

TOWN OF HORIZON CITY, TEXAS

**BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2020

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TOWN OF HORIZON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

As management of Town of Horizon City, Texas, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2020. We encourage readers to consider this information in conjunction with the basic financial statements.

Fund-based financial reporting and government-wide reporting are not viewed as being in conflict; however, they are not comparable. A significant portion of this analysis focuses on the changes in the government-wide statements, while still providing information on the Town's fund-based comparative changes.

FINANCIAL HIGHLIGHTS FISCAL YEAR 2020

- The Town's total assets amounted to \$69,118,837. This represents an increase of 1% from the prior year.
- Total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,054,083 (net position). This represents an increase of 2.7% from the prior year.
- Total capital assets, net of accumulated depreciation amounted to \$47,069,380. This represents an increase of 7% from the prior year.
- Unrestricted net position, available to meet the Town's ongoing obligations, totaled \$5,687,940. The amount invested in capital assets, net of related debt, totaled \$28,940,004. Net position restricted for state mandated funds was \$426,139. This represents an increase of 37%, a decrease of 2% and an increase of 8% from prior year, respectively.
- The Town's governmental fund statement shows a combined ending fund balance of \$20,779,433, a decrease of \$2,788,181 or 12% compared to the prior year fund balance.
- Total liabilities amounted to \$34,147,634 of which \$2,349,389 is due in less than one year. This represents a decrease of \$502,263 and an increase of \$344,163, respectively, compared to the prior year.
- General Fund revenues were approximately 7% more than budgeted, while actual expenses were less than budgeted expenses by approximately 5%, resulting in an overall increase in the General Fund end of year balance of \$874,544.

FINANCIAL HIGHLIGHTS FISCAL YEAR 2020 (Continued)

- The Town's primary source of revenue comes from property taxes levied for general purpose and debt service, which amounted to \$5,798,183 in the current fiscal year. This represents approximately a 37% increase in comparison to the amount of property tax revenue collected in the prior fiscal year. Total revenues amounted to \$11,147,775. This represents an increase of 19% compared to the prior year.
- Total debt service expenditures for the year amounted to \$2,072,132. The outstanding balance in bonds payable was \$26,664,269 at the end of the fiscal year.
- The Town received \$5,981 in capital grants and contributions in the current fiscal year. This represents approximately a 98% decrease from the amount of capital grants and contributions received in the prior fiscal year. The total amount of \$5,981 represents in-kind donations provided by the Texas Department of Transportation for infrastructure projects inside the Town's jurisdiction.
- The Town's revenues from sales taxes amounted to \$2,839,601 during 2020, of which \$468,775 was reserved for street maintenance and \$468,775 was reserved for economic development. Total sales taxes increased by approximately 22% from the prior year.
- The Town invested \$5,218,727 in equipment, intangibles, and infrastructure, resulting in a 7% increase in capital assets, net of accumulated depreciation. The Capital Improvements Fund maintains proceeds from Combination Tax and Revenue Series 2014 Certificates of Obligation and Combination Tax and Revenue Series 2019 Certificates of Obligation, which have been reserved by Town ordinance to be issued in infrastructure projects included in the Capital Improvements Master Plan. The Town's Capital Improvement Fund provided \$4,612,270 for infrastructure. At the end of the fiscal period, the net change in fund balance in the Capital Improvements Fund was \$4,375,717, representing a 25% decrease from the prior year. The decrease was driven by the increase in capital outlay, which was mainly funded by the issuance of Combination Tax and Revenue Series 2019 Certificates of Obligation.
- The Town reports deferred inflows of resources on its general and debt service funds. Deferred inflows of resources represent an acquisition of fund balance that applies to a future period which will not be recognized as an inflow of resources until that time. Unavailable revenues in the amount of \$126,109 at September 30, 2020, represent the portion of property tax revenue receivable and collected within 60 days following the end of the fiscal year. This represents an increase of 18% from the prior year.

FINANCIAL HIGHLIGHTS FISCAL YEAR 2020 (Continued)

- During 2020, the Town's General Fund transferred a total of \$100,000 to the Capital Improvements Fund to be reserved for infrastructure. The General Fund also transferred \$25,000 to the Special Revenue Fund – Keep Horizon Beautiful and \$277 to the Special Revenue Fund – Federal Grants. The Capital Improvement Fund transferred \$1,495 to the Special Revenue Fund – Safe Routes to Schools to provide for matching funds for the grant.
- During 2020, the Town participated in the Texas Municipal Retirement System (“TMRS”) Pension Plan. The Town's net pension liability was measured at December 31, 2019, the plan year, for a total amount of \$1,492,858. This represented a decrease of \$64,455 or 4% from the previous year. In 2020, the Town recognized net pension expense of \$191,859, which represents a decrease of \$1,536,201 or 89%. This decrease is due to prior service credit granted to participants in 2019.
- At December 31, 2019, total deferred outflows and inflows of resources related to pensions were \$150,871 and \$71,248, respectively, which represented an increase of \$15,654 and \$71,248, respectively, from the previous year.
- In connection with its pension plan, the Town also offers a supplemental death benefit to all employees enrolled in TMRS. At December 31, 2019, the plan year, the Town recognized a total liability of \$46,438 for the supplemental death benefit plan. This represents an increase of \$14,295 or 45% from the previous year. Total deferred outflows and inflows of resources related to the Plan were \$10,207 and \$6,950, which represented an increase of \$10,207 and \$4,143, respectively, from the previous year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report additional information to supplement the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the financial position of the Town and are similar to private sector financial statements. The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements appear on pages 20 through 22 of this report.

The Statement of Net Position presents information on all the Town's assets and liabilities, with the difference between the two reported as net position as of September 30, 2020. Net position is shown in three categories: 1) invested in capital assets, net of related debt, 2) restricted for state mandated funds, and 3) unrestricted.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

The Statement of Activities presents information showing how the Town's net position changed during the fiscal year ended September 30, 2020. It provides a breakdown of revenues and expenses by function. All changes in net position are reported as soon as the underlying event, which contributes to the change, occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only affect cash flows in future fiscal periods. Examples of such items include revenues earned and expenses incurred but not yet paid, all of which will produce changes in cash in a future fiscal period.

Both statements attempt to distinguish functions of the Town that are principally supported by taxes (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees. The governmental activities of the Town include general government, finance, executive, public services, building services, community development, public safety – police, public safety – dispatch, municipal court, storm water, code enforcement, parks and recreation, and planning. The Town does not engage in any business-type activities.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town only has governmental funds. The governmental funds financial statements are on pages 23 through 29.

The Town's finances are segregated into five types of funds: General Fund, Special Revenue Funds, Debt Service Fund, Capital Improvements Fund, and Agency Fund.

The General Fund reflects revenues and expenditures to provide all the basic Town services to the community, such as public safety, general government, streets, building services and community services.

The Special Revenue Funds are utilized to recognize and segregate revenues derived from grants and payments from other agencies not included in the General Fund. Grant revenues accounted for in the Special Revenue Funds have been restricted for specific uses by external authorities or regulation.

The Debt Service Fund is utilized to account for the payment of general long-term debt principal, interest, and related costs.

The Capital Improvements Fund is utilized to account for the use of reserved funds for the costs of infrastructure and other development projects. The balance remaining in this fund has been designated for these purposes by the Town Council Members and its activity is not included in the General Fund.

The Town holds an Agency Fund for its terminated 457 Deferred Compensation Plan. The remaining balance in the Plan is expected to be distributed to participants subsequent to September 30, 2020.

The Town does not maintain any Proprietary Funds.

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are used to account for essentially the same functions of those reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

The focus of governmental funds is narrower than that of government-wide financial statements. Therefore, it can be useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations have been provided as a link between the governmental fund statements and the government-wide financial statements to assist in this comparison. Pages 24 and 28 provide a reconciliation of the balance sheet of governmental funds to the statement of net position as well as a reconciliation of the statement of revenues, expenditures, and changes in funds balance of governmental funds to the statement of activities.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide fund financial statements. The notes to the financial statements can be found on pages 30 through 73 of this report.

OTHER INFORMATION

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the Town's budgetary comparison schedules for its General Fund and its Special Revenue Funds for which a budget has been approved by Town Council. The report also includes other supplementary information consisting of the Town's combining schedules of Aggregate Non-Major Funds. The required and other supplementary information can be found beginning on Page 74.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net position (total assets and deferred outflows less liabilities and deferred inflows) at fiscal year-end totaled \$35,054,083 reflecting an increase of \$923,341 over the previous fiscal year. This increase is primarily due to an increase in property taxes levied. The table below summarizes the Town's total assets, deferred outflows or resources, liabilities and net position for the fiscal years ended September 30, 2020 and 2019, respectively.

	<u>Governmental Activities</u>	
	<u>09/30/20</u>	<u>09/30/19</u>
Cash and cash equivalents	\$18,874,842	\$21,777,062
Investments	2,338,943	2,312,680
Receivables (taxes, grants, other miscellaneous)	765,265	468,478
Prepaid expenses	62,895	62,128
Other assets	7,512	8,141
Capital assets, net of accumulated depreciation	47,069,380	44,019,740
Deferred outflows of resources	<u>161,078</u>	<u>135,217</u>
Total assets and deferred outflows of resources	<u>69,279,915</u>	<u>68,783,446</u>
Short-term liabilities	2,349,389	2,005,226
Long-term liabilities	31,798,245	32,644,671
Deferred inflows of resources	<u>78,198</u>	<u>2,807</u>
Total liabilities and deferred inflows of resources	<u>34,225,832</u>	<u>34,652,704</u>
Net position:		
Invested in capital assets, net of related debt	28,940,004	29,595,453
Restricted for State mandated funds	426,139	393,663
Unrestricted	<u>5,687,940</u>	<u>4,141,626</u>
Total net position	<u>\$35,054,083</u>	<u>\$34,130,742</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

Other indicators of the Town's financial position and performance are revenues; program, general and restricted, and budget performance. Comparison of this indicator data as they are accumulated over the years may provide the reader with information of developing trends in the Town's financial health.

For fiscal year 2020, the Town collected \$11,147,775 in revenues from all sources, while expending \$10,224,434, resulting in a net increase in financial position. The table below summarizes the fiscal years 2020 and 2019 revenues and expenses for the Town, respectively.

Change in Net Position

	<u>Year Ended</u>	
	<u>09/30/20</u>	<u>09/30/19</u>
Charges for services, fees, fines and forfeitures	\$ 1,418,551	\$ 1,514,826
Operating grants and contributions	308,892	110,670
Capital grants and contributions	<u>5,981</u>	<u>374,343</u>
Total program revenues	<u>1,733,424</u>	<u>1,999,839</u>
Property taxes-general purpose	5,798,183	4,244,293
Sales taxes	2,839,601	2,336,819
Franchise taxes	477,785	408,427
Interest income	292,193	296,248
Gain (loss) on disposal of assets	(25,034)	1,755
Miscellaneous income	<u>31,623</u>	<u>83,796</u>
Total general revenues	<u>9,414,351</u>	<u>7,371,338</u>
Total revenues	<u>11,147,775</u>	<u>9,371,177</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**Change in Net Position
(Continued)**

	<u>Year Ended</u>	
	<u>09/30/20</u>	<u>09/30/19</u>
Public safety – police	\$ 2,260,904	\$ 2,759,919
Community development	2,138,083	1,682,980
General government	1,105,951	1,115,226
Public safety – dispatch	841,380	1,070,219
Parks and recreation	438,174	363,857
Finance	411,409	393,741
Public services	338,511	325,102
Building services	325,369	404,928
Planning	294,592	329,267
Information technology	282,962	116,439
Municipal court	272,650	328,482
Code enforcement	194,784	247,065
Storm water	76,261	62,187
Executive	39,107	41,326
Debt issuance costs		208,056
Interest on long-term debt	<u>1,204,297</u>	<u>715,189</u>
Total expenses	<u>10,224,434</u>	<u>10,163,983</u>
Change in net position	<u>\$ 923,341</u>	<u>\$ (792,806)</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

The largest ongoing revenue source for the Town's governmental activities is property taxes of \$5,798,183, which represents 52% of the total revenues. Another significant source of revenue for governmental activities is state sharing of sales taxes. The revenue sharing totals \$2,839,601 or 25% of total revenues for governmental activities. Additional significant sources of revenue for governmental activities are charges for services, fees, fines, and forfeitures of \$1,418,551 or 13% of total revenues for governmental activities.

The largest expenditure category among governmental activities was public safety, totaling \$2,260,904 or 22% of total expenditures. This expenditure category includes the cost of the Town providing police protection to residents.

The following table presents the cost of each of the Town's programs, as well as each program's net cost (total cost less fees generated by the activities). The net cost shows the financial burden placed on the Town's taxpayers for each of these functions.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>09/30/20</u>	<u>09/30/19</u>	<u>09/30/20</u>	<u>09/30/19</u>
Public safety - police	\$ 2,260,904	\$ 2,759,919	\$1,501,357	\$2,205,726
Community development	2,138,083	1,682,980	2,132,102	1,333,582
General government	1,105,951	1,115,226	326,502	285,249
Public safety – dispatch	841,380	1,070,219	841,380	1,045,274
Parks and recreation	438,174	363,857	438,174	363,857
Finance	411,409	393,741	411,409	393,741
Public services	338,511	325,102	338,511	325,102
Building services	325,369	404,928	325,369	404,928
Planning	294,592	329,267	294,592	329,267
Information technology	282,962	116,439	282,962	116,439
Municipal court	272,650	328,482	84,203	87,156
Code enforcement	194,784	247,065	194,784	247,065
Storm water	76,261	62,187	76,261	62,187
Executive	39,107	41,326	39,107	41,326
Debt issuance costs		208,056		208,056
Interest on long-term debt	<u>1,204,297</u>	<u>715,189</u>	<u>1,204,297</u>	<u>715,189</u>
Totals	<u>\$10,224,434</u>	<u>\$10,163,983</u>	<u>\$8,491,010</u>	<u>\$8,164,144</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Town's governmental fund statements show a combined ending fund balance of \$20,779,433, a decrease of \$2,788,181 compared to the prior year fund balance. Of this amount, \$3,103,563 (14.9%) constitutes unassigned fund balance, which is available for spending at the Town's discretion. Of the total fund balances, approximately 84.8% (or \$17,612,975) is restricted for statutory requirements or committed for Town Council purposes. Less than 1% (or \$62,895) of the combined ending fund balance represents prepaid expenses in non-spendable form.

