

TOWN OF HORIZON CITY, TEXAS

**BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2021

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TOWN OF HORIZON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021. 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 2021

- The Town's total assets amounted to \$68,480,530. This represents a decrease of 1% from the prior year.
- Total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,053,900 (net position). This represents a decrease of \$183 from prior year.
- Total capital assets, net of accumulated depreciation amounted to \$47,328,733. This represents an increase of 1% from the prior year.
- Unrestricted net position, available to meet the Town's ongoing obligations, totaled \$6,831,166. The amount invested in capital assets, net of related debt, totaled \$27,751,717. Net position restricted for state mandated funds was \$471,017. This represents an increase of 20%, a decrease of 4% and an increase of 11% from prior year, respectively.
- The Town's governmental fund statement shows a combined ending fund balance of \$19,521,805, a decrease of \$1,257,628 or 6% compared to the prior year fund balance.
- Total liabilities amounted to \$33,535,009 of which \$2,747,652 is due in less than one year. This represents a decrease of \$612,625 and an increase of \$398,263, respectively, compared to the prior year.
- General Fund revenues were approximately 1% less than budgeted and actual expenses were less than budgeted expenses by approximately 9%, resulting in an overall increase in the fund balance of the General Fund of \$691,303.
- The Town's primary source of revenue comes from property taxes levied for general purpose and debt service, which amounted to \$5,445,896 in the current fiscal year. This represents approximately a 6% decrease in comparison to the amount of property tax revenue collected in the prior fiscal year. Total revenues amounted to \$11,409,188, which represented an increase of \$261,413 from prior year.

FINANCIAL HIGHLIGHTS FISCAL YEAR 2021 (Continued)

- Total debt service expenditures for the year amounted to \$2,167,180, which represents an increase of 5% from prior year. The combined outstanding balance in bonds payable, capital leases, and intergovernmental payable was \$29,966,262 at the end of the fiscal year.
- The Town's revenues from sales taxes amounted to \$3,413,723 during 2021, of which \$562,561 was reserved for street maintenance and \$562,561 was reserved for economic development. Total sales taxes increased by approximately 20% from the prior year primarily due to an increase in the Town's jurisdiction.
- The Town invested \$2,809,989 in equipment, intangibles, and infrastructure, resulting in a 1% 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 \$2,376,381 for infrastructure. At the end of the fiscal period, the net change in fund balance in the Capital Improvements Fund was \$2,480,075, representing a 19% decrease from the prior year due to capital outlay expenditures.
- 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 \$119,430 at September 30, 2021, represent the portion of property tax revenue receivable collected within 60 days following the end of the fiscal year. This represents a decrease of 5% from the prior year.
- During 2021, the Town participated in the Texas Municipal Retirement System ("TMRS") Pension Plan. The Town's net pension liability was measured at December 31, 2020, the plan year, for a total amount of \$1,494,640. This represented an increase of \$1,782 from the previous year. In 2021, the Town recognized net pension expense of \$192,864, which represents an increase of \$1,005.
- At December 31, 2020, total deferred outflows and inflows of resources related to pensions were \$159,282 and \$66,040, respectively, which represented an increase of \$8,411 and a decrease of \$5,208, 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, 2020, the plan year, the Town recognized a total liability of \$71,592 for the supplemental death benefit plan. This represents an increase of \$25,154 or 54% from the previous year. Total deferred outflows and inflows of resources related to the Plan were \$21,404 and \$6,267, which represented an increase of \$11,197 and a decrease of \$683, respectively, from the previous year.
- The Town received \$774,055 in operating grants and contributions. This represents an increase of \$465,163 or 151% from the previous year. This increase is attributed to an increase in CARES expenditures in fiscal year 2021.

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 18 through 20 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, 2021. 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.

The Statement of Activities presents information showing how the Town's net position changed during the fiscal year ended September 30, 2021. 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 21 through 26.

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

FUND FINANCIAL STATEMENTS (Continued)

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 does not maintain any Proprietary Funds.

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 22 and 26 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 27 through 70 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 as well as required pension-related schedules. 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 71.

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 \$35,053,900 reflecting a decrease of \$183 compared to the previous fiscal year. The table below summarizes the Town's total assets, deferred outflows or resources, liabilities and net position for the fiscal years ended September 30, 2021 and 2020, respectively.

Net Position

	<u>Governmental Activities</u>	
	<u>09/30/21</u>	<u>09/30/20</u>
Cash and cash equivalents	\$19,355,452	\$18,874,842
Investments	1,119,001	2,338,943
Receivables (taxes, grants, other miscellaneous)	602,703	765,265
Prepaid expenses	67,129	62,895
Other assets	7,512	7,512
Capital assets, net of accumulated depreciation	47,328,733	47,069,380
Deferred outflows of resources	<u>180,686</u>	<u>161,078</u>
Total assets and deferred outflows of resources	<u>68,661,216</u>	<u>69,279,915</u>
Short-term liabilities	2,747,652	2,349,389
Long-term liabilities	30,787,357	31,798,245
Deferred inflows of resources	<u>72,307</u>	<u>78,198</u>
Total liabilities and deferred inflows of resources	<u>33,607,316</u>	<u>34,225,832</u>
Net position:		
Invested in capital assets, net of related debt	27,751,717	28,940,004
Restricted for State mandated funds	471,017	426,139
Unrestricted	<u>6,831,166</u>	<u>5,687,940</u>
Total net position	<u>\$35,053,900</u>	<u>\$35,054,083</u>

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

For fiscal year 2021, the Town collected \$11,409,188 in revenues from all sources, while expending \$11,409,371, resulting in a net decrease in financial position. The table below summarizes the fiscal years 2021 and 2020 revenues and expenses for the Town, respectively.

