued on the compliance for major programs:	Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
5. Identification of major programs:	

<u>Title</u>	<u>CFDA</u>
Investments in Public Works and Economic Development Facilities	11.300

6. Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
7. Auditee qualified as a low-risk auditee?	No

B. Financial State Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF HONDO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through Texas Water Development Board</i>			
Drinking Water State Revolving Fund	66.468	L1000553	\$ 536,411
U.S. DEPARTMENT OF COMMERCE			
<i>Direct Award</i>			
Investments in Public Works and Economic Development Facilities	11.300	NA	644,932
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct Award</i>			
Community Facilities Grant	10.766	NA	127,000
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Texas Department of Agriculture</i>			
Community Development Block Grant	14.228	7217200	230,991
TOTAL FEDERAL AWARDS EXPENDED			
			<u><u>\$ 1,539,334</u></u>

CITY OF HONDO
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 -- BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City, and is presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 -- INDIRECT COSTS

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

HONDO



THIS IS GOD'S COUNTRY