As mentioned earlier, the General Fund is the chief operating fund of the Town. The ending balance in the General Fund is \$4,214,897, an increase of \$874,544 compared to the prior year fund balance. Of this amount, \$2,782,291 (66.0%) is unassigned and available for spending at the Town's discretion. Of the remaining fund balances, \$1,369,711 (32.5%) is restricted for statutory requirements or committed for Town Council purposes and \$62,895 (1.5%) is in non-spendable form.

The Town's Special Revenue Fund for State and Local Grants is used to account for the expenditures of state and local awards that have been restricted to be used in public service. There was no balance in this fund at year-end, a decrease of \$1,216 compared to prior year.

The Town's Special Revenue Fund for Street Maintenance is used to account for the expenditures of sales taxes reserved for maintaining existing streets. The Fund receives 0.25% of sales tax revenue every year as determined by voter referendum. The balance in this fund at year-end was \$1,706,114, an increase of \$428,043 compared to the prior year and is classified as funds committed by Town Council.

The Debt Service fund is used to account for the receipt of property taxes designated for debt service expenditures. The balance in this fund at year-end was \$321,272, an increase of \$160,081 compared to the prior year and is classified as unassigned fund balance.

The Special Revenue Fund for Economic Development is used to account for the expenditures of sales taxes reserved for fostering economic growth in the Town. The Fund receives 0.25% of sales tax revenue every year as determined by voter referendum. The balance in this fund at year-end was \$1,584,934, an increase of \$140,431 compared to the prior year and is classified as funds committed by Town Council.

The Town's Capital Improvements Fund is used to account for the designation of proceeds from Combination Tax and Revenue Series 2014 Certificates of Obligation and Combination Tax and Revenue Series 2019 Certificates of Obligation that are to be used for future infrastructure and commercial development projects. The balance in this fund at year-end was \$12,869,321, a decrease of \$4,375,717 compared to the prior year and is classified as funds committed by Town Council.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Governmental Funds (Continued)

The Town's Aggregate Non-Major Funds had a combined fund balance of \$82,895, a decrease of \$14,347 over the prior year. The Aggregate Non-Major Funds represent property taxes levied for the payment of the Eastlake project intergovernmental loan as well as funds committed for Horizon City Parks. The total combined fund balance remaining in Aggregate Non-Major Funds is classified as committed by Town Council.

Year-End Governmental Fund Balances September 30,

	<u>2020</u>	<u>2019</u>
General Fund	\$ 4,214,897	\$ 3,340,353
Special Revenue Fund – State and Local Grants		1,216
Special Revenue Fund – Street Maintenance	1,706,114	1,278,071
Debt Service Fund	321,272	161,191
Economic Development Fund	1,584,934	1,444,503
Capital Improvements Fund	12,869,321	17,245,038
Aggregate Non-Major Funds	<u>82,895</u>	<u>97,242</u>
Combined Fund Balance	<u>\$20,779,433</u>	<u>\$23,567,614</u>

The 12% decrease in overall fund balance can be primarily attributed to the increase in capital outlay in 2020, which was funded by the issuance of Combination Tax and Revenue Series 2019 Certificates of Obligation in the previous year. In addition, there were increases in debt service expenditures related to the Combination Tax and Revenue Series 2019 Certificates of Obligation.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Revenue Sources

Governmental fund revenues for the fiscal year ended September 30, 2020 and a comparison with the governmental fund revenues in the prior fiscal year are as follows:

	2020	Percent	Increase	Percent
	<u>Amount</u>	<u>of Total</u>	<u>(Decrease)</u>	<u>Increase</u>
			<u>Over 2019</u>	<u>(Decrease)</u>
Property taxes	\$ 5,778,641	51.6%	\$1,538,520	36.3%
Sales taxes	2,839,601	25.4%	502,782	21.5%
Licenses, permits and fees	776,568	6.9%	(42,509)	(5.2)%
Franchise taxes	477,785	4.3%	69,358	17.0%
Charges for services	450,660	4.0%	(3,763)	(.80)%
Grant income	314,868	2.8%	(134,300)	(29.9)%
Interest income	292,193	2.6%	(4,055)	(1.4)%
Fines and forfeitures	191,323	1.7%	(50,003)	(20.7)%
Proceeds from sale of assets	41,121	0.4%	27,056	192.4%
Contributions	5	0.0%	(10,895)	(100.0)%
Local grants		0.0%	(24,945)	(100.0)%
Other income	<u>31,623</u>	<u>0.3%</u>	<u>(52,173)</u>	<u>(62.3)%</u>
Total	<u>\$11,194,388</u>	<u>100%</u>	<u>\$1,815,073</u>	<u>19.4%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted General Fund budget for fiscal year September 30, 2020, totaled \$7,184,844. This was an increase of \$770,481 over the prior year budget. An increase in property taxes, sales tax revenue, and franchise tax revenue were the primary drivers in the revenue increase. The increase in budgeted revenue was to support the net effect of salary increases, adjustments and incentives. Full benefits for the additional positions are offset by decreases in contracted services.

The General Fund adopted budget was amended during the 2020 fiscal year. The amendments increased the budget by \$200,000. The first amendment transferred prior year fund surplus funds in the amount of \$100,000 for building maintenance, budgeting software, and general contingency. The second amendment added the transfer of \$100,000 from reserve funds to the Capital Improvement Fund. The last amendment transferred unused mass transit funds to be used for engineering services.

The increase in property taxes is due to the increase in property values and the property tax rate. The property tax rate increased by \$0.103584 per \$100 of assessed valuation or 21% from the previous year. The increase in sales tax revenue and franchise tax revenue is attributed to a continued increase in sales experienced by commercial establishments in the Town's taxing jurisdiction. In addition, electric franchise fees were increased by an additional amount for the renewal of the franchise agreement, which included an increase from 2.0% to 3.25%.

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

The Town's annual budget reflects the financial commitment to services and improvements by the governing body. As such, budget performance at the end of the fiscal year may be used as an indicator of the Town's progress toward stated goals and objectives. During fiscal year 2020, the Town expended \$339,778 less than budgeted in the General Fund.

Final Budget Versus Actual Results General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Property taxes	\$3,442,612	\$3,442,612	\$3,737,739	\$295,127
Sales taxes	1,602,541	1,602,541	1,902,051	299,510
Licenses, permits and fees	795,890	795,890	776,568	(19,322)
Franchise taxes	538,001	538,001	477,785	(60,216)
Charges for services	450,660	450,660	450,660	
Fines and forfeitures	247,323	247,323	191,323	(56,000)
Interest income	77,214	77,214	76,433	(781)
Proceeds from sale of assets			41,121	41,121
Contributions	5,500	5,500	5	(5,495)
Other income	<u>25,103</u>	<u>25,103</u>	<u>16,068</u>	<u>(9,035)</u>
Total revenues	<u>\$7,184,844</u>	<u>\$7,184,844</u>	<u>\$7,669,753</u>	<u>\$484,909</u>
Expenditures/outflows:				
Public safety - police	\$2,114,755	\$ 1,980,286	\$ 1,898,290	\$81,996
Public safety - dispatch	848,270	848,270	837,023	11,247
General government	599,671	604,714	555,329	49,385
Capital outlay	254,093	278,131	501,355	(223,224)
Community development	449,759	439,061	431,850	7,211
Finance	377,389	402,389	403,695	(1,306)
Parks and recreation	514,729	500,110	396,428	103,682
Public services	446,552	358,552	326,009	32,543
Building services	343,560	330,637	302,939	27,698
Information technology	293,133	293,133	275,732	17,401
Planning	299,459	387,459	262,642	124,817
Municipal court	271,537	279,494	254,535	24,959
Code enforcement	242,998	233,701	179,814	53,887
Debt service		157,968	149,732	8,236
Storm water	53,100	53,100	43,586	9,514
Executive	<u>50,839</u>	<u>50,839</u>	<u>39,107</u>	<u>11,732</u>
Total expenditures	<u>\$7,159,844</u>	<u>\$7,197,844</u>	<u>\$6,858,066</u>	<u>\$339,778</u>

CAPITAL ASSETS

The Town's financial statements present capital assets in two categories: those assets subject to depreciation (such as buildings and equipment) and those not subject to depreciation (such as land and construction in progress).

The Town's investment in capital assets for its governmental activities was \$47,069,380, net of accumulated depreciation. Major capital asset events during the current fiscal year included the following:

- The Town's investment in machinery and equipment increased by approximately \$479,822 due to the leasing of 6 vehicles to be used for code enforcement, public safety, and community development.
- The Town's investment in infrastructure increased by \$2,571,466, of which \$1,831,499 represents the cost of Darrington Drainage Improvement project, \$731,745 represents the cost of Rancho Desierto Bello Park project, and \$8,222 represents the cost of various miscellaneous projects.
- The Town's investment in intangibles increased by \$270,519 primarily due to the completion of the 2030 Master Plan.

Capital assets held by the Town are summarized as follows:

Capital assets, net of accumulated depreciation

	<u>09/30/20</u>	<u>09/30/19</u>
Land	\$ 876,527	\$ 745,140
Building and improvements	440,200	479,037
Equipment	1,166,465	1,065,416
Infrastructure	39,035,475	38,211,384
Intangibles	266,417	
Construction in progress	<u>5,284,296</u>	<u>3,518,763</u>
Total capital assets, net	<u>\$47,069,380</u>	<u>\$ 44,019,740</u>

Additional information on the Town's capital assets can be found in the notes to the financial statements on Pages 44 and 45.

LONG-TERM DEBT

At the end of the fiscal year, the Town had long-term debt outstanding in the amount of \$32,790,768. The Town's debt is composed of general obligation bonds, an intergovernmental payable, accrued compensated absences, net pension liability and other post-employment benefit liability at September 30, 2020. The following table shows the change in long-term debt from 2019 to 2020:

LONG-TERM DEBT (Continued)

Long-Term Debt Year Ended September 30,

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Bonds payable	\$24,920,000	\$25,595,000	\$(675,000)
Bond premium	1,744,269	1,834,662	(90,393)
Intergovernmental payable	3,792,480	3,792,480	
Capital lease obligations	541,948	447,183	94,765
Compensated absences	252,775	214,784	37,991
Net pension liability	1,492,858	1,557,313	(64,455)
Other post-employment benefit liability	<u>46,438</u>	<u>32,143</u>	<u>14,295</u>
Total	<u>\$32,790,768</u>	<u>\$33,473,565</u>	<u>\$(682,797)</u>

More detailed information about the Town's long-term liabilities is presented in the notes to the financial statements on Pages 46 through 63 of this report.

ECONOMIC FACTORS AND FUTURE PLANS

The Town's financial health remains good with sufficient resources to continue the current level of service delivery. Improvements to the accounting system and continuing changes to the Town's internal fiscal policies and procedures will further enhance the Town's ability to monitor revenues and expenditures, as well as promote greater management oversight and control.

Continuing financial growth is projected. The Town enjoys steady growth and development in what was primarily a retirement community. With the continued development of commercial establishments and housing and construction and reconstruction of public infrastructure, the property tax base will continue to increase. Increases in housing units will bring new families to the Town and a concurrent increase in sales by local vendors and thus, will increase the sales and franchise tax rebates to the Town. The continuing growth of these two income streams will ensure that the Town remains on firm financial ground for the foreseeable future.

The Town has adopted a three-year 2020-2022 Capital Improvement Plan ("CIP") that focuses on the construction, reconstruction, and repair of public infrastructure. The projects will be funded by various sources that include the Town's Transportation Reinvestment Zone, the State's Surface Transportation Program, and Certificates of Obligation (CO's); with most of the projects being funded by the issuance of the CO's. Through implementation of the CIP, the Town is looking to stimulate growth and expansion in its commercial and industrial sectors to help diversify its tax base, while providing its citizens with proper roadway and drainage improvements.

REQUESTS FOR INFORMATION

Questions concerning this analysis, or the financial statements should be directed to the City Clerk, at 915-852-1046 or by mail to: Town of Horizon City, Texas, Attn: City Clerk, 14999 Darrington, Horizon City, Texas 79928.

A handwritten signature in black ink, appearing to read "Ruben Mendoza". The signature is fluid and cursive, with the first name "Ruben" being larger and more prominent than the last name "Mendoza".

Honorable Mayor Ruben Mendoza
Town of Horizon City, Texas

INDEPENDENT AUDITORS' REPORT

To Honorable Mayor Ruben Mendoza
and Members of Town Council
Town of Horizon City, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Horizon City, Texas ("the Town") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Horizon City, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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.

To Honorable Mayor Ruben Mendoza
and Members of Town Council
Town of Horizon City, Texas

Auditors' Responsibility (Continued)

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, each major fund, and the aggregate remaining fund information of Town of Horizon City, Texas, as of September 30, 2020, and the respective changes in financial position 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, pension related information and other post-employment benefit related information on Pages 1 through 16 and 74 through 87 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.

(Continued)

To Honorable Mayor Ruben Mendoza
and Members of Town Council
Town of Horizon City, Texas

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Horizon City, Texas' basic financial statements. The combining aggregate non-major fund financial statements on Pages 88 and 89 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining aggregate non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining aggregate non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2021, on our consideration of Town of Horizon City, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Horizon City, Texas' 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 Town of Horizon City, Texas' internal control over financial reporting and compliance.