Change in Net Position

	<u>Year Ended</u>	
	<u>09/30/21</u>	<u>09/30/20</u>
Charges for services, fees, fines and forfeitures	\$1,174,620	\$1,418,551
Operating grants and contributions	774,055	308,892
Capital grants and contributions	<u> </u>	<u>5,981</u>
Total program revenues	<u>1,948,675</u>	<u>1,733,424</u>
Property taxes-general purpose	5,445,896	5,798,183
Sales taxes	3,413,723	2,839,601
Franchise taxes	510,877	477,785
Interest income	48,069	292,193
Gain (loss) on disposal of assets	24,576	(25,034)
Miscellaneous income	<u>17,372</u>	<u>31,623</u>
Total general revenues	<u>9,460,513</u>	<u>9,414,351</u>
Total revenues	<u>11,409,188</u>	<u>11,147,775</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)

	<u>Year Ended</u>	
	<u>09/30/21</u>	<u>09/30/20</u>
Public safety – police	\$ 2,360,257	\$ 2,260,904
Community development	2,374,273	2,138,083
General government	1,326,482	1,105,951
Interest on long-term debt	1,096,750	1,204,297
Public safety – dispatch	824,190	841,380
Public services	624,085	338,511
Planning	537,074	294,592
Finance	437,846	411,409
Parks and recreation	425,848	438,174
Building services	342,664	325,369
Information technology	332,962	282,962
Municipal court	240,712	272,650
Storm water	226,180	76,261
Code enforcement	218,278	194,784
Executive	<u>41,770</u>	<u>39,107</u>
Total expenses	<u>11,409,371</u>	<u>10,224,434</u>
Change in net position	\$ <u>(183)</u>	\$ <u>923,341</u>

Governmental Activities

The largest ongoing revenue source for the Town's governmental activities is property taxes of \$5,445,896, which represents 48% of the total revenues. Another significant source of revenue for governmental activities is state sharing of sales taxes. The revenue sharing totals \$3,413,723 or 30% of total revenues for governmental activities. Additional significant sources of revenue for governmental activities are charges for services, fees, fines, and forfeitures of \$1,174,620 or 10% of total revenues for governmental activities.

The largest expenditure categories among governmental activities were public safety – police and community development, totaling \$2,360,257 and \$2,374,273, respectively. The public safety – police expenditure category totals 21% of total expenditures and includes the cost of the Town providing police protection to residents. The community development expenditure category totals 21% of total expenditures mainly due to depreciation expense.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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>09/30/21</u>	<u>09/30/20</u>	<u>09/30/21</u>	<u>09/30/20</u>
Public safety - police	\$ 2,360,257	\$ 2,260,904	\$1,117,970	\$1,501,357
Community development	2,374,273	2,138,083	2,374,273	2,132,102
General government	1,326,482	1,105,951	827,260	326,502
Interest on long-term debt	1,096,750	1,204,297	1,096,750	1,204,297
Public safety – dispatch	824,190	841,380	824,190	841,380
Public services	624,085	338,511	624,085	338,511
Planning	537,074	294,592	537,074	294,592
Finance	437,846	411,409	437,846	411,409
Parks and recreation	425,848	438,174	425,848	438,174
Building services	342,664	325,369	342,664	325,369
Information technology	332,962	282,962	332,962	282,962
Municipal court	240,712	272,650	33,546	84,203
Storm water	226,180	76,261	226,180	76,261
Code enforcement	218,278	194,784	218,278	194,784
Executive	<u>41,770</u>	<u>39,107</u>	<u>41,770</u>	<u>39,107</u>
Totals	<u>\$11,409,371</u>	<u>\$10,224,434</u>	<u>\$9,460,696</u>	<u>\$8,491,010</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 \$19,521,805, a decrease of \$1,257,628 compared to the prior year fund balance. Of this amount, \$3,633,670 (18.6%) constitutes unassigned fund balance, which is available for spending at the Town’s discretion. Of the total fund balances, \$15,821,006 (81.0%) is restricted for statutory requirements or committed for Town Council purposes. Less than 1% (or \$67,129) of the combined ending fund balance represents prepaid expenses in non-spendable form.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Governmental Funds (Continued)

As mentioned earlier, the General Fund is the chief operating fund of the Town. The ending fund balance in the General Fund is \$4,906,200, an increase of \$691,303 compared to the prior year fund balance. Of this amount, \$3,412,333 (70%) is unassigned and available for spending at the Town's discretion. Of the remaining fund balances, \$1,426,738 (29%) is restricted for statutory requirements or committed for Town Council purposes and \$67,129 (1%) is in non-spendable form.

The Town's Special Revenue Fund for Federal Grants is used to account for the expenditures related to law enforcement and CARES. There was no balance in the fund at year-end.

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. The fund balance in the fund was \$225, which represents an increase of 100% from the 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 fund balance at year-end was \$2,096,109, an increase of \$389,995 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 fund balance at year-end was \$221,337, a decrease of \$99,935 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 fund balance at year-end was \$1,829,662, an increase of \$244,728 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 fund balance at year-end was \$10,389,246, a decrease of \$2,480,075 compared to the prior year and is classified as funds committed by Town Council.

The Town's Aggregate Non-Major Funds had a combined fund balance of \$79,026, a decrease of \$3,869 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.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Governmental Funds (Continued)

**Year-End Governmental Fund Balances
September 30,**

	<u>2021</u>	<u>2020</u>
General Fund	\$ 4,906,200	\$ 4,214,897
Capital Improvements Fund	10,389,246	12,869,321
Special Revenue Fund – Street Maintenance	2,096,109	1,706,114
Economic Development Fund	1,829,662	1,584,934
Debt Service Fund	221,337	321,272
Special Revenue Fund – State and Local Grants	225	
Aggregate Non-Major Funds	<u>79,026</u>	<u>82,895</u>
Combined Fund Balance	<u>\$19,521,805</u>	<u>\$20,779,433</u>

The 6% decrease in overall fund balance is primarily attributed to the decrease in property taxes revenue (6%) and an increase debt service expenditures (5%) from the previous year.