SBNG, PC

El Paso, Texas
April 13, 2021

TOWN OF HORIZON CITY, TEXAS

STATEMENT OF NET POSITION

September 30, 2020

<u>ASSETS</u>	Governmental Activities
Cash and cash equivalents	\$ 18,874,842
Investments	2,338,943
Taxes receivable	695,211
Grants receivable	39,679
Other receivables, net	5,375
Forgivable notes receivable	25,000
Prepaid expenses	62,895
Other assets	7,512
Non-depreciable capital assets	6,160,823
Depreciable capital assets, net of accumulated depreciation	<u>40,908,557</u>
 Total assets	 <u>69,118,837</u>

<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources related to pension	150,871
Deferred outflows of resources related to other post-employment benefit obligation	<u>10,207</u>
 Total deferred outflows of resources	 <u>161,078</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS

STATEMENT OF NET POSITION
(CONTINUED)

September 30, 2020

<u>LIABILITIES</u>	<u>Governmental Activities</u>
Accounts payable	\$ 818,903
Accrued liabilities	491,493
Due within one year:	
Bonds payable	840,000
Capital leases	125,950
Deferred revenues	46,470
Compensated absences	26,573
Due in more than one year:	
Bonds payable, net	25,824,269
Intergovernmental payable	3,792,480
Capital leases	415,998
Compensated absences	226,202
Net pension liability	1,492,858
Other post-employment benefit liability	<u>46,438</u>
Total liabilities	<u>34,147,634</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pension	71,248
Deferred inflows of resources related to other post-employment benefit obligation	<u>6,950</u>
Total deferred inflows of resources	<u>78,198</u>

NET POSITION

Net position:	
Invested in capital assets, net of related debt	28,940,004
Restricted for State mandated funds	426,139
Unrestricted	<u>5,687,940</u>
Total net position	<u>\$35,054,083</u>

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

TOWN OF HORIZON CITY, TEXAS

STATEMENT OF ACTIVITIES

Year Ended September 30, 2020

<u>FUNCTIONS/PROGRAMS</u>	<u>Direct Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expenses) and Changes in Net Position</u>
		<u>Charges for Services, Fees, Fines and Forfeitures</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:					
Public safety - police	\$ 2,260,904	\$ 450,660	\$308,887	\$	\$ (1,501,357)
Community development	2,138,083			5,981	(2,132,102)
Interest on long-term debt	1,204,297				(1,204,297)
General government	1,105,951	776,568	5		(329,378)
Public safety - dispatch	841,380				(841,380)
Parks and recreation	438,174				(438,174)
Finance	411,409				(411,409)
Public services	338,511				(338,511)
Building services	325,369				(325,369)
Planning	294,592				(294,592)
Information technology	282,962				(282,962)
Municipal court	272,650	191,323			(81,327)
Code enforcement	194,784				(194,784)
Storm water	76,261				(76,261)
Executive	<u>39,107</u>				<u>(39,107)</u>
Total governmental activities	<u>\$10,224,434</u>	<u>\$1,418,551</u>	<u>\$308,892</u>	<u>\$ 5,981</u>	<u>(8,491,010)</u>
		General revenues:			
		Property taxes			5,798,183
		Sales taxes			2,839,601
		Franchise taxes			477,785
		Interest income			292,193
		Loss on disposal of assets			(25,034)
		Miscellaneous income			<u>31,623</u>
		Total general revenues			<u>9,414,351</u>
		Change in net position			923,341
		Net position, beginning of year			<u>34,130,742</u>
		Net position, end of year			<u>\$35,054,083</u>

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

TOWN OF HORIZON CITY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund - State and Local Grants</u>	<u>Street Maintenance Fund</u>	<u>Debt Service Fund</u>	<u>Economic Development Fund</u>	<u>Capital Improvements Fund</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>								
Cash and cash equivalents, non-pooled	\$ 789,623	\$	\$	\$	\$ 993,149	\$13,370,844	\$ 15,886	\$ 15,169,502
Pooled cash and cash equivalents	2,347,381	56,975	1,235,385	51,400			14,199	3,705,340
Investments	317,388				604,180			921,568
Pooled investments	858,506		473,552	35,600			49,717	1,417,375
Taxes receivable	475,529			219,682				695,211
Due from other funds				46,041				46,041
Grants receivable		28,904					10,775	39,679
Forgivable loan receivable					25,000			25,000
Other receivables, net	5,375							5,375
Other assets					3,500	4,012		7,512
Prepaid expenses	<u>62,895</u>							<u>62,895</u>
Total assets	<u>\$ 4,856,697</u>	<u>\$ 85,879</u>	<u>\$ 1,708,937</u>	<u>\$ 352,723</u>	<u>\$ 1,625,829</u>	<u>\$ 13,374,856</u>	<u>\$ 90,577</u>	<u>\$ 22,095,498</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 248,401	\$ 26,451	\$ 2,823	\$	\$ 33,707	\$ 505,535	\$ 1,986	\$ 818,903
Accrued liabilities	252,700	12,958			7,188		5,696	278,542
Unearned revenue		46,470						46,470
Due to other funds	<u>46,041</u>							<u>46,041</u>
Total liabilities	<u>547,142</u>	<u>85,879</u>	<u>2,823</u>		<u>40,895</u>	<u>505,535</u>	<u>7,682</u>	<u>1,189,956</u>
Deferred inflows of resources:								
Deferred property taxes	<u>94,658</u>			<u>31,451</u>				<u>126,109</u>
Total deferred inflows of resources	<u>94,658</u>			<u>31,451</u>				<u>126,109</u>
Fund balances:								
Nonspendable	62,895							62,895
Restricted	426,139							426,139
Committed	943,572		1,706,114		1,584,934	12,869,321	82,895	17,186,836
Unassigned	<u>2,782,291</u>			<u>321,272</u>				<u>3,103,563</u>
Total fund balances	<u>4,214,897</u>		<u>1,706,114</u>	<u>321,272</u>	<u>1,584,934</u>	<u>12,869,321</u>	<u>82,895</u>	<u>20,779,433</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,856,697</u>	<u>\$ 85,879</u>	<u>\$ 1,708,937</u>	<u>\$ 352,723</u>	<u>\$ 1,625,829</u>	<u>\$ 13,374,856</u>	<u>\$ 90,577</u>	<u>\$ 22,095,498</u>

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

TOWN OF HORIZON CITY, TEXAS

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

Year Ended September 30, 2020

Total fund balances of governmental funds in the balance sheet		\$ 20,779,433
Amounts reported 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 governmental funds:		
Governmental capital assets	54,700,196	
Accumulated depreciation	<u>(7,630,816)</u>	47,069,380
Pension related deferred inflows and outflows are not due and payable in the current period, and are not available to pay current period expenditures, therefore are not reported in the governmental funds:		
Deferred outflows of resources related to pension		150,871
Deferred outflows of resources related to other post-employment benefit obligation		10,207
Deferred inflows of resources related to pension		(71,248)
Deferred inflows of resources related to other post-employment benefit obligation		(6,950)
Certain property tax revenues will be collected after year-end but are not available soon enough to pay for the current period expenditures and, therefore, are deferred on the modified accrual basis in governmental funds:		
Deferred property taxes		126,109
Net pension liability represents pension liabilities in excess of total pension assets, which are not available to pay current period expenditures and, therefore, excluded from the governmental funds:		
Net pension liability		(1,492,858)
Other post-employment benefit liability		(46,438)
Some liabilities applicable to the Town's governmental activity are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:		
Capital leases	(541,948)	
Bonds payable	(26,664,269)	
Intergovernmental payable	(3,792,480)	
Compensated absences	(252,775)	
Accrued interest	<u>(212,951)</u>	<u>(31,464,423)</u>
Total net position of governmental activities		<u>\$ 35,054,083</u>

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

TOWN OF HORIZON CITY, TEXAS

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

Year Ended September 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund - State and Local Grants</u>	<u>Street Maintenance Fund</u>	<u>Debt Service Fund</u>	<u>Economic Development Fund</u>	<u>Capital Improvements Fund</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>								
Property taxes	\$ 3,737,739	\$	\$	\$ 1,941,901	\$	\$	\$ 99,001	\$ 5,778,641
Sales taxes	1,902,051		468,775		468,775			2,839,601
Licenses, permits and fees	776,568							776,568
Franchise taxes	477,785							477,785
Charges for services	450,660							450,660
Federal and state grants		259,420					55,448	314,868
Interest income	76,433		11,364	19,804	16,825	167,007	760	292,193
Fines and forfeitures	191,323							191,323
Proceeds from sale of assets	41,121							41,121
Contributions	5							5
Other income	16,068					10,818	4,737	31,623
Total revenues	<u>7,669,753</u>	<u>259,420</u>	<u>480,139</u>	<u>1,961,705</u>	<u>485,600</u>	<u>177,825</u>	<u>159,946</u>	<u>11,194,388</u>
<u>EXPENDITURES</u>								
Public safety - police	1,898,290	46,700					66,271	2,011,261
General government	555,329	89,759			345,169			990,257
Public safety - dispatch	837,023	7,092						844,115
Community development	431,850	5,470	38,086			9,380		484,786
Finance	403,695	5,373		2,907			30	412,005
Parks and recreation	396,428							396,428
Public services	326,009						3,605	329,614
Building services	302,939	3,522						306,461
Planning	262,642					30,397		293,039
Information technology	275,732	4,966						280,698

(Continued)

TOWN OF HORIZON CITY, TEXAS

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

Year Ended September 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund - State and Local Grants</u>	<u>Street Maintenance Fund</u>	<u>Debt Service Fund</u>	<u>Economic Development Fund</u>	<u>Capital Improvements Fund</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
<u>EXPENDITURES (Continued)</u>								
Municipal court	\$ 254,535	\$ 14,138	\$	\$	\$	\$	\$	\$ 268,673
Code enforcement	179,814							179,814
Storm water	43,586							43,586
Executive	39,107							39,107
Debt service:								
Principal	93,369			675,000				768,369
Interest	56,363			1,123,717			123,683	1,303,763
Capital outlay	<u>501,355</u>	<u>83,616</u>	<u>14,010</u>			<u>4,612,270</u>	<u>7,476</u>	<u>5,218,727</u>
Total expenditures	<u>6,858,066</u>	<u>260,636</u>	<u>52,096</u>	<u>1,801,624</u>	<u>345,169</u>	<u>4,652,047</u>	<u>201,065</u>	<u>14,170,703</u>
Excess (deficit) of revenues over (under) expenditures	<u>811,687</u>	<u>(1,216)</u>	<u>428,043</u>	<u>160,081</u>	<u>140,431</u>	<u>(4,474,222)</u>	<u>(41,119)</u>	<u>(2,976,315)</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS

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

Year Ended September 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund - State and Local Grants</u>	<u>Street Maintenance Fund</u>	<u>Debt Service Fund</u>	<u>Economic Development Fund</u>	<u>Capital Improvements Fund</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):								
Interfund transfers	\$ (125,277)	\$	\$	\$	\$	\$ 98,505	\$ 26,772	\$
Proceeds from capital leases	<u>188,134</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>188,134</u>
Total other financing sources	<u>62,857</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>98,505</u>	<u>26,772</u>	<u>188,134</u>
Net change in fund balance	874,544	(1,216)	428,043	160,081	140,431	(4,375,717)	(14,347)	(2,788,181)
Fund balance, beginning of the year	<u>3,340,353</u>	<u>1,216</u>	<u>1,278,071</u>	<u>161,191</u>	<u>1,444,503</u>	<u>17,245,038</u>	<u>97,242</u>	<u>23,567,614</u>
Fund balance, end of the year	<u>\$ 4,214,897</u>	<u>\$ </u>	<u>\$ 1,706,114</u>	<u>\$ 321,272</u>	<u>\$ 1,584,934</u>	<u>\$ 12,869,321</u>	<u>\$ 82,895</u>	<u>\$ 20,779,433</u>

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

TOWN OF HORIZON CITY, TEXAS

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

Year Ended September 30, 2020

Net change in fund balances – total governmental funds \$ (2,788,181)

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the government-wide statements, the cost of those assets are depreciated over their estimated useful lives:

Net book value of disposed assets	(66,155)	
Capital outlay	5,218,727	
Depreciation expense	<u>(2,102,932)</u>	3,049,640

Because some property taxes will not be collected for several months after the Town’s fiscal year ends, they are not considered “available” revenues in the governmental funds. They are, however, recorded as revenues in the statement of activities.

Change in deferred property taxes	19,542
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The proceeds from intergovernmental payables provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Capital leases	(188,134)
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Payment of principal on bonds and amortization of bond premiums is an expenditure in the governmental funds but the principal payment reduces long-term liabilities in the statement of net position and interest expense in the statement of activities is reduced by bond premium amortization. Amortization for the current year amounted to \$90,393.

765,393

Payment of principal on capital leases is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.

93,369

Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in pension liability	64,455	
Change in other post-employment benefit liability	(14,295)	
Change in accrued interest payable	9,073	
Change in compensated absences payable	(37,991)	
Change in deferred inflows related to pension	(71,248)	
Change in deferred inflows related to other post-employment benefits	(4,143)	
Change in deferred outflows related to other post-employment benefits	10,207	
Change in deferred outflows related to pension	<u>15,654</u>	<u>(28,288)</u>

Change in net position of governmental activities	<u>\$ 923,341</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF HORIZON CITY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS

September 30, 2020

	<u>Agency Funds</u>
<u>ASSETS</u>	
Investments, at fair value	<u>\$257,172</u>
Total assets	<u>257,172</u>
<u>LIABILITIES</u>	
Deferred compensation payable	<u>257,172</u>
Total liabilities	<u>257,172</u>
<u>NET POSITION HELD IN-TRUST</u>	
Net position held in-trust	<u>\$ _____</u>

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

TOWN OF HORIZON CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION AND OPERATIONS

The Town of Horizon City, Texas, (“the Town”) operates under a Council-Mayor form of government. The Mayor and all council members are elected at large. The Town provides general administrative services, public safety, streets and roads maintenance, public service, municipal court, and community development. The Town’s Council (“the Council”) is responsible for legislative and fiscal control of the Town.

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Horizon City, Texas are discussed in subsequent sections of the notes to the financial statements. The remainder of the notes to the financial statements are organized to provide explanations including required disclosures of the Town’s financial activities for the fiscal year ended September 30, 2020.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – As required by generally accepted accounting principles, these financial statements present the activities of the Town, its component units, and fiduciary activities. All activities of the Town are governmental in nature and are financed through taxes and other non-exchange transactions. Component units are legally separate organizations for which the Town is financially accountable or other organizations whose nature and significant relationship with the Town are such that exclusion would cause the Town’s financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and (i) either the Town’s ability to direct the Organization or (ii) the potential for the Organization to provide a financial benefit to or impose a financial burden on the Town. The Town’s fiduciary activities are accounted for in the Agency Fund.