Revenue Sources

Governmental fund revenues for the fiscal year ended September 30, 2021 and a comparison with the governmental fund revenues in the prior fiscal year are as follows:

	<u>2021</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Increase</u> <u>(Decrease)</u> <u>Over 2020</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Property taxes	\$ 5,452,575	47.8%	\$(326,066)	(5.6)%
Sales taxes	3,413,723	29.9%	574,122	20.2%
Grant income	774,055	6.8%	459,187	145.8%
Franchise taxes	510,877	4.5%	33,092	6.9%
Licenses, permits and fees	499,138	4.4%	(277,430)	(35.7)%
Charges for services	468,232	4.1%	17,572	3.9%
Fines and forfeitures	207,250	1.8%	15,927	8.3%
Interest income	48,069	0.4%	(244,124)	(83.5)%
Proceeds from sale of assets	24,576	0.2%	(16,545)	(40.2)%
Contributions			(5)	(100)%
Other income	<u>17,372</u>	<u>0.1%</u>	<u>(14,251)</u>	<u>(45.1)%</u>
Total	<u>\$11,415,867</u>	<u>100%</u>	<u>\$ 221,479</u>	<u>2.0%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted General Fund budget for fiscal year September 30, 2021, totaled \$7,531,577. This was an increase of \$346,733 over the prior year budget. A budgeted increase in property taxes and sales 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 2021 fiscal year. The amendments increased the budget by \$114,500. The first amendment transferred prior year surplus funds in the amount of \$114,500 for city engineer, contract labor, and legal expenditures. The second amendment transferred unused construction contracted funds to be used for equipment.

The increase in sales tax revenue is attributed to a continued increase in sales experienced by commercial establishments in the Town's taxing jurisdiction. In addition, the increase in grant income is due to increased expenditures under the CARES grant.

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 2021, the Town expended \$707,516 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>	Variance Favorable (Unfavorable)
Revenues/inflows:				
Property taxes	\$3,771,395	\$3,771,395	\$3,551,606	\$(219,789)
Sales taxes	1,894,710	1,894,710	2,288,601	393,891
Franchise taxes	510,906	510,906	510,877	(29)
Licenses, permits and fees	569,200	569,200	499,138	(70,062)
Charges for services	468,232	468,232	468,232	
Fines and forfeitures	241,687	241,687	207,250	(34,437)
Proceeds from sale of assets			24,576	24,576
Interest income	60,000	60,000	22,246	(37,754)
Other income	15,447	15,447	13,691	(1,756)
Prior year surplus		<u>114,500</u>		<u>(114,500)</u>
Total revenues	<u>\$7,531,577</u>	<u>\$7,646,077</u>	<u>\$7,586,217</u>	<u>\$ (59,860)</u>

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

**Final Budget Versus Actual Results
General Fund (Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures/outflows:				
Public safety - police	\$2,072,495	\$1,995,611	\$1,955,596	\$ 40,015
Public safety - dispatch	871,580	871,580	820,770	50,810
General government	688,485	682,298	645,546	36,752
Community development	446,579	446,579	436,057	10,522
Finance	436,519	441,281	427,566	13,715
Planning	329,315	443,815	389,592	54,223
Public services	570,315	570,315	379,800	190,515
Parks and recreation	469,001	431,801	323,573	108,228
Building services	386,351	386,351	317,566	68,785
Information technology	324,749	324,749	311,224	13,525
Municipal court	302,388	297,626	227,697	69,929
Code enforcement	232,830	232,830	197,669	35,161
Capital outlay	106,932	198,703	186,046	12,657
Debt service	162,878	162,878	167,729	(4,851)
Storm water	53,400	81,900	79,860	2,040
Executive	<u>47,260</u>	<u>47,260</u>	<u>41,770</u>	<u>5,490</u>
Total expenditures	<u>\$7,501,077</u>	<u>\$7,615,577</u>	<u>\$6,908,061</u>	<u>\$707,516</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 \$47,328,733 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 \$370,114 primarily due to equipment used for street maintenance.
- The Town's investment in infrastructure increased by \$1,517,087, of which an increase of \$1,411,707 represents the cost of Horizon Mesa Park Improvements project and an increase of \$105,380 represents the cost of the Ryderwood Street Connection project.

CAPITAL ASSETS (Continued)

Capital assets held by the Town are summarized as follows:

Capital assets, net of accumulated depreciation

	<u>09/30/21</u>	<u>09/30/20</u>
Land	\$ 876,527	\$ 876,527
Building and improvements	399,739	440,200
Equipment	1,127,087	1,166,465
Infrastructure	38,483,816	39,035,475
Intangibles	240,446	266,417
Construction in progress	<u>6,201,118</u>	<u>5,284,296</u>
Total capital assets, net	<u>\$47,328,733</u>	<u>\$47,069,380</u>

Additional information on the Town's capital assets can be found in the notes to the financial statements on Pages 42 and 43.

LONG-TERM DEBT

At the end of the fiscal year, the Town had long-term debt outstanding in the amount of \$31,836,344. 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, 2021. The following table shows the change in long-term debt from 2020 to 2021:

Long-Term Debt Year Ended September 30,

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Bonds payable (direct placement)	\$24,080,000	\$24,920,000	\$(840,000)
Bond premium	1,663,642	1,744,269	(80,627)
Intergovernmental payable (direct borrowing)	3,792,480	3,792,480	
Capital lease obligations	430,140	541,948	(111,808)
Compensated absences	303,850	252,775	51,075
Net pension liability	1,494,640	1,492,858	1,782
Other post-employment benefit liability	<u>71,592</u>	<u>46,438</u>	<u>25,154</u>
Total	<u>\$31,836,344</u>	<u>\$32,790,768</u>	<u>\$(954,424)</u>

More detailed information about the Town's long-term liabilities is presented in the notes to the financial statements on Pages 43 through 48 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.