Blended component units, although legally separate entities are, in substance, part of the Town’s operations. Accordingly, data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. Further, the Town is not aware of any entity which would consider itself to be a discrete component unit of the Town.

(Continued)

TOWN OF HORIZON CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units –

Town of Horizon City Type 4B Economic Development Corporation – Established to promote economic development activities within the Town of Horizon City, Texas to eliminate unemployment, encourage public welfare and develop projects of public interest related to sports, culture, tourism, amusement and commerce. The Corporation was established in 2011 and receives 0.25% of sales taxes collected by the Town, as designated by Council Ordinance. The Corporation is reported as a blended component unit as its governing body is appointed by the Town's Council and the Council has authority to make final approval of the Corporation's budget. In addition, the Town acts as a fiscal agent and is responsible for monitoring the Corporation's finances. The Corporation's activities are reported in the Town's governmental activities as a special revenue fund. Separate financial statements are not prepared for the Corporation. The Corporation's fiscal year ends on September 30.

Government-Wide and Fund Financial Statements – The government-wide financial statements (the statement of net position and the statement of activities) report information on all activities of the Town. The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as general revenue.

The Town has six major governmental funds. Aggregate non-major governmental funds are reported as a separate column in the fund financial statements.

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, generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property tax revenues are recognized in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued) – Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Grants and entitlements and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the Town receives cash.

In addition to assets and liabilities, the government fund balance sheet and the government-wide statement of net position may report separate sections of deferred outflows of resources and deferred inflows of resources. Accounting policies regarding deferred outflows and inflows of resources are explained on Page 37.

Fund Accounting – The Town’s accounting system is operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts for recording its assets, liabilities, revenues, expenditures, and fund balances. The various funds are for the purpose of carrying on specific activities or to obtain certain objectives. The various funds are grouped by type in the financial statements.

The Town reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the Town. It is used to account for all financial resources of the general government, except those accounted for in another fund.

Special Revenue Fund - Street Maintenance – This Special Revenue Fund is used to account for the expenditures of sales taxes reserved for maintaining existing streets. The Fund receives 0.25% of sales tax revenue every year as determined by voter referendum.

Debt Service Fund – This fund accounts for the accumulation of financial resources for the payment of principal and interest on the Town’s general obligation debt.

Special Revenue Fund - Economic Development – This Special Revenue Fund is used to account for the expenditures of sales taxes reserved for fostering economic growth in the Town. The Fund receives 0.25% of sales tax revenue every year as determined by voter referendum. Expenditures for economic growth are determined by the Economic Development Corporation, a blended component unit of the Town, and approved by the Town Council.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued) –

Capital Improvements Fund – This fund accounts for the capital expenditures of 2014 and 2019 Combination Tax and Revenue Certificates of Obligation proceeds designated for use in infrastructure and commercial development projects.

Special Revenue Fund - State and Local Grants – This Special Revenue Fund is used to account for the expenditures of state and local awards that have been restricted to be used in public safety and other emergency spending. Grant revenue is recognized when compliance with the various contract requirements is achieved.

Additionally, the Town reports the following non-major governmental funds:

Special Revenue Fund – Federal Grants – This Special Revenue Fund is used to account for the expenditures of federal awards that have been restricted to be used in public safety. Grant revenue is recognized when compliance with the various contract requirements is achieved.

Special Revenue Fund - Safe Routes to School – This Special Revenue Fund is used to account for the expenditures of federal grant awards that have been restricted for use in the development of safer school zones. Grant revenue is recognized when compliance with the various contract requirements is achieved.

Special Revenue Fund – Special Events – This Special Revenue Fund is used to account for donations committed for environment work and other special events.

Special Revenue Fund - Transportation Reinvestment Zone – This Special Revenue Fund is used to account for tax revenues generated from the incremental tax values on the Transportation Reinvestment Zone #2 created by Town Ordinance pursuant to Section 222.106 of the Texas Transportation Code (“Municipal TRZ Act”). TRZ #2 Revenues are restricted for the financing of the Eastlake Blvd. Expansion Project.

The Town reports the following fiduciary fund:

Agency Fund – The Agency Fund is used to account for the remaining balance on the Town’s 457(b) Deferred Compensation Plan (terminated December 31, 2017), which is custodial in nature and does not involve measurement of results of operations. A fiduciary statement of net position is presented. The Agency funds are accounted for on a spending or “economic resources” measurement focus.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued) – Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict current guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of the interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, interest and charges for services are considered to be both measurable and available at fiscal year-end.

Non-exchange transactions, in which the Town receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures – On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Budgets and Budgetary Accounting – The Town is required by the Texas Constitution to adopt an annual balanced budget. The Town Council officially adopts the annual budget ordinance and all project ordinances and has the authority to amend such ordinances. All budgets are prepared on the budgetary basis of accounting as required by Texas law.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Investments – Funds on deposit were maintained in interest bearing accounts and secured at the balance sheet date by the Federal Deposit Insurance Corporation and U.S. Government Securities.

The Town maintains and controls one major cash pool and one investment pool. The balance and activity in the cash pool and investment pool is allocated to each individual fund of the Town. In addition, the Town holds non-pooled cash and investment accounts discretely presented in separate funds.

Statutes authorize the Town to invest in Certificates of Deposit, repurchase agreements, passbook, bankers' acceptances, and other available bank investments, provided that approved securities are pledged in an amount equal to the amount of funds on deposit.

For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the Town, are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments. Investments are recorded at fair value, which is based on quoted market prices.

Property Tax Calendar – The Town is responsible for the assessment, collection, and apportionment of property taxes. The Council levies property taxes on October 1. The certified tax roll from El Paso Central Appraisal District reflected an adjusted taxable value of \$915,136,137 for the year ended September 30, 2020. Taxes are due upon receipt of the tax bill and are delinquent if not paid by January 31 of the year following in which levied. On January 1 of each year, a tax lien attaches to property to secure the payment of tax revenues, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable in the current period. The Town's 2019-2020 tax rate was \$.59534, per \$100 of assessed valuation. The Town incurred expenditures of \$62,709 for the services provided by El Paso Central Appraisal District for the year ended September 30, 2020.

Grants and Contracts Receivable – Grants and contracts receivable are stated at net realizable value. In determining whether to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. On September 30, 2020, management determined all outstanding grants and contracts receivable to be fully collectable. Accordingly, no allowance has been established.

Capital Assets – General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued) – All capital assets are recorded at cost (or estimated historical cost) if purchased or constructed and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair market value at the date of the donation. The Town maintains a capitalization threshold of \$2,500. The Town maintains infrastructure asset records consistent with all other capital assets. Infrastructure is capitalized upon completion of construction. Improvements are also capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Depreciation is determined using the straight-line method over the estimated useful lives of the capital assets.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	40
Machinery and equipment	7
Office furniture and equipment	5-7
Infrastructure	25

Compensated Absences – The Town’s regular employees are granted compensated absence pay in varying amounts based on length of service. Earned compensated absences may be carried over up to a specified number of hours. Compensated absences are reported as accrued liabilities in the government-wide financial statements. Governmental funds report only compensated absences payable to currently terminating employees which are included in wages and benefits payable.

Pension – For purposes of measuring the net pension liability and other post-employment benefits liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and other post-employment benefit expenses, information about the fiduciary net position of the Texas Municipal Retirement System Insurance Plan (“TMRS”) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments related to benefit plans are reported at fair value.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond discounts and premiums are deferred and amortized over the life of the bonds using a method that approximates the effective interest method. Bonds payable are reported net of the applicable bond discounts or premiums. Bond issuance costs, except for prepaid bond insurance, are reported as expenses in the period incurred.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations (Continued) – In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issue costs. Bond and other long-term debt proceeds are reported as another financing source net of applicable premium or discount. Issue costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Deferred Outflows of Resources and Deferred Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time. For the year ended September 30, 2020, the Town recognized deferred outflows of resources and deferred inflows of resources on its government-wide financial statements that were related to pension and other post-employment benefit plans. The fund basis financial statements include deferred inflows of resources related to unavailable property tax revenues.

Fund Balance – Beginning with fiscal year 2011, the Town implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained. On September 30, 2020, nonspendable fund balance consisted of prepaid expenses in the amount of \$62,895.

Restricted fund balance – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors). Restricted fund balance in the amount of \$426,139 at September 30, 2020 represents amounts mandated by the State of Texas, the detail of which can be found on Page 64.

Committed fund balance – amounts that can be spent only for specific purposes determined by a resolution of the Town Council, the Town’s highest level of decision-making authority. The committed fund balance of \$17,186,836 is composed of funds for street development and maintenance, economic development, and capital improvement, the detail of which can be found on Page 64.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued) –

Assigned fund balance – amounts the Town intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. Amounts may be assigned by Town Council by resolution.

Unassigned fund balance – amounts that are available for any purpose; these amounts are reported in the Town’s General Fund and Debt Service Fund.

Net Position – Net position is displayed in three components:

- 1) Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position – consists of net position with constraints placed on their use either by a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt.”

Net Position/Fund Balance Flow Assumptions – The Town may elect to fund outlays for a particular purpose from both restricted and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements and restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted balances to have been depleted before unrestricted balances are applied.

Internal Balances – Amounts reported in the fund financial statements as interfund receivables, payables, and advances, if any, are eliminated in the government-wide governmental columns of the statement of net position.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts – Accounts receivable are stated net of an allowance for doubtful accounts. Management periodically evaluates the collectability of its accounts receivable. The allowance for doubtful accounts amounted to \$769 at September 30, 2020.

DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

At September 30, 2020, the reported amount of the Town’s deposits was \$18,874,842 and the bank balance was \$18,880,523. These deposits are held in deposit accounts, money market funds, and intergovernmental investment pools. Cash held in the Capital Improvement Fund in the amount of \$13,370,844 has been committed through Town Ordinance to be used in infrastructure projects. Cash held in the Economic Development Fund in the amount of \$286,702 has been committed through Town Council Ordinance to be used in economic development projects. Cash held in the General Fund totaling \$590,792 has been reserved as a stabilization amount through Council Ordinance. There are other balances other than cash that have been committed through Council Ordinances.

Statutes require the classification of funds held by the Town into three categories:

Category 1 consists of “active” funds – those funds required to be kept in “cash” or “near cash” status for immediate use by the Town. Such funds must be maintained as cash, withdrawable on demand, including negotiable order of withdrawal (NOW) accounts. At September 30, 2020, all deposits held by the Town were classified as Category 1.

Category 2 consists of “inactive” funds – those funds not required for use within the current two-year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds – those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 1) Commercial paper;
- 2) Bankers’ acceptances;
- 3) Repurchase agreements;
- 4) Certificates of deposit; and
- 5) Obligation of, or Guaranteed by Governmental Agencies, such as letters of credit or direct obligations.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned, or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's investment policy requires that bank deposits, including certificates of deposits and repurchase agreements, be 100% secured by collateral valued at market less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Collateral agreements must be approved prior to deposit of funds. The Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee.

In addition, the Town requires that any deposits in intergovernmental investment pools be approved by resolution of the Town Council. Investment pools are also required to meet certain minimum ratings to be monitored on a monthly basis. Any investment pool that fails to meet the minimum required ratings shall be liquidated.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Bank deposits were insured by the FDIC up to \$250,000. Money market funds are insured by the SPIC up to \$500,000. The Town has an investment policy which requires collateralization for bank deposits, certificates of deposits, and repurchase agreements. Management evaluates the exposure to credit risk for deposits exceeding the amount insured by the FDIC and SPIC by comparing the amounts of cash on-hand to collateral funds. On September 30, 2020, pledged collateral funds securing the Town's deposits had a fair market value of \$6,885,870, which exceeded the combined bank balance of \$6,018,719.

The Town's investment policy does not require that deposits in money market funds or intergovernmental investment pools be collateralized. On September 30, 2020, cash equivalents held in money market funds totaling \$4,631,462 were insured by the SPIC up to \$500,749. In addition, the Town held \$8,230,342 in a single intergovernmental investment pool. Management does not believe the Town is exposed to any significant credit risk.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

DEPOSITS AND INVESTMENTS (Continued)

Intergovernmental Investment Pools - LOGIC is a local government investment pool organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. The units in LOGIC have not been registered under the Securities Act of 1933, as amended, or any state securities law. Its general investment objective is safety of principal, liquidity in accordance with the operating requirements of the participants, and a competitive rate of return. The portfolio seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time. LOGIC's Board of Trustees has determined, in good faith, that it is in the best interests of the portfolio and the unitholders to maintain a stable net asset value of \$1.00 per unit, by virtue of utilization of the amortized cost method which generally approximates the market value of the assets and has been deemed to be a proxy for fair value. The portfolio will continue to use such method only so long as the Board believes that it fairly reflects the market-based net asset value per unit. Units of LOGIC are currently rated "AAAm" by Standard & Poor's. Further information is available at the LOGIC website www.logic.org.

Investments

The Town's investments are categorized to give an indication of the level of risk assumed by the Town at fiscal year-end. The categories are described as follows:

- Category A: Insured, registered, or securities held by the Town or its agent in the Town's name.
- Category B: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
- Category C: Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent, but not in the Town's name.

The investment of surplus funds is governed by a policy of the Town. Investments in collateral mortgage obligations are prohibited. The maximum allowable stated maturity of any authorized investment type cannot exceed two years to maturity.

Investments held in the Economic Development Fund in the amount of \$604,180 have been committed through Town Council Ordinance to be used in economic development projects. There are other balances other than investments that have been committed through Council Ordinances.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

DEPOSITS AND INVESTMENTS (Continued)

Investments consist of the following at September 30, 2020:

	<u>Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
General Fund	A	\$1,175,894	\$1,175,894
Street Maintenance Fund	A	473,552	473,552
Debt Service Fund	A	35,600	35,600
Economic Development Fund	A	604,180	604,180
Aggregate Non-Major Funds	A	<u>49,717</u>	<u>49,717</u>
Total		<u>\$2,338,943</u>	<u>\$2,338,943</u>

The Town's investments consisted of certificates of deposit with maturities in excess of three months. Investments are reported at fair value which approximates cost. All investments are maintained in two separate financial institutions in the name of the Town. All certificates of deposit are fully insured by the FDIC.

Concentration of Credit Risk - The Town shall not invest more than 50% of its total deposits and investments with a single issuer, except for intergovernmental investment pools. At September 30, 2020, the Town had the following investments in single issuers representing more than five percent of the total investments on-hand (excluding intergovernmental investment pools):

Issuer A	\$ 313,105
Issuer B	307,638
Issuer C	304,270
Issuer D	203,740
Issuer E	203,506
Issuer F	203,100
Issuer G	201,918
Issuer H	201,226
Issuer I	200,420
Issuer J	<u>200,020</u>
Total	<u>\$2,338,943</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

PROPERTY TAX AND OTHER RECEIVABLES

Property tax and other receivables consist of the following at September 30, 2020:

	<u>Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net</u>
Governmental activities:			
Property taxes, current	\$619,945	\$	\$619,945
Property taxes, delinquent	<u>75,266</u>	<u> </u>	<u>75,266</u>
Property taxes, total	695,211		695,211
Other	<u>6,144</u>	<u>(769)</u>	<u>5,375</u>
Total governmental activities	<u>\$701,355</u>	<u>\$(769)</u>	<u>\$700,586</u>

GRANTS RECEIVABLE

Grants receivable arise from amounts due to the Town from granting agencies for allowable expenditures not reimbursed at year-end. Grants receivable consisted of the following at September 30, 2020:

Stone Garden	\$10,775
Border Star	<u>28,904</u>
Total	<u>\$39,679</u>

FORGIVABLE NOTES RECEIVABLE

Effective November 2018, Town of Horizon City Type 4B Economic Development Corporation (“EDC”), a blended component unit of the Town, entered into an incentive grant and loan agreement with a private corporation for the completion of an economic development project. The private entity is to receive three economic incentive payments of \$25,000 to be used for the purchase of equipment, renovation of facilities and payment of personnel connected exclusively to the economic development project. The entire amount of the advanced principal may be forgiven by the Town in the form of a grant, so long as the private entity meets the project milestones in accordance with the Town Council’s satisfaction. At September 30, 2020, the Town had advanced all three of the \$25,000 payments to the grantee and two of the incentive payments have been forgiven. The third payment may be forgiven as long as the entity continues to meet the Town’s expectations per the agreement. The agreement is secured by a note agreement with an interest rate of prime plus 1.75% per annum. On July 2020, the agreement was amended to extend the final maturity date from November 2020 to February 2021.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

FORGIVABLE NOTES RECEIVABLE (CONTINUED)

Effective July 2020, the EDC entered into an incentive grant and loan agreement with a private corporation for the completion of an economic development project. The private entity is to receive three economic incentive payments of \$46,667 to be used for the purchase of equipment, renovation of facilities and payment of personnel connected exclusively to the economic development project. The entire amount of the advanced principal may be forgiven by the Town in the form of a grant, so long as the private entity meets the project milestones in accordance with the Town Council’s satisfaction. Management expects to make first payment subsequent to year end. The agreement is secured by a note agreement with an interest rate of prime plus 1.75% per annum. The final maturity date of the note is July 2022.

INTERFUND RECEIVABLES AND PAYABLES

The composition of the Town’s interfund balances as of September 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	General Fund	\$46,041

CAPITAL ASSETS

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

	<u>September 30,</u> <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>September 30,</u> <u>2020</u>
Non-depreciable assets:					
Land	\$ 745,140	\$	\$	\$ 131,387	\$ 876,527
Construction in progress	<u>3,518,763</u>	<u>4,720,353</u>	<u> </u>	<u>(2,954,820)</u>	<u>5,284,296</u>
Total non-depreciable capital assets	<u>4,263,903</u>	<u>4,720,353</u>	<u> </u>	<u>(2,823,433)</u>	<u>6,160,823</u>
Depreciable assets:					
Building and improvements	851,522				851,522
Equipment	3,234,132	479,822	(217,223)		3,496,731
Intangibles		18,552		251,967	270,519
Infrastructure	<u>41,456,048</u>	<u> </u>	<u>(106,913)</u>	<u>2,571,466</u>	<u>43,920,601</u>
Total depreciable capital assets	<u>45,541,702</u>	<u>498,374</u>	<u>(324,136)</u>	<u>2,823,433</u>	<u>48,539,373</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

CAPITAL ASSETS (Continued)

	September 30, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	September 30, <u>2020</u>
Accumulated depreciation:					
Building and improvements	\$ (372,485)	\$ (38,837)	\$	\$	\$ (411,322)
Equipment	(2,168,716)	(378,074)	216,524		(2,330,266)
Intangibles		(4,102)			(4,102)
Infrastructure	<u>(3,244,664)</u>	<u>(1,681,919)</u>	<u>41,457</u>	<u> </u>	<u>(4,885,126)</u>
 Total accumulated depreciation	 <u>(5,785,865)</u>	 <u>(2,102,932)</u>	 <u>257,981</u>	 <u> </u>	 <u>(7,630,816)</u>
 Depreciable capital assets, net	 <u>39,755,837</u>	 <u>(1,604,558)</u>	 <u>(66,155)</u>	 <u>2,823,433</u>	 <u>40,908,557</u>
 Total capital assets, net	 <u>\$44,019,740</u>	 <u>\$3,115,795</u>	 <u>\$ (66,155)</u>	 <u>\$ </u>	 <u>\$47,069,380</u>

Depreciation expense was charged to functions/programs of the government for the year ended September 30, 2020 as follows:

Community development	\$1,654,257
Public safety – police	255,536
General government	65,068
Parks and recreation	41,748
Storm water	32,675
Building services	19,867
Code enforcement	15,485
Public services	8,897
Municipal court	4,764
Information technology service	2,535
Planning	<u>2,100</u>
 Total provisions for depreciation	 <u>\$2,102,932</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2020:

	Balance at September 30, 2019	Additions	Reductions	Balance at September 30, 2020	Due Within One Year
Compensated absences \$	214,784	\$271,703	\$ (233,712)	\$ 252,775	\$ 26,573
Intergovernmental payable	3,792,480			3,792,480	
Bonds payable, net	27,429,662		(765,393)	26,664,269	840,000
Capital leases	447,183	188,134	(93,369)	541,948	125,950
Net pension liability	1,557,313		(64,455)	1,492,858	
Other post-employment benefit liability	<u>32,143</u>	<u>14,295</u>	<u> </u>	<u>46,438</u>	<u> </u>
	<u>\$33,473,565</u>	<u>\$474,132</u>	<u>\$(1,156,929)</u>	<u>\$32,790,768</u>	<u>\$992,523</u>

Compensated absences

The Town's leave policy allows employees to accumulate paid time off up to 80 hours per year with a maximum accumulation of 800 hours. Upon termination, any accumulated paid time off will be paid to the employee. As of September 30, 2020, employees had approximately 10,303 hours of accumulated paid-time-off.

Total accrued compensated absences	<u>\$252,775</u>
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(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

LONG-TERM DEBT (Continued)

Intergovernmental payable - CRRMA construction liability

The Town entered into an interlocal agreement with the County of El Paso (“the County”) and the Camino Real Regional Mobility Authority (“the Authority”), to provide funding for improvements to Eastlake Blvd. referred to as the “Eastlake Blvd. Phase 2 Roadway Improvement Project.” The Project is defined in the Town’s Ordinance No. 0219 and includes design and reconstruction of the existing roadway, with the possibility of adding new connections between other existing roadways, pedestrian improvements, and aesthetic improvements such as landscaping and public arts. The Town has committed to repay the Authority for 22.7% of the construction cost of the project. The construction of the Project was finished on April 4, 2018. The Town will make annual payments commencing on May 1, 2020 and on May 1st each year thereafter until the final payment date in 2036 when any remaining outstanding balance shall be due and payable. The parties agree that the applicable interest rate payable by the Town shall be 3.73% simple, per annum. Total revenues generated by the Town’s Transportation Reinvestment Zone #2 have been pledged to pay the entire outstanding balance.

\$3,792,480

Future minimum principal payments due on the intergovernmental payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$	\$ 60,097	\$ 60,097
2022		92,622	92,622
2023		128,440	128,440
2024		168,241	168,241
2025		212,359	212,359
2026-2030	909,111	839,625	1,748,736
2031-2035	2,618,914	260,718	2,879,632
2036	<u>264,455</u>	<u> </u>	<u>264,455</u>
Totals	<u>\$3,792,480</u>	<u>\$1,762,102</u>	<u>\$5,554,582</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

LONG-TERM DEBT (Continued)

Bonds Payable

The Town issued \$750,000 of Public Improvement Revenue Bonds, Series 2005 to finance the cost of rehabilitation and improvements to infrastructure. Interest only payments are due at an interest rate of 3.95% from date of issuance through February 23, 2007. Varying principal and interest payments are due semi-annually beginning August 15, 2007 through August 2029. \$ 400,000

The Town issued \$14,675,000 of Combination Tax and Revenue Bonds, Series 2014 to finance the cost of rehabilitation and improvements to infrastructure. Interest only payments are due at 4% of face value from the date of issuance through February 2017. Interest rate varies from 3.25% to 4.0% over the term of the bonds. Varying principal and interest payments are due semi-annually beginning August 15, 2017 through August, 2038. The original bond issue included a \$532,500 offering premium to be amortized over the life of the bond. The effective yield rate is approximately 3.65%. 12,845,000

The Town issued \$11,830,000 of Combination Tax and Revenue Certificates of Obligation, Series 2019 to finance the cost of rehabilitation and improvements to infrastructure. Interest only payments are due at 3% of face value from the date of issuance through June 2019. Interest rate varies from 3% to 5% over the term of the bonds. Varying principal and interest payments are due semi-annually beginning August 15, 2020 through August, 2043. The original bond issue included a \$1,416,005 reoffering premium to be amortized over the life of the bond. The effective yield rate is approximately 3.18%. 11,675,000

Total bonds payable outstanding 24,920,000

Unamortized bond premium 1,744,269

Total bonds payable, net \$26,664,269

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Annual debt service for the outstanding bonds, as shown in Page 48, is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 840,000	\$ 1,010,163	\$ 1,850,163
2022	885,000	979,581	1,864,581
2023	915,000	947,401	1,862,401
2024	950,000	910,820	1,860,820
2025	990,000	872,831	1,862,831
2026-2030	5,560,000	3,710,260	9,270,260
2031-2035	6,585,000	2,461,350	9,046,350
2036-2040	5,975,000	1,062,000	7,037,000
2041-2043	<u>2,220,000</u>	<u>180,000</u>	<u>2,400,000</u>
Totals	<u>\$24,920,000</u>	<u>\$12,134,406</u>	<u>\$37,054,406</u>

Totals of principal and interest components equal required minimum payments for periods shown, and total principal equals the net present value of these bonds and notes.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

The portion of Series 2014 bond certificates having a stated maturity of August 15, 2036 and August 15, 2038 are subject to mandatory sinking fund redemption prior to maturity at face value plus any accrued interest at the redemption date on the respective dates and in principal amounts as follows:

4% Term Certificates due August 15, 2036, priced to yield 4.05%:

<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2035	\$860,000
August 15, 2036	\$895,000

4% Term Certificates due August 15, 2038, priced to yield 4.09%:

<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2037	\$935,000
August 15, 2038	\$970,000

The portion of Series 2019 bond certificates having a stated maturity of August 15, 2043 is subject to mandatory sinking fund redemption prior to maturity at face value plus any accrued interest at the redemption date on the respective dates and in principal amounts as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2040	\$685,000
August 15, 2041	\$710,000
August 15, 2042	\$740,000
August 15, 2043	\$770,000

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

LONG-TERM DEBT (Continued)

Capital Lease Obligations

The Town entered into a master lease agreement with Enterprise Fleet Management Trust for the use of vehicles needed for the public safety and code enforcement departments. Management estimates that up to 33 vehicles will be leased over a period of five years. During the year ended September 30, 2019, the Town had entered into 16 lease contracts with similar terms and conditions. The original leased principal for these 16 agreements is \$521,055. At September 30, 2020, the Town had entered into 6 additional lease contracts. The original leased principal for the additional 6 agreements is \$188,134. The agreements have varying monthly payments, which range from \$355 to \$842, and include implicit interest rates varying from to 6.40% to 12.96% per annum. The lease agreements maturity dates vary from September 2023 to February 2024 and are secured by vehicles.

Total capital lease obligations	<u>\$541,948</u>
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Annual debt service for the capital lease obligations is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$125,950	\$42,747	\$168,697
2022	137,328	31,344	168,672
2023	174,428	18,906	193,334
2024	<u>104,242</u>	<u>2,972</u>	<u>107,214</u>
Totals	<u>\$541,948</u>	<u>\$95,969</u>	<u>\$637,917</u>

Amortization expense for leased vehicles is included in total depreciation expense recognized for the year. At September 30, 2020, total lease vehicles had a carrying balance of \$546,910. Total amortization recognized in 2020 was \$158,147.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLAN

Plan Description – The Town offers a retirement plan to eligible employees under TMRS. TMRS is an agency created by the State of Texas and administered in accordance with TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as a statewide agent multiple-employer public employee retirement system that administers 888 nontraditional, joint contributory, hybrid defined benefit plans covering all eligible employees of member cities in Texas. The Plan provides benefits to retirees based on a tenure schedule approved by the 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 pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. The most recent comprehensive annual financial report for TMRS can be found at the www.tmr.com.