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, 2021, 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, 2021, 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 14 and 71 through 84 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 85 and 86 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 12, 2022, 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 12, 2022

TOWN OF HORIZON CITY, TEXAS

STATEMENT OF NET POSITION

September 30, 2021

<u>ASSETS</u>	Governmental <u>Activities</u>
Cash and cash equivalents	\$ 19,355,452
Investments	1,119,001
Taxes receivable	346,957
Grants receivable	248,003
Other receivables, net	7,743
Prepaid expenses	67,129
Other assets	7,512
Non-depreciable capital assets	7,077,645
Depreciable capital assets, net of accumulated depreciation	<u>40,251,088</u>
Total assets	<u>68,480,530</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources related to pension	159,282
Deferred outflows of resources related to other post-employment benefit obligation	<u>21,404</u>
Total deferred outflows of resources	<u>180,686</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS

STATEMENT OF NET POSITION
(CONTINUED)

September 30, 2021

<u>LIABILITIES</u>	<u>Governmental Activities</u>
Accounts payable	\$ 1,120,383
Accrued liabilities	479,378
Due within one year:	
Bonds payable	885,000
Capital leases	133,737
Deferred revenues	98,904
Compensated absences	30,250
Due in more than one year:	
Bonds payable, net	24,858,642
Intergovernmental payable	3,792,480
Capital leases	296,403
Compensated absences	273,600
Net pension liability	1,494,640
Other post-employment benefit liability	<u>71,592</u>
Total liabilities	<u>33,535,009</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pension	66,040
Deferred inflows of resources related to other post-employment benefit obligation	<u>6,267</u>
Total deferred inflows of resources	<u>72,307</u>

NET POSITION

Net position:	
Invested in capital assets, net of related debt	27,751,717
Restricted for State mandated funds	471,017
Unrestricted	<u>6,831,166</u>
Total net position	<u>\$ 35,053,900</u>

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

TOWN OF HORIZON CITY, TEXAS

STATEMENT OF ACTIVITIES

Year Ended September 30, 2021

<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>Governmental Activities</u>
Primary government:				
Public safety - police	\$ 2,360,257	\$ 468,232	\$ 774,055	\$ (1,117,970)
Community development	2,374,273			(2,374,273)
General government	1,326,482	499,222		(827,260)
Interest on long-term debt	1,096,750			(1,096,750)
Public safety - dispatch	824,190			(824,190)
Public services	624,085			(624,085)
Planning	537,074			(537,074)
Finance	437,846			(437,846)
Parks and recreation	425,848			(425,848)
Building services	342,664			(342,664)
Information technology	332,962			(332,962)
Municipal court	240,712	207,166		(33,546)
Storm water	226,180			(226,180)
Code enforcement	218,278			(218,278)
Executive	<u>41,770</u>			<u>(41,770)</u>
Total governmental activities	<u>\$ 11,409,371</u>	<u>\$ 1,174,620</u>	<u>\$ 774,055</u>	<u>(9,460,696)</u>
		General revenues:		
		Property taxes		5,445,896
		Sales taxes		3,413,723
		Franchise taxes		510,877
		Interest income		48,069
		Proceeds from sale of assets		24,576
		Miscellaneous income		<u>17,372</u>
		Total general revenues		<u>9,460,513</u>
		Change in net position		(183)
		Net position, beginning of year		<u>35,054,083</u>
		Net position, end of year		<u>\$ 35,053,900</u>

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

TOWN OF HORIZON CITY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2021

	General Fund	Special Revenue Fund - Federal Grants	Special Revenue Fund - State and Local Grants	Street Maintenance Fund	Debt Service Fund	Economic Development Fund	Capital Improvements Fund	Aggregate Non-Major Funds	Total Governmental Funds
<u>ASSETS</u>									
Cash and cash equivalents, non-pooled	\$ 894,430					\$ 1,265,520	\$ 10,916,184	\$ 3,390	\$ 13,079,524
Pooled cash and cash equivalents	4,211,723	98,414	(234,816)	2,182,046	89			18,472	6,275,928
Investments	317,305					600,892			918,197
Pooled investments				36,974	106,666			57,164	200,804
Taxes receivable	245,103				100,798			1,056	346,957
Due from other funds					43,817				43,817
Grants receivable		4,121	243,882						248,003
Other receivables, net	7,743								7,743
Other assets						3,500	4,012		7,512
Prepaid expenses	67,129								67,129
Total assets	<u>\$ 5,743,433</u>	<u>\$ 102,535</u>	<u>\$ 9,066</u>	<u>\$ 2,219,020</u>	<u>\$ 251,370</u>	<u>\$ 1,869,912</u>	<u>\$ 10,920,196</u>	<u>\$ 80,082</u>	<u>\$ 21,195,614</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 427,779		\$ 8,841	\$ 122,911		\$ 29,902	\$ 530,950		\$ 1,120,383
Accrued liabilities	277,296	3,631				10,348			291,275
Unearned revenue		98,904							98,904
Due to other funds	43,817								43,817
Total liabilities	<u>748,892</u>	<u>102,535</u>	<u>8,841</u>	<u>122,911</u>		<u>40,250</u>	<u>530,950</u>		<u>1,554,379</u>
Deferred inflows of resources:									
Deferred property taxes	88,341				30,033			1,056	119,430
Total deferred inflows of resources	<u>88,341</u>				<u>30,033</u>			<u>1,056</u>	<u>119,430</u>
Fund balances:									
Nonspendable	67,129								67,129
Restricted	470,792		225						471,017
Committed	955,946			2,096,109		1,829,662	10,389,246	79,026	15,349,989
Unassigned	3,412,333				221,337				3,633,670
Total fund balances	<u>4,906,200</u>		<u>225</u>	<u>2,096,109</u>	<u>221,337</u>	<u>1,829,662</u>	<u>10,389,246</u>	<u>79,026</u>	<u>19,521,805</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,743,433</u>	<u>\$ 102,535</u>	<u>\$ 9,066</u>	<u>\$ 2,219,020</u>	<u>\$ 251,370</u>	<u>\$ 1,869,912</u>	<u>\$ 10,920,196</u>	<u>\$ 80,082</u>	<u>\$ 21,195,614</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, 2021

Total fund balances of governmental funds in the balance sheet \$ 19,521,805

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	57,510,185	
Accumulated depreciation	<u>(10,181,452)</u>	47,328,733