Benefits – TMRS provides retirement, disability, and death benefits. The retiree may elect spouse health coverage, as well as dental and life insurance offered through the Plan. Upon retirement, benefits depend on the sum of the employee's contributions, the city-financed monetary credits, and accrued interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit adopted times an employee's deposits that would have been made, based on the average salary prior to participation, for the number of months the employee has been employed, accruing 3% annual interest, and including the matching ratio adopted by the city. Monetary credits for service since each plan began (or current service credits) are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

In addition, each city can grant another type of monetary credit referred to as Updated Service Credit. This monetary credit is determined by hypothetically recomputing the member's account balance by assuming that the current member deposit rate of the currently employing city (3%, 5%, 6%, or 7%) has always been in effect. The computation also assumes that the member's salary has always been the member's average salary -using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year (not the actual interest credited to the member's account in previous years) and increased by the city match currently in effect (100%, 150%, or 200%). The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLAN (Continued)

Benefits (Continued) – 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 payment options: retiree life only; one of three survivor lifetime options; or one of three guaranteed term options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution (PLSD) in an amount equal to 12, 24, or 36 monthly payments under the retiree life only option, which cannot exceed 75% of the total member deposits and interest. A member city may elect to increase the annuities of its retirees, either annually or on an annually repeating basis, effective January 1 of a calendar year. Cities may adopt annuity increases at a rate equal to either 30%, 50%, or 70% of the increase (if any) in the Consumer Price Index – all Urban Consumers (CPI-U) between the December preceding the member’s retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. Members in most cities can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Some cities have elected retirement eligibility with 25 years of service regardless of age. Most plans also provide death benefits, and all provide disability benefits. Effective January 1, 2002, members are vested after 5 years, unless a city opted to maintain 10-year vesting. Members may work for more than one TMRS city during their career. If an individual has become vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Contributions – The contribution rates for employees 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 each 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 of the Town were required to contribute 5% of their annual gross earnings during the fiscal year 2020. The contribution rates for the Town were 6.01% for the months in 2020 and 5.93% for the months in 2019. The Town’s contributions to TMRS for the year ended September 31, 2020 were \$202,931, and were equal to the required contributions. The Town elected to grant 100% prior service cost to all participating employees and has elected a matching percentage of 150%. In addition, the Town elected to participate in the Supplemental Death Benefits Fund of the System for each of the Town’s employees who are members of the system for the purpose of providing in-service death benefits and post-retirement death benefits.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

EMPLOYEE PENSION PLAN (Continued)

Contributions (Continued) – At the December 31, 2019 valuation and measurement date, the following data was used by the Plan’s actuary to determine the Town’s contribution rate:

Number of eligible employees:	80
Inactive employees or beneficiaries currently receiving benefits:	0
Inactive employees entitled to but not yet receiving benefits:	7
Active employees:	73
Annual payroll:	\$3,158,143
Average age of contributing members:	40.3
Average length of service in years of contributing members:	6.0

Net Pension Liability – The "Net Pension Liability" (NPL) is the difference between the "Total Pension Liability" (TPL) and the Plan's Fiduciary Net Position" (FNP) at the December 31, 2019 valuation and measurement date. The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments (“COLA’s”). In addition, ad hoc COLA’s are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plans.

<u>Net Pension Liability/ (Asset)</u>	<u>December 31, 2019</u>
Total pension liability	\$2,191,823
Fiduciary net position	<u>698,965</u>
Net pension liability/(asset)	<u>\$1,492,858</u>
Fiduciary net position as a percentage of total pension liability	31.89%
Pensionable covered payroll	\$3,158,143
Net pension liability as a percentage of covered payroll	47.27%
Discount rate	6.75%
Long-term expected rate of return, net of investment expense	6.75%
Municipal bond rate (1)	2.72%

(1) The rate is based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2019.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLAN (Continued)

Actuarial Assumptions - The Total Pension Liability (“TPL”) in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the Town, rates are multiplied by an additional factor of 100%. For disabled annuitants, the mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 12% corridor around the market value of assets, if necessary.

For “underfunded” cities, the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of “laddering”. Bases that existed prior to this valuation continue to be amortized on their original schedule. For cities with twenty or more employees, new experience losses are amortized over individual periods of not more than 25 years. Beginning December 31, 2020, new loss bases for cities with fifteen or more employees will be amortized over individual periods of not more than 20 years. Once a City reaches an “overfunded” status, all prior bases are erased, and an amount of the surplus is credited against the contribution rate to keep the funded ratio constant year over year.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLAN (Continued)

Actuarial Assumptions (Continued) - The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

Schedule of Changes in Net Pension Liability/(Asset) – The change in the reported net pension liability for the measurement period ended December 31, 2019 is as follows:

	<u>Total Pension Liability (a)</u>	<u>Increase (Decrease) Fiduciary Net Position (b)</u>	<u>Net Pension Liability/ (Asset) (a)-(b)</u>
Balance as of December 31, 2018	\$1,871,871	\$314,558	\$1,557,313
Changes for the year:			
Service cost	246,651		246,651
Interest on total pension liability	134,423		134,423
Difference between expected and actual experience	(52,221)		(52,221)
Change in assumptions	(1,415)		(1,415)
Benefit payments, including refunds of contributions	(7,486)	(7,486)	
Net investment income		49,203	(49,203)
Administrative expenses		(275)	275
Other		(9)	9
Employee contributions		157,907	(157,907)
Employer contributions	<u> </u>	<u>185,067</u>	<u>(185,067)</u>
Balance as of December 31, 2019	<u>\$2,191,823</u>	<u>\$698,965</u>	<u>\$1,492,858</u>

A schedule of Net Pension Liability, in addition to the information above, includes multi-year trend information and is presented in the Required Supplementary Information section and can be found on page 82 of this report.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLAN (Continued)

Long-Term Expected Rate of Return – 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 expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index).

The Plan’s adopted strategic asset allocation policy as of December 31, 2019 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Global equities	35%
Core fixed income	10%
Non-core fixed income	20%
Real estate	10%
Real return	10%
Absolute return	10%
Private equity	5%
Cash equivalents	0%

Discount Rate – The discount rate used by TMRS actuaries to determine the Plan’s Total Pension Liability as of December 31, 2019 was 6.75%. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the 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.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

EMPLOYEE PENSION PLAN (Continued)

Sensitivity Analysis – The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate as of December 31, 2019:

	1% Decrease in Discount Rate <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase in Discount Rate <u>(7.75%)</u>
Net Pension Liability	<u>\$1,926,155</u>	<u>\$1,492,858</u>	<u>\$1,145,411</u>

Net Pension Expense - Pension expense for the year ended September 31, 2020, is recognized by the Town as follows:

<u>Pension Expense/ (Income)</u>	<u>January 1, 2019 to December 31, 2019</u>
Service cost	\$246,651
Interest on total pension liability	134,423
Employee contributions	(157,907)
Projected earnings on plan investments	(21,234)
Administrative expense	275
Other changes in fiduciary net position	9
Recognition of current year outflow (inflow) of resources-liabilities	(4,764)
Recognition of current year outflow (inflow) of resources-assets	<u>(5,594)</u>
Net pension expense	<u>\$191,859</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLAN (Continued)

Net Pension Expense (Continued) – As of September 30, 2020, the deferred outflows and inflows of resources related to the pension are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made subsequent to measurement date	\$150,871	\$
Changes in pension assumptions		1,289
Difference between actual and expected pension experience		47,583
Difference between expected and actual earnings	_____	<u>22,376</u>
Total	<u>\$150,871</u>	<u>\$71,248</u>

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

Year Ending December 31,

2020	\$140,513
2021	(10,358)
2022	(10,358)
2023	(10,358)
2024	(4,764)
Thereafter	<u>(25,052)</u>
Total	<u>\$ 79,623</u>

At September 30, 2020, the Town had outstanding contributions due to the Plan in the amount of \$32,309.

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town offers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF), which is administered by the Texas Municipal Retirement System (TRMS). The SDBF is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Benefits – The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary. The death benefit for retirees is considered an other post-employment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	0
Inactive employees entitled to but not yet receiving benefits:	0
Active employees:	<u>73</u>
Total	<u>73</u>

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

Total OPEB Liability – The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Methods and Assumptions

Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Salary increases	3.50% to 11.50%, including inflation
Discount rate (1)	2.75%
Retirees’ share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Total OPEB Liability (Continued)

Mortality rate – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP.
Mortality rate – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

(1) The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2019.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

Schedule of Changes in Total OPEB Liability – The change in the reported OPEB liability for the measurement period ended December 31, 2019 is as follows:

	Total OPEB Liability
Balance as of December 31, 2018	\$32,143
Changes for the year:	
Service cost	6,632
Interest on total OPEB liability	1,316
Differences between expected and actual experience	(4,826)
Changes in assumption or other inputs	<u>11,173</u>
Balance as of December 31, 2019	<u>\$46,438</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Sensitivity Analysis – The following presents the Total OPEB liability of the Town, calculated using the discount rate of 2.75%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.75%) or one percentage point higher (3.75%) than the current rate as of December 31, 2019:

	1% Decrease in Discount Rate <u>(1.75%)</u>	Current Discount Rate <u>(2.75%)</u>	1% Increase in Discount Rate <u>(3.75%)</u>
Total OPEB liability	<u>\$58,284</u>	<u>\$46,438</u>	<u>\$37,183</u>

OPEB Expense – OPEB expense for the year ended September 31, 2020, is recognized by the Town as follows:

<u>OPEB Expense/ (Income)</u>	<u>January 1, 2019 to December 31, 2019</u>
Service cost	\$6,632
Interest on total OPEB liability	1,316
Recognition of deferred outflows/inflows of resources:	
Difference between expected and actual experience	(417)
Changes in assumptions	<u>700</u>
Total OPEB expense	<u>\$8,231</u>

As of September 30, 2020, the deferred outflows and inflows of resources related to OPEB are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in pension assumptions	\$10,207	\$2,541
Difference between actual and expected pension experience	<u> </u>	<u>4,409</u>
Total	<u>\$10,207</u>	<u>\$6,950</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

Year Ending December 31,

2020	\$ 283
2021	283
2022	283
2023	283
2024	283
Thereafter	<u>1,842</u>
	<u>\$3,257</u>

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The Town recognizes certain deferred outflows of resources and deferred inflows of resources that are related to its participation in employee pension plans. At September 30, 2020, deferred outflows of resources with a balance of \$161,078 represented contributions to the employee benefit plan that were made subsequent to the latest Plan measurement date and changes in pension assumptions to the Town’s other post-employment benefit plan. Deferred inflows of resources with a balance of \$78,198 represent changes in assumptions, differences between actual and expected pension experience, and differences between expected and actual earnings to the Town’s pension plan and other post-employment benefit plan.

Unavailable revenues in the amount of \$126,109 at September 30, 2020, represent property tax revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unavailable revenue received after 60 days is fully recognized as revenue on the government-wide statements. Unavailable revenue at the government-wide level arises only when the Town receives resources before it has a legal claim to them.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DEFERRED COMPENSATION PLAN

As a result of the enrollment in the TMRS, the Town terminated its previous 457B plan as of December 31, 2017. The remaining balance held in trust for the terminated plan was \$257,172 at September 30, 2020. The entire remaining balance is expected to be distributed to participants within one year.

RESTRICTED NET POSITION AND RESTRICTED FUND BALANCE

Restricted net position and restricted fund balance consist of those funds that are restricted for use as mandated by the State of Texas, and include the following:

Technology Fund	\$122,113
Security Fund	118,867
PEG Capital Fund	101,586
Children's Fund	70,294
Time Payments	9,596
Truancy	2,913
STDS	714
Jury Fund	<u>56</u>
Total	<u>\$426,139</u>

COMMITTED FUND BALANCE

Committed fund balance consists of those funds that can be spent only for specific purposes as determined by the Town Council, and includes the following:

Capital Improvements Plan Fund	\$12,869,321
Economic Development	1,584,934
Street Construction and Maintenance	1,706,114
Stabilization by City Charter	590,792
Other Capital Improvements	368,666
Transportation Reinvestment Zone #2	<u>67,009</u>
Total	<u>\$17,186,836</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

INTERFUND TRANSFERS

The Town’s interfund transfers were made to provide construction funds for infrastructure projects, provide funds for the “Keep Horizon Beautiful” fund, and provide matching funds for the Safe Routes to School grant. Transfers were as follows for the year ended September 30, 2020:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Capital Improvements Fund	\$100,000
General Fund	Special Revenue Fund – Federal Grants	277
General Fund	Special Revenue Fund – Keep Horizon Beautiful	25,000
Capital Improvements Fund	Special Revenue Fund – Safe Routes to Schools	<u>1,495</u>
		<u>\$126,772</u>

RISK POOL

The Town is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; and natural disaster. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amounts of loss can be reasonably estimated. The Town is a participant in an intergovernmental risk pool for its workers’ compensation, liability, and property insurance. Participants in this pool are required to pay “premiums” on the insurance selected. Should a loss occur, the Town is liable only for the deductible. The risk pool purchases reinsurance to cover future losses. At September 30, 2020, no claims were dismissed with Texas Municipal League – Intergovernmental Risk Pool.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

RISK POOL (Continued)

Coverages provided are as follows:

Errors and omissions liability (per occurrence)	\$1,000,000
Law enforcement liability (per occurrence)	\$1,000,000
Automobile liability (each accident)	\$1,000,000
General liability (per occurrence)	\$1,000,000
Real and personal property liability	\$8,078,545
Information security and privacy liability	\$2,000,000
Flood and earthquake liability	\$1,500,000
Boiler and machinery liability	\$100,000
Mobile equipment liability	\$81,255
Public employee dishonesty liability	\$100,000
Forgery or alteration	\$100,000

Workers' compensation coverage is maintained by paying premiums to the Texas Municipal League Intergovernmental Risk Pool.

COMMITMENTS AND CONTINGENCIES

Texas Department of Transportation

The Town entered into two Local Transportation Project Advance Funding Agreements with TXDOT to provide access to federal funds for the construction of two Safe Routes to Schools infrastructure projects on Eastlake Blvd., as well as Col. John O. Ensor Middle and Carroll T. Welch Elementary Schools. The Safe Route to Schools Projects for Col. John O. Ensor Middle and Carroll T. Welch Elementary Schools were completed in the year ended September 30, 2017. The Town began the construction phase for the project on Eastlake Blvd. in October 2017. During the year ended September 30, 2020, the Town incurred \$7,476 for construction costs related to Eastlake Blvd. The Town received federal assistance for this project totaling \$5,981. The project on Eastlake Blvd. was completed prior to September 30, 2020.

City of El Paso

The Town entered into an interlocal agreement with the City of El Paso in which the Town will receive animal shelter service from the City. The period of the contract began on September 1, 2016 for a year and the contract automatically renews every year. Beginning September 1, 2017 animal shelter services are based on a fee per unit of service. The Town incurred costs of \$27,372 in animal shelter services provided by the City in fiscal year ended 2020.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

COMMITMENTS AND CONTINGENCIES (Continued)

City of El Paso (Continued)

The Town entered into an interlocal agreement with the City of El Paso in which the Town will receive environmental services from the City, including but not limited to vector control and air control. The period of the contract began on September 1, 2019 and ended on August 31, 2020. Total compensation for the services provided by the City was \$32,252 for the year ended September 30, 2020. The contract was renewed for another one-year period through August 31, 2021 and is in the amount of \$9,236.

The Town entered into an interlocal agreement with the City of El Paso in which the Town will receive public health services from the City, including but not limited to providing food handling permits, disease control and immunization services. The period of the contract began on September 1, 2019 and ended on August 31, 2020. Total compensation for the services provided by the City was \$144,681 for the year ended September 30, 2020. The contract was renewed for another one-year period through August 31, 2021 in the amount of \$167,751.

County of El Paso

The Town entered into an interlocal agreement with the County of El Paso in which the Town received animal control services by and through the El Paso County Sheriff's Office. The period of the contract began on October 1, 2018 and ends on September 30, 2021. The Town incurred costs of \$49,392 under this contract for the year ended September 30, 2020.

Horizon Regional Municipal Utility District

The Town entered into an interlocal agreement with the Horizon Regional Municipal Utility District ("District") in which the Town granted title to certain vacant land to the District, in consideration for an easement on the same property, to be used for the Darrington Drainage Project. In addition to the land-easement swap, the Town will collaborate with the District on the District Backfill Project, by transporting fill dirt removed from the drainage land during the Darrington Drainage project, as backfill, to a separate site designated by the District. Upon completion of the project, the Town will remain responsible for the maintenance of any irrigation infrastructure established on the drainage land by the District. The easement period is indefinite unless amended by a further agreement. The Town policy is to establish the carrying balance of the easement (a non-depreciable capital asset) at the original purchase price of the land transferred to the District and was originally classified as a component of construction in progress. The project was completed prior to September 30, 2020 and the carrying value of the easement was classified from construction in progress to land as a non-depreciable asset through the duration of the agreement.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

COMMITMENTS AND CONTINGENCIES (Continued)

Other Commitments

The Town entered into an interlocal agreement with the El Paso Emergency Services District #1 (“ESD#1”) in which the Town’s public safety department will provide dispatching services to ESD#1, including but not limited to providing staff 24 hours a day, 7 days a week, to answer emergency services and dispatch responses for ESD#1 personnel. The original period of the contract began October 1, 2014 and ended September 30, 2015. The contract will be renewed every year unless both parties agree to terminate the agreement. Total compensation for the services provided by the Town during the year ended September 30, 2020 was \$109,620. The agreement requires the annual contract amount be revisited every year and approved by both parties. The contract amount for fiscal year 2020-2021 is \$113,894.

The Town entered into an interlocal agreement with the El Paso Emergency Services District #2 (“ESD#2”) in which the Town’s public safety department will provide dispatching services to ESD#2, including but not limited to providing staff 24 hours a day, 7 days a week, to answer emergency services and dispatch responses for ESD#2 personnel. The original period of the contract began on March 1, 2015 and ended on September 30, 2015. The contract will be renewed every year unless both parties agree to terminate the agreement. Total compensation for the services provided by the Town during the year ended September 30, 2020 was \$341,040. The agreement requires the annual contract amount be revisited every year and approved by both parties. The contract amount for fiscal year 2020-2021 is \$354,338.

The Town entered into an agreement with Elite Medical Transport of Texas, LLC in which the Town received emergency ambulance services. The period of the contract began in March 2020 and ends in February 2021. At the Town’s discretion, the agreement may be renewed one additional year. The Town incurred costs of \$61,810 under this contract for the year ended September 30, 2020.

In connection with its Capital Improvements Plan, the Town has contracts with general contractors and professional engineering providers for the design, construction and supervision of various infrastructure projects. The Town expects the contracts to be completed or renewed within a one-year term.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

The Town is party to various legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town and, therefore, no liability has been accrued at September 30, 2020.

Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”)

In July 2020, the Town entered an interlocal subrecipient grant agreement with the County of El Paso where the Town was awarded funds appropriated under the CARES Act. The purpose of this grant is to provide funds to mitigate the financial burden caused by the COVID-19 pandemic by allowing the Town to incur expenses for governmental functions and services which qualify under the CARES Act as compensable expenses by the United States Department of the Treasury. The agreement stipulates that a minimum of 75% of its allotment will be spent in the categories of medical expenses, public health expenses and payroll expenses for employees substantially dedicated to mitigating or responding to public emergency. The total allotment to the Town amounted to \$1,080,310. Of this amount, \$216,062 was distributed in July 2020 and the remaining \$864,248 is to be disbursed on a reimbursable basis. The original term of the agreement was December 1, 2020. As of September 30, 2020, the Town expended \$169,592 of CARES funds.

In October 2020, the County of El Paso amended the interlocal subrecipient grant to remove the requirement that 75% of grant funds be spent in the categories of medical expenses, public health expenses and payroll expenses and to extend the term of the agreement from December 1, 2020 through December 30, 2020. In addition, in November 2020, the El Paso County amended the agreement to allow the Town to subcontract with vendors, organizations, non-profits and businesses on COVID-19 related matters. In January 2021, the County extended the term of the agreement to December 31, 2021.

RELATED PARTY

Town of Horizon City Type 4B Economic Development Corporation (“the Corporation”) was established in 2011 and receives 0.25% of sales taxes collected by the Town, as designated by Council Ordinance. The Corporation is reported as a blended component unit as its governing body is appointed by the Town’s Council and the Council has authority to make final approval of the Corporation’s budget. In addition, the Town acts as a fiscal agent and is responsible for monitoring the Corporation’s finances. The Corporation’s activities are reported in the Town’s governmental activities as a special revenue fund.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FEDERAL AND STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

LEASE AGREEMENTS

In June 2020, the Town extended its lease agreement for the court and police department building through June 30, 2023. Future minimum lease payments are as follows:

Year Ending September 30,

2021	\$ 60,000
2022	61,500
2023	<u>49,500</u>
	<u>\$171,000</u>

Total rental expense under this agreement was \$56,703 for the year ended September 30, 2020.

In February 2019, the Town entered into a lease agreement for the use of headquarters space for the Economic Town of Horizon City Type 4B Economic Development Corporation. The lease agreement has a term of twenty-five months and may be renewed for an additional twenty-five month period. The agreement requires monthly base rent payments of \$2,800 with an additional \$700 monthly amount to cover maintenance and insurance of the leased premises. Minimum future lease payments are as follows at September 30, 2020:

Year Ending September 30,

2021	<u>\$21,000</u>
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Total rental expense under this agreement was \$42,000 for the year ended September 30, 2020.

(Continued)

TOWN OF HORIZON CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS

In January 2017, GASB Statement No. 84, “*Fiduciary Activities*,” was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Town is evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87, “*Leases*,” was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Town is evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB Statement No. 88, “*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*,” was issued. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. The primary objective to this Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Town is evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*,” was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The Town is evaluating how this pronouncement will affect the financial statements.

(Continued)

TOWN OF HORIZON CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS (Continued)

In August 2018, GASB Statement No. 90, “*Majority Equity Interest – An Amendment of GASB No. 14 and No. 61,*” was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. The Town is evaluating how this pronouncement will affect the financial statements.

In May 2019, GASB Statement No. 91, “*Conduit Debt Obligations,*” was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Town is evaluating how this pronouncement will affect the financial statements.

In May 2020, GASB Statement No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance,*” was issued. This Statement is intended to provide temporary relief to governments and other stakeholders considering the COVID-19 pandemic. This Statement amended the effective date of Statement No. 84, “*Fiduciary Activities,*” Statement No. 88, “*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,*” No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period,*” No. 90, “*Majority Equity Interest – An Amendment of GASB No. 14 and No. 61,*” and Statement No. 91, “*Conduit Debt Obligations,*” to be postponed by one year and Statement No. 87, “*Leases,*” to be postponed by 18 months.

(Continued)

TOWN OF HORIZON CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

SUBSEQUENT EVENTS

As allowed under the agreement with the County of El Paso, the Town entered into the following subcontractor CARES funds agreements:

In October 2020, the Town entered into an agreement with the University of Texas at El Paso (“UTEP”) to conduct a study on the economic effect of COVID-19 on the community of the Town. The amount of the agreement is \$25,000 and the original termination date is December 2020.

In December 2020, the Town entered into an agreement with El Paso County Emergency Services District #1 to assist the subcontractor with necessary expenditures incurred to provide emergency fire response and any other necessary expenditures incurred due to the COVID-19 pandemic. The amount of the agreement is \$134,654 and the original termination date is December 2020.

In December 2020, the Town entered into an agreement with El Pasoans Fighting Hunger to assist the subcontractor with necessary expenditures incurred to provide and distribute immediate food assistance in response to the COVID-19 pandemic any other necessary expenditures incurred due to the pandemic. The amount of the agreement amounted is \$26,250 and the date of the agreement is December 2020.

The terms of the three subcontractor agreements have been extended to reflect the amended term of the subrecipient grant agreement with the County of El Paso.

In March 2021, the Town extended its lease agreement for the use of headquarters space for the Economic Town of Horizon City Type 4B Economic Development Corporation. The period of the extension is from April 1, 2021 through March 31, 2023 and requires monthly base rent payments of \$3,000.

Subsequent events were evaluated through April 13, 2021, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HORIZON CITY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues/inflows:				
Property taxes	\$3,442,612	\$3,442,612	\$ 3,737,739	\$ 295,127
Sales taxes	1,602,541	1,602,541	1,902,051	299,510
Licenses, permits and fees	795,890	795,890	776,568	(19,322)
Franchise taxes	538,001	538,001	477,785	(60,216)
Charges for services	450,660	450,660	450,660	
Fines and forfeitures	247,323	247,323	191,323	(56,000)
Interest income	77,214	77,214	76,433	(781)
Proceeds from sale of assets			41,121	41,121
Contributions	5,500	5,500	5	(5,495)
Other income	25,103	25,103	16,068	(9,035)
Total revenues	7,184,844	7,184,844	7,669,753	484,909
Expenditures/outflows:				
Public safety - police	2,114,755	1,980,286	1,898,290	81,996
Public safety - dispatch	848,270	848,270	837,023	11,247
General government	599,671	604,714	555,329	49,385
Capital outlay	254,093	278,131	501,355	(223,224)
Community development	449,729	439,061	431,850	7,211
Finance	377,389	402,389	403,695	(1,306)
Parks and recreation	514,759	500,110	396,428	103,682
Public services	446,552	358,552	326,009	32,543
Building services	343,560	330,637	302,939	27,698
Information technology	293,133	293,133	275,732	17,401
Planning	299,459	387,459	262,642	124,817
Municipal court	271,537	279,494	254,535	24,959
Code enforcement	242,998	233,701	179,814	53,887
Debt service		157,968	149,732	8,236
Storm water	53,100	53,100	43,586	9,514
Executive	50,839	50,839	39,107	11,732
Total expenditures	7,159,844	7,197,844	6,858,066	339,778

(Continued)

TOWN OF HORIZON CITY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
(CONTINUED)**

Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Excess of revenues (expenditures) over expenditures (revenues)	\$ 25,000	\$ (13,000)	\$ 811,687	\$ 824,687
Other financing uses:				
Transfers out	(25,000)	(187,000)	(125,277)	61,723
Total other financing uses	(25,000)	(187,000)	(125,277)	61,723
Excess of revenue (expenditures) over expenditures (revenues) - budgetary basis		(200,000)	686,410	886,410
Reconciliation of budgetary basis to GAAP basis:				
Proceeds from capital leases	_____	_____	188,134	188,134
GAAP basis excess (deficit)		(200,000)	874,544	1,074,544
Fund balance, beginning of year	3,340,353	3,340,353	3,340,353	_____
Fund balance, end of year	\$3,340,353	\$3,140,353	\$ 4,214,897	\$ 1,074,544

See notes to required supplementary information.

TOWN OF HORIZON CITY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - STREET MAINTENANCE FUND**

Year Ended September 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Prior year fund surplus	\$ 604,738	\$ 604,738	\$	\$(604,738)
Sales taxes	393,262	393,262	468,775	75,513
Interest income	<u> </u>	<u> </u>	<u>11,364</u>	<u>11,364</u>
Total revenues	<u>998,000</u>	<u>998,000</u>	<u>480,139</u>	<u>(517,861)</u>
Expenditures/outflows:				
Community development	120,000	120,000	38,086	81,914
Capital outlay	<u>878,000</u>	<u>878,000</u>	<u>14,010</u>	<u>863,990</u>
Total expenditures	<u>998,000</u>	<u>998,000</u>	<u>52,096</u>	<u>945,904</u>
Excess of revenues over expenditures			428,043	428,043
Fund balance, beginning of the year	<u>1,278,071</u>	<u>1,278,071</u>	<u>1,278,071</u>	<u> </u>
Fund balance, end of the year	<u>\$1,278,071</u>	<u>\$1,278,071</u>	<u>\$1,706,114</u>	<u>\$ 428,043</u>

See notes to required supplementary information.