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	159,282	
Deferred outflows of resources related to other post-employment benefit obligation	21,404	
Deferred inflows of resources related to pension	(66,040)	
Deferred inflows of resources related to other post-employment benefit obligation	(6,267)	

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	119,430	
-------------------------	---------	--

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	(1,494,640)	
Other post-employment benefit liability	(71,592)	

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	(430,140)	
Bonds payable	(25,743,642)	
Intergovernmental payable	(3,792,480)	
Compensated absences	(303,850)	
Accrued interest	<u>(188,103)</u>	<u>(30,458,215)</u>

Total net position of governmental activities \$ 35,053,900

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, 2021

	<u>General Fund</u>	<u>Special Revenue Fund - Federal Grants</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	\$ 3,551,606	\$	\$	\$	\$ 1,744,220	\$	\$	\$ 156,749	\$ 5,452,575
Sales taxes	2,288,601			562,561		562,561			3,413,723
Licenses, permits and fees	499,138								499,138
Franchise taxes	510,877								510,877
Charges for services	468,232								468,232
Federal and state grants		50,130	723,925						774,055
Interest income	22,246			913	8,864	1,023	14,995	28	48,069
Fines and forfeitures	207,250								207,250
Proceeds from sale of assets	24,576								24,576
Other income	13,691					2,501		1,180	17,372
Total revenues	<u>7,586,217</u>	<u>50,130</u>	<u>723,925</u>	<u>563,474</u>	<u>1,753,084</u>	<u>566,085</u>	<u>14,995</u>	<u>157,957</u>	<u>11,415,867</u>
<u>EXPENDITURES</u>									
Public safety - police	1,955,596	31,730	93,952					12,500	2,093,778
General government	645,546		229,034			318,457			1,193,037
Public safety - dispatch	820,770		6,336						827,106
Public services	379,800		235,388						615,188
Planning	389,592		10,831				111,652		512,075
Community development	436,057		12,894	43,160			7,037		499,148
Finance	427,566		8,236		2,894				438,696
Parks and recreation	323,573								323,573
Building services	317,566		5,773						323,339
Information technology	311,224		10,990						322,214

(Continued)

TOWN OF HORIZON CITY, TEXAS

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

Year Ended September 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund - Federal Grants</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	\$ 227,697	\$	\$ 8,997	\$	\$	\$	\$	\$	\$ 236,694
Code enforcement	197,669		5,326						202,995
Storm water	79,860								79,860
Executive	41,770								41,770
Debt service:									
Principal	124,955				840,000				964,955
Interest	42,774				1,010,125			149,326	1,202,225
Capital outlay	<u>186,046</u>	<u>18,400</u>	<u>95,943</u>	<u>130,319</u>		<u>2,900</u>	<u>2,376,381</u>		<u>2,809,989</u>
Total expenditures	<u>6,908,061</u>	<u>50,130</u>	<u>723,700</u>	<u>173,479</u>	<u>1,853,019</u>	<u>321,357</u>	<u>2,495,070</u>	<u>161,826</u>	<u>12,686,642</u>
Excess (deficit) of revenues over (under) expenditures	<u>678,156</u>		<u>225</u>	<u>389,995</u>	<u>(99,935)</u>	<u>244,728</u>	<u>(2,480,075)</u>	<u>(3,869)</u>	<u>(1,270,775)</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS

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

Year Ended September 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund - Federal Grants</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):									
Proceeds from capital leases	\$ 13,147	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ 13,147
Total other financing sources	<u>13,147</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>13,147</u>
Net change in fund balance	691,303		225	389,995	(99,935)	244,728	(2,480,075)	(3,869)	(1,257,628)
Fund balance, beginning of the year	<u>4,214,897</u>	<u>_____</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>
Fund balance, end of the year	<u>\$ 4,906,200</u>	<u>\$ _____</u>	<u>\$ 225</u>	<u>\$ 2,096,109</u>	<u>\$ 221,337</u>	<u>\$ 1,829,662</u>	<u>\$ 10,389,246</u>	<u>\$ 79,026</u>	<u>\$ 19,521,805</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, 2021

Net change in fund balances – total governmental funds		\$ (1,257,628)
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:		
Capital outlay	2,809,989	
Depreciation expense	<u>(2,550,636)</u>	259,353
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		(6,679)
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		(13,147)
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 \$80,627.		
		920,627
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.		
		124,955
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	(1,782)	
Change in other post-employment benefit liability	(25,154)	
Change in accrued interest payable	24,848	
Change in compensated absences payable	(51,075)	
Change in deferred inflows related to pension	5,208	
Change in deferred inflows related to other post-employment benefits	683	
Change in deferred outflows related to other post-employment benefits	11,197	
Change in deferred outflows related to pension	<u>8,411</u>	<u>(27,664)</u>
Change in net position of governmental activities		<u>\$ (183)</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, 2021.

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.

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
(CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units –

Town of Horizon City Type 4B Economic Development Corporation (“EDC”) – 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 seven 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 34.

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

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 for use in public safety and other emergency spending. Grant revenue is recognized when compliance with the various contract requirements is achieved.

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.

(Continued)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued) –

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.

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.

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

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.

Special Revenue Fund – Tax Increment Reinvestment Zone – This Special Revenue Fund is used to account for tax revenues generated from the incremental tax values on the Tax Increment Reinvestment Zone #1 created by Town Ordinance pursuant to Chapter 311 of the Texas Tax Code. TIRZ #1 revenues are restricted to foster development in the zone.

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.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Activities – Effective October 1, 2020, the Town has adopted GASBS No. 84, “*Fiduciary Activities*.” The standard establishes guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. Management has evaluated the criteria established by GASBS No. 84 and has not identified any activities or assets that would require to be reported as fiduciary activities as defined by GASBS No. 84.

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 \$964,668,961 for the year ended September 30, 2021. 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 2020-2021 tax rate was \$.602607, per \$100 of assessed valuation. The Town incurred expenditures of \$64,404 for the services provided by El Paso Central Appraisal District for the year ended September 30, 2021.

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, 2021, management determined all outstanding grants and contracts receivable to be fully collectable. Accordingly, no grants and contracts receivable 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, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments related to benefit plans are reported at fair value.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2021, 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, 2021, nonspendable fund balance consisted of prepaid expenses in the amount of \$67,129.

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 \$471,017 at September 30, 2021 represents amounts mandated by the State of Texas, the detail of which can be found on Page 61.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued) –

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 \$15,349,989 is composed of funds for street development and maintenance, economic development, and capital improvement, the detail of which can be found on Page 62.

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.

(Continued)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2021.

ACCOUNTING CHANGES

On October 1, 2020, the Town implemented GASB Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*” The implementation of this Statement did not result in any change in the Town’s financial statements. GASB Statement No. 88 requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines-of-credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to the financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. Additional information can be found on pages 43 through 48.

On October 1, 2020, the Town implemented GASB Statement No. 84, “*Fiduciary Activities.*” 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. Management has evaluated the criteria established by GASBS No. 84 and has not identified any activities or assets that would require to be reported as fiduciary activities as defined by GASBS No. 84.

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TOWN OF HORIZON CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

ACCOUNTING CHANGES (Continued)

Concurrently with GASB Statements No. 84, “*Fiduciary Activities*,” the Town implemented GASB Statement No. 97, “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.” The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

At September 30, 2021, the reported amount of the Town’s deposits was \$19,355,452 and the bank balance was \$19,363,569. 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 \$10,916,184 has been committed through Town Ordinance to be used in infrastructure projects. Cash held in the Economic Development Fund in the amount of \$1,265,520 has been committed through Town Council Ordinance to be used in economic development projects. Cash held in the General Fund totaling \$590,885 has been committed as a stabilization amount through charter requirements. 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, 2021, 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.

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

DEPOSITS AND INVESTMENTS (Continued)

Cash and Cash Equivalents (Continued)

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.

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 - 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 SIPC by comparing the amounts of cash on-hand to collateral funds. On September 30, 2021, pledged collateral funds securing the Town’s deposits had a fair market value of \$5,908,142, which exceeded the combined bank balance for WestStar Bank of \$5,790,913.

The Town’s investment policy does not require that deposits held in investment accounts or intergovernmental investment pools be collateralized. On September 30, 2021, cash equivalents held in investment accounts totaling \$7,334,578 were insured by the FDIC up to \$1,247,100. Management does not believe the Town is exposed to any significant credit risk.

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

DEPOSITS AND INVESTMENTS (Continued)

Cash and Cash Equivalents (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. The Town held \$6,238,078 in LOGIC at September 30, 2021. The Town's investment policy does not require deposits in intergovernmental investment pools to be collateralized.

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.

(Continued)

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

DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Investments held in the Economic Development Fund in the amount of \$600,892 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.

Investments consist of the following at September 30, 2021:

	<u>Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
General Fund	A	\$ 317,305	\$ 317,305
Street Maintenance Fund	A	36,974	36,974
Debt Service Fund	A	106,666	106,666
Economic Development Fund	A	600,892	600,892
Aggregate Non-Major Funds	A	<u>57,164</u>	<u>57,164</u>
Total		<u>\$1,119,001</u>	<u>\$1,119,001</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, 2021, 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	\$ 305,803
Issuer B	200,532
Issuer C	200,274
Issuer D	200,086
Issuer E	<u>212,233</u>
Total	<u>\$1,118,928</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, 2021:

	<u>Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net</u>
Governmental activities:			
Property taxes, current	\$260,355	\$	\$260,355
Property taxes, delinquent	<u>86,602</u>	<u> </u>	<u>86,602</u>
Property taxes, total	346,957		346,957
Other	<u>8,512</u>	<u>(769)</u>	<u>7,743</u>
Total governmental activities	<u>\$355,469</u>	<u>\$(769)</u>	<u>\$354,700</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, 2021:

CARES	\$234,471
Border Star	9,411
Stone Garden	<u>4,121</u>
Total	<u>\$248,003</u>

INTERFUND RECEIVABLES AND PAYABLES

The composition of the Town's interfund balances as of September 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	General Fund	<u>\$43,817</u>

(Continued)

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

CAPITAL ASSETS

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

	September 30, 2020	Increases	Decreases	Transfers	September 30, 2021
Non-depreciable assets:					
Land	\$ 876,527	\$	\$	\$	\$ 876,527
Construction in progress	<u>5,284,296</u>	<u>2,433,909</u>	_____	<u>(1,517,087)</u>	<u>6,201,118</u>
Total non-depreciable capital assets	<u>6,160,823</u>	<u>2,433,909</u>	_____	<u>(1,517,087)</u>	<u>7,077,645</u>
Depreciable assets:					
Building and improvements	851,522				851,522
Equipment	3,496,731	370,114			3,866,845
Intangibles	270,519	5,966			276,485
Infrastructure	<u>43,920,601</u>	_____	_____	<u>1,517,087</u>	<u>45,437,688</u>
Total depreciable capital assets	<u>48,539,373</u>	<u>376,080</u>	_____	<u>1,517,087</u>	<u>50,432,540</u>
Accumulated depreciation:					
Building and improvements	(411,322)	(40,461)			(451,783)
Equipment	(2,330,266)	(409,492)			(2,739,758)
Intangibles	(4,102)	(31,937)			(36,039)
Infrastructure	<u>(4,885,126)</u>	<u>(2,068,746)</u>	_____	_____	<u>(6,953,872)</u>
Total accumulated depreciation	<u>(7,630,816)</u>	<u>(2,550,636)</u>	_____	_____	<u>(10,181,452)</u>
Depreciable capital assets, net	<u>40,908,557</u>	<u>(2,174,556)</u>	_____	<u>1,517,087</u>	<u>40,251,088</u>
Total capital assets, net	<u>\$47,069,380</u>	<u>\$ 259,353</u>	\$_____	\$_____	<u>\$47,328,733</u>