TOWN OF HORIZON CITY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - ECONOMIC DEVELOPMENT FUND**

Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues/inflows:				
Sales taxes	\$ 393,262	\$ 393,262	\$ 468,775	\$ 75,513
Interest income	<u> </u>	<u> </u>	<u>16,825</u>	<u>16,825</u>
Total revenues	<u>393,262</u>	<u>393,262</u>	<u>485,600</u>	<u>92,338</u>
Expenditures/outflows:				
General government	234,681	256,681	345,169	(88,488)
Capital outlay	<u>158,581</u>	<u>136,581</u>	<u> </u>	<u>136,581</u>
Total expenditures	<u>393,262</u>	<u>393,262</u>	<u>345,169</u>	<u>48,093</u>
Excess of revenues over expenditures			140,431	140,431
Fund balance, beginning of the year	<u>1,444,503</u>	<u>1,444,503</u>	<u>1,444,503</u>	<u> </u>
Fund balance, end of the year	<u>\$ 1,444,503</u>	<u>\$ 1,444,503</u>	<u>\$ 1,584,934</u>	<u>\$ 140,431</u>

See notes to required supplementary information.

TOWN OF HORIZON CITY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - STATE AND LOCAL GRANTS**

Year Ended September 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Grant income	\$ 89,000	\$ 89,000	\$ 259,420	\$ 170,420
Total revenues	<u>89,000</u>	<u>89,000</u>	<u>259,420</u>	<u>170,420</u>
Expenditures/outflows:				
Public safety - police	89,000	89,000	46,700	42,300
General government			89,759	(89,759)
Public safety - dispatch			7,092	(7,092)
Community development			5,470	(5,470)
Finance			5,373	(5,373)
Building services			3,522	(3,522)
Information technology			4,966	(4,966)
Municipal court			14,138	(14,138)
Capital outlay			<u>83,616</u>	<u>(83,616)</u>
Total expenditures	<u>89,000</u>	<u>89,000</u>	<u>260,636</u>	<u>(171,636)</u>
Excess of expenditures over revenues			(1,216)	(1,216)
Fund balance, beginning of the year	<u>1,216</u>	<u>1,216</u>	<u>1,216</u>	<u> </u>
Fund balance, end of the year	<u>\$ 1,216</u>	<u>\$ 1,216</u>	<u>\$</u>	<u>\$ (1,216)</u>

See notes to required supplementary information.

TOWN OF HORIZON CITY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Basis of Accounting – The Town’s budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received and cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

Budgetary Process – The budgetary process is prescribed by provisions of Title 4, Chapter 102, of the Local Government Code of the Texas Legislature and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriation resolution, both of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by resolution of the Town Council. Only the General Fund, Debt Service Fund, Street Maintenance Fund, and Economic Development Fund are budgeted and appropriated. The level of budgetary control is at the department level for the Town. Any budgetary modifications at this level may only be made by resolution of the Town Council.

Under the Town’s by-laws, revenues not specifically related to a particular fund shall be deposited into the Town’s General Fund. Monies can only be transferred from the General Fund by resolution of the Town Council.

Appropriations – An annual appropriation resolution must be passed by September 15 of the preceding year for the period October 1 to September 30. The appropriation resolution fixes spending authority at the fund and department level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among funds and objects within a fund may be modified during the year only by a resolution of the Council. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriations in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as final budgeted amounts in the schedules of budgetary comparison represent the final appropriation amounts, including all supplemental appropriations.

Lapsing of Appropriations – At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources – As part of the Town’s budgetary process, the Council approves the official estimated resources. The official estimated resources states the projected revenue of each fund. Prior to September 30, the Town must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the official estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about October 1, the estimated resources are amended to include any unencumbered balances from the preceding year. The estimated resources may be further amended during the year if Council determines that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year ended 2020.

BUDGET OVER-EXPENDITURES

The Town over-expended its budget in the following areas:

General Fund:	
Finance	\$ 1,306
Capital outlay	<u>223,224</u>
Total	<u>\$224,530</u>
Economic Development Fund:	
General government	<u>\$88,488</u>
State and Local Grants Fund:	
General government	\$ 89,759
Public safety – dispatch	7,092
Community development	5,470
Finance	5,373
Building services	3,522
Information technology	4,966
Municipal court	14,138
Capital outlay	<u>83,616</u>
Total	<u>\$213,936</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

BUDGET OVER-EXPENDITURES (Continued)

The Council made supplemental appropriations of excess revenues subsequent to year-end which were sufficient to cover the current year over-expenditures. In the general fund, the primary over-expenditures were related to capital lease costs that are not included in the budgetary basis of accounting but are included in the governmental funds.

The over-expenditures in capital improvements were due to new capital lease agreements that were not budgeted for. The over-expenditure in the Economic Development Fund is due to expenses that were budgeted as capital outlay but were expended as operating expenses. The over-expenditures in the state and local grant fund are due to CARES funds that were awarded to the Town and were not budgeted for.

TOWN OF HORIZON CITY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>Years 2010 - 2017</u>
Total Pension Liability			
Service cost	\$ 246,651	\$ 227,568	\$N/A
Interest on total pension liability	134,423	111,226	N/A
Change in benefit terms		1,534,956	N/A
Difference between expected and actual experience	(52,221)		N/A
Change in assumptions	(1,415)		N/A
Benefit payments/refund of contributions	<u>(7,486)</u>	<u>(1,879)</u>	<u>N/A</u>
Net change in total pension liability	319,952	1,871,871	N/A
Total pension liability, beginning	<u>1,871,871</u>	<u> </u>	<u>N/A</u>
Total pension liability, ending	<u>2,191,823</u>	<u>1,871,871</u>	<u>N/A</u>
Fiduciary Net Position			
Employer contributions	185,067	170,748	N/A
Employee contributions	157,907	145,689	N/A
Net investment income	49,203		N/A
Benefit payments/refund of contributions	(7,486)	(1,879)	N/A
Administrative expenses	(275)		N/A
Other	<u>(9)</u>	<u> </u>	<u>N/A</u>
Net change in fiduciary net position	384,407	314,558	N/A
Fiduciary net position, beginning	<u>314,558</u>	<u> </u>	<u>N/A</u>
Fiduciary net position, ending	<u>698,965</u>	<u>314,558</u>	<u>N/A</u>
Net pension liability (asset)	<u>\$ 1,492,858</u>	<u>\$ 1,557,313</u>	<u>\$N/A</u>
Fiduciary net position as a percentage of total pension liability	31.89%	16.80%	N/A
Pensionable covered payroll	\$ 3,158,143	\$ 2,913,801	\$N/A
Net pension liability (asset) as a percentage of covered payroll	47.27%	53.45%	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

See independent auditors' report.

TOWN OF HORIZON CITY, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

Year Ended September 30, 2020

	<u>2020</u>	<u>2019</u>	<u>Years 2011 - 2017</u>
Actuarially determined contribution	\$ 199,168	\$ 181,876	\$N/A
Contributions in relation to the actuarially determined contribution	<u>202,931</u>	<u>184,048</u>	<u>N/A</u>
Contribution deficiency (excess)	<u>\$ (3,763)</u>	<u>\$ (2,172)</u>	<u>\$N/A</u>
Covered payroll	\$ 3,385,938	\$ 3,103,685	N/A
Contributions as a percentage of covered payroll	5.99%	5.93%	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

See notes to schedule of pension contributions.

TOWN OF HORIZON CITY, TEXAS

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

Year Ended December 31, 2019

VALUATION DATE

Measurement Date Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal.
Amortization method	Level percentage if payroll, closed.
Remaining amortization period	24 years.
Asset valuation method	10-year smoothed market; 12% soft corridor.
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation.
Investment rate of return	6.75%
Retirement age	Experience-based table of rates specific to the Town's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

OTHER INFORMATION

Notes There were no benefit changes during the year.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT
BENEFIT LIABILITY AND RELATED RATIOS**

Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>Years 2010 - 2017</u>
Total Other Post-Employment Benefit ("OPEB") Liability			
Service cost	\$ 6,632	\$ 6,993	\$N/A
Interest on total OPEB liability	1,316	1,016	N/A
Change in benefit terms		27,207	N/A
Difference between expected and actual experience	(4,826)		N/A
Change in assumptions	11,173		N/A
Benefit payments (1) (2)	<u> </u>	<u>(3,073)</u>	<u>N/A</u>
Net change in total OPEB liability	14,295	32,143	N/A
Total OPEB liability, beginning	<u>32,143</u>	<u> </u>	<u>N/A</u>
Total OPEB liability, ending	<u>\$ 46,438</u>	<u>\$ 32,143</u>	<u>\$N/A</u>
Pensionable covered payroll	\$ 3,158,143	\$ 2,913,801	\$N/A
Net pension liability as a percentage of covered payroll	1.47%	1.10%	N/A

(1) Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a Supplemental Death Benefits Fund benefit.

(2) Due to the Supplemental Death Benefits Fund considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

See notes to schedule of changes in total OPEB liability and related ratios.

TOWN OF HORIZON CITY, TEXAS

SCHEDULE OF OTHER POST-EMPLOYMENT BENEFIT CONTRIBUTIONS

Year Ended September 30, 2020

	<u>2020</u>	<u>2019</u>	<u>Years 2011 - 2018</u>
Actuarially determined contribution	\$	\$	\$N/A
Contributions in relation to the actuarially determined contribution	_____	_____	_____ N/A
Contribution deficiency (excess)	<u>\$</u> _____	<u>\$</u> _____	<u>\$N/A</u>
Covered payroll	\$ 3,158,143	\$ 2,913,801	N/A
Contributions as a percentage of covered payroll	0%	0%	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF HORIZON CITY, TEXAS

**COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES -
AGGREGATE NON-MAJOR FUNDS**

September 30, 2020

	<u>Special Revenue Fund - Federal Grants</u>	<u>Special Revenue Fund - Safe Routes to School</u>	<u>Special Revenue Fund - Special Events</u>	<u>Transportation Reinvestment Zone #2</u>	<u>Aggregate Non-Major Funds</u>
<u>ASSETS</u>					
Cash and equivalents, non-pooled	\$	\$	\$ 15,886	\$	\$ 15,886
Pooled cash and cash equivalents	(3,093)			17,292	14,199
Pooled investments				49,717	49,717
Grants receivable	<u>10,775</u>	_____	_____	_____	<u>10,775</u>
Total assets	<u>\$7,682</u>	<u>\$</u>	<u>\$ 15,886</u>	<u>\$ 67,009</u>	<u>\$ 90,577</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 1,986	\$	\$	\$	\$ 1,986
Accrued liabilities	<u>5,696</u>	_____	_____	_____	<u>5,696</u>
Total liabilities	<u>7,682</u>	_____	_____	_____	<u>7,682</u>
Fund balances:					
Restricted					
Committed	_____	_____	<u>15,886</u>	<u>67,009</u>	<u>82,895</u>
Total fund balances	_____	_____	<u>15,886</u>	<u>67,009</u>	<u>82,895</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$7,682</u>	<u>\$</u>	<u>\$ 15,886</u>	<u>\$ 67,009</u>	<u>\$ 90,577</u>

See independent auditors' report.

TOWN OF HORIZON CITY, TEXAS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - AGGREGATE NON-MAJOR FUNDS

Year Ended September 30, 2020

	<u>Special Revenue Fund - Federal Grants</u>	<u>Special Revenue Fund - Safe Routes to School</u>	<u>Special Revenue Fund - Special Events</u>	<u>Transportation Reinvestment Zone #2</u>	<u>Aggregate Non-Major Funds</u>
<u>REVENUES</u>					
Property taxes	\$	\$	\$	\$ 99,001	\$ 99,001
Sales taxes					
Federal and state grants	49,467	5,981		756	55,448
Interest income			4	756	760
Other income	<u> </u>	<u> </u>	<u>3,605</u>	<u>1,132</u>	<u>4,737</u>
Total revenues	<u>49,467</u>	<u>5,981</u>	<u>3,609</u>	<u>100,889</u>	<u>159,946</u>
<u>EXPENDITURES</u>					
Public safety - police	53,771		12,500		66,271
Finance				30	30
Public services			3,605		3,605
Debt service:					
Interest				123,683	123,683
Capital outlay	<u> </u>	<u>7,476</u>	<u> </u>	<u> </u>	<u>7,476</u>
Total expenditures	<u>53,771</u>	<u>7,476</u>	<u>16,105</u>	<u>123,713</u>	<u>201,065</u>
Excess of expenditures over revenues	<u>(4,304)</u>	<u>(1,495)</u>	<u>(12,496)</u>	<u>(22,824)</u>	<u>(41,119)</u>
Other financing sources:					
Proceeds from interfund transfers	<u>277</u>	<u>1,495</u>	<u>25,000</u>	<u> </u>	<u>26,772</u>
Total other financing sources	<u>277</u>	<u>1,495</u>	<u>25,000</u>	<u> </u>	<u>26,772</u>
Net change in fund balance	(4,027)		12,504	(22,824)	(14,347)
Fund balance, beginning of the year	<u>4,027</u>	<u> </u>	<u>3,382</u>	<u>89,833</u>	<u>97,242</u>
Fund balance, end of the year	<u>\$ </u>	<u>\$ </u>	<u>\$ 15,886</u>	<u>\$ 67,009</u>	<u>\$ 82,895</u>

See independent auditors' report.

SBNG

AUDITORS' SECTION

SBNG
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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*

To the Honorable Mayor Ruben Mendoza
and Members of Town Council
Town of Horizon City, Texas

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of Town of Horizon City, Texas as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Horizon City, Texas' basic financial statements and have issued our report thereon dated April 13, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Horizon City, Texas' 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 Town of Horizon City, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Horizon City, Texas' internal control.

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

To the Honorable Mayor Ruben Mendoza
and Members of Town Council
Town of Horizon City, Texas

Internal Control over Financial Reporting (Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Horizon City, Texas' 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*.

Purpose of this Report

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

SBNG, PC

El Paso, Texas
April 13, 2021

TOWN OF HORIZON CITY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2020

I. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Town of Horizon City, Texas.
2. No significant deficiencies or material weaknesses were reported in the audit of the financial statements of Town of Horizon City, Texas as reported in the Independent Auditors' 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*.
3. No instances of non-compliance material to the financial statements of Town of Horizon City, Texas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

Year Ended September 30, 2020

**II. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS
WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
“GOVERNMENT AUDITING STANDARDS”**

Current Year Findings: None

Prior Year Findings: None

See independent auditors' report.