(Continued)

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

CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the government for the year ended September 30, 2021 as follows:

Community development	\$1,876,176
Public safety – police	273,086
Storm water	146,320
Parks and recreation	102,455
General government	65,843
Planning	25,753
Building services	20,379
Code enforcement	15,914
Information technology service	11,049
Public services	8,897
Municipal court	<u>4,764</u>
Total provisions for depreciation	<u>\$2,550,636</u>

LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2021:

	<u>Balance at September 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at September 30, 2021</u>	<u>Due Within One Year</u>
Compensated absences \$	252,775	\$283,449	\$ (232,374)	\$ 303,850	\$ 30,250
Intergovernmental payable (direct borrowings)	3,792,480			3,792,480	
Bonds payable, net (direct placement)	26,664,269		(920,627)	25,743,642	885,000
Capital leases	541,948	13,147	(124,955)	430,140	133,737
Net pension liability	1,492,858	1,782		1,494,640	
Other post-employment benefit liability	<u>46,438</u>	<u>25,154</u>	<u> </u>	<u>71,592</u>	<u> </u>
	<u>\$32,790,768</u>	<u>\$323,532</u>	<u>\$(1,277,956)</u>	<u>\$31,836,344</u>	<u>\$1,048,987</u>

(Continued)

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

LONG-TERM DEBT (Continued)

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, 2021, employees had approximately 10,931 hours of accumulated paid-time-off.

Total accrued compensated absences \$303,850

Intergovernmental payable - CRRMA construction liability (Direct Borrowings)

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

(Continued)

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

LONG-TERM DEBT (Continued)

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

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2022	\$	\$ 92,622	\$ 92,622
2023		128,440	128,440
2024		168,241	168,241
2025		212,359	212,359
2026		260,768	260,768
2027-2031	1,432,561	535,025	1,967,586
2032-2036	<u>2,359,919</u>	<u>149,999</u>	<u>2,509,918</u>
Totals	<u>\$3,792,480</u>	<u>\$1,547,454</u>	<u>\$5,339,934</u>

Bonds Payable (Direct Placements)

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. \$ 365,000

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%. 12,340,000

(Continued)

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

LONG-TERM DEBT (Continued)

Bonds Payable (Direct Placements)(Continued)

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%.

	<u>\$11,375,000</u>
Total bonds payable outstanding (Direct Placements)	24,080,000
Unamortized bond premium	<u>1,663,642</u>
Total bonds payable, net	25,743,642
Less amount due in one year	<u>885,000</u>
Amount due after one year	<u>\$24,858,642</u>

Annual debt service for the outstanding bonds, as shown on Pages 45-46, is as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
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	1,030,000	833,262	1,863,262
2026-2030	5,740,000	3,475,923	9,215,923
2031-2035	6,855,000	2,190,225	9,045,225
2036-2040	5,205,000	823,000	6,028,000
2041-2043	<u>1,510,000</u>	<u>91,200</u>	<u>1,601,200</u>
Totals	<u>\$24,080,000</u>	<u>\$11,124,243</u>	<u>\$35,204,243</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 (Direct Placements) (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. At September 2021, the Town terminated one of the prior leases and entered into one lease that replaced the old agreement. The original leased principal for the new lease is \$35,565. 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	\$430,140
Less amount due in one year	<u>133,737</u>
Amount due in more than one year	<u>\$296,403</u>

Annual debt service for the capital lease obligations is as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2022	\$133,737	\$31,768	\$165,505
2023	170,397	19,769	190,166
2024	108,857	4,039	112,896
2025	6,185	757	6,942
2026	<u>10,964</u>	<u>320</u>	<u>11,284</u>
Totals	<u>\$430,140</u>	<u>\$56,653</u>	<u>\$486,793</u>

Amortization expense for leased vehicles is included in total depreciation expense recognized for the year. At September 30, 2021, total lease vehicles had a carrying balance of \$384,972. Total amortization recognized in 2021 was \$198,233.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLAN

Plan Description – The Town participates as one of 895 plans in the defined cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at tmrs.com.

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

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

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

The Town's city-financed monetary credits are composed of prior service credits and current 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. On August 2021, the Town elected to offer restricted prior service credit.

Current service credits are monetary credits for service performed by an employee after the Town joins TMRS and are based on a percentage (100%, 150%, or 200%) of the employee's total contributions and interest credits. The Town designates the rate of their employee contributions and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. A change in the Town's matching ratio is applied prospectively.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLAN (Continued)

Benefits (Continued) – Members in the Town of Horizon City, Texas can retire at age 60 or with 20 years of service regardless of age and are vested after 5 years. 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.

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.

Employees Covered by Benefit Terms

Inactive employees or beneficiaries currently receiving benefits:	1
Inactive employees entitled to but not yet receiving benefits:	16
Active employees:	<u>76</u>
 Total	 <u>93</u>

Contributions – Member contribution rates in TMRS are either 5%, 6% or 7% of the Member’s total compensation, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

- Employees of the Town were required to contribute 5% of their annual gross earnings during the fiscal year 2021. The contribution rates for the Town were 6.01% and 5.84% in calendar years 2020 and 2021, respectively, for both the defined cash-balance pension plan and the Supplemental Death Benefits Fund. The Town’s contributions to TMRS were \$208,933 during the year ended September 30, 2021. Contributions to the supplemental benefit funds are only recognized when benefits are paid. There were no payments made from the supplemental benefits fund during the year ended September 31, 2021.

At the December 31, 2020 valuation and measurement date, the following data was used by the Plan’s actuary to determine the Town’s contribution rate:

Annual payroll:	\$3,474,351
Average age of contributing members:	41.4
Average length of service in years of contributing members:	6.5

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLAN (Continued)

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, 2020 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. The FNP is determined on the same basis used by the pension plans.

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

(Continued)

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

EMPLOYEE PENSION PLAN (Continued)

Net Pension Liability (Continued) – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global equity	30%	5.30%
Core fixed income	10%	1.25%
Non-core fixed income	20%	4.14%
Real return	10%	3.85%
Real estate	10%	4.00%
Absolute return	10%	3.48%
Private equity	10%	7.75%

(Continued)

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

EMPLOYEE PENSION PLAN (Continued)

Net Pension Liability (Continued) – Significant assumptions and units used to measure net pension liability are summarized in the following table:

<u>Net Pension Liability/ (Asset)</u>	<u>December 31, 2020</u>
Total pension liability	\$2,615,670
Fiduciary net position	<u>1,121,030</u>
Net pension liability/(asset)	<u>\$1,494,640</u>
Fiduciary net position as a percentage of total pension liability	42.86%
Pensionable covered payroll	\$3,474,351
Net pension liability as a percentage of covered payroll	43.02%
Discount rate	6.75%
Long-term expected rate of return, net of investment expense	6.75%
Municipal bond rate (1)	2.00%

(1) The rate is based on the Fidelity Index’s “20-Year Municipal GO AA Index” daily rate closest to but not later than December 31, 2020.

Discount Rate – The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members; 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)

Schedule of Changes in Net Pension Liability/(Asset) – The change in the reported net pension liability for the measurement period ended December 31, 2020 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, 2019	\$2,191,823	\$ 698,965	\$1,492,858
Changes for the year:			
Service cost	267,525		267,525
Interest on total pension liability	156,655		156,655
Difference between expected and actual experience	9,221		9,221
Benefit payments, including refunds of contributions	(9,554)	(9,554)	
Net investment income		53,618	(53,618)
Administrative expenses		(343)	343
Other		(14)	14
Employee contributions		173,718	(173,718)
Employer contributions	<u> </u>	<u>204,640</u>	<u>(204,640)</u>
Balance as of December 31, 2020	<u>\$2,615,670</u>	<u>\$1,121,030</u>	<u>\$1,494,640</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 79 of this report.

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, 2020:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
Net Pension Liability	<u>\$1,998,018</u>	<u>\$1,494,640</u>	<u>\$1,089,840</u>

(Continued)

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

EMPLOYEE PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position by Participating City. That report may be obtained at tmrs.com.

Net Pension Expense – Pension expense for the year ended September 31, 2021, is recognized by the Town as follows:

<u>Pension Expense/ (Income)</u>	<u>January 1, 2020 to December 31, 2020</u>
Service cost	\$267,525
Interest on total pension liability	156,655
Employee contributions	(173,718)
Projected earnings on plan investments	(47,180)
Administrative expense	343
Other changes in fiduciary net position	13
Recognition of current year outflow (inflow) of resources-liabilities	872
Recognition of current year outflow (inflow) of resources-assets	(1,288)
Amortization or prior year outflows (inflows) of resources-liabilities	(4,764)
Amortization or prior year outflows (inflows) of resources-assets	<u>(5,594)</u>
Net pension expense	<u>\$192,864</u>

(Continued)

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

EMPLOYEE PENSION PLAN (Continued)

Net Pension Expense (Continued) – As of September 30, 2021, 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	\$150,933	\$
Changes in pension assumptions		1,163
Difference between actual and expected pension experience	8,349	42,945
Difference between expected and actual investment earnings	_____	<u>21,932</u>
Total	<u>\$159,282</u>	<u>\$66,040</u>

Deferred outflows of resources related to pensions reported \$150,933 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,

2021	\$140,159
2022	(10,774)
2023	(10,774)
2024	(5,178)
2025	(3,892)
Thereafter	<u>(16,299)</u>
Total	<u>\$ 93,242</u>

At September 30, 2021, the Town had outstanding contributions due to the Plan in the amount of \$28,946.

(Continued)

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

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 (TMRS). 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. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore, doesn’t meet the definition of a trust under GASB Statement 75 and as such the SDBF is considered to be an unfunded OPEB plan. The retiree portion of the SDBF is considered a single employer, defined benefit OPEB plan.

Benefits – The death benefit for active Members provides a lump-sum payment approximately equal to the Member’s annual salary (calculated based on the Member’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is an “other post-employment benefit” and is a fixed amount of \$7,500.

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

Inactive employees or beneficiaries currently receiving benefits:	1
Inactive employees entitled to but not yet receiving benefits:	1
Active employees:	<u>76</u>
Total	<u>78</u>

Contributions – The Town 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, 2020 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

Inflation	2.50%
Salary increases	3.50% to 11.50%, including inflation
Discount rate (1)	2.00%

(Continued)

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

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Total OPEB Liability (Continued)

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.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP.
Mortality rates – 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, 2020.

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

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Schedule of Changes in Total OPEB Liability – The change in the reported OPEB liability for the measurement period ended December 31, 2020 is as follows:

	<u>Total OPEB Liability</u>
Balance as of December 31, 2019	\$46,438
Changes for the year:	
Service cost	10,423
Interest on total OPEB liability	1,420
Differences between expected and actual experience	2,013
Changes in assumptions or other inputs	<u>11,298</u>
Balance as of December 31, 2020	<u>\$71,592</u>
 Total OPEB Liability as a Percentage of Covered Payroll	 <u>2.06%</u>

Sensitivity Analysis – The following presents the Total OPEB liability of the Town, calculated using the discount rate of 2.00%, 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 (1.00%) or one percentage point higher (3.00%) than the current rate as of December 31, 2020:

	1% Decrease in Discount Rate <u>(1.00%)</u>	Current Discount Rate <u>(2.00%)</u>	1% Increase in Discount Rate <u>(3.00%)</u>
Total OPEB liability	<u>\$91,186</u>	<u>\$71,592</u>	<u>\$56,801</u>

(Continued)

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

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

OPEB Expense – OPEB expense for the year ended September 31, 2021, is recognized by the Town as follows:

<u>OPEB Expense/ (Income)</u>	<u>January 1, 2020 to December 31, 2020</u>
Service cost	\$10,423
Interest on total OPEB liability	1,420
Recognition of deferred outflows/inflows of resources:	
Difference between expected and actual experience	(243)
Changes in assumptions	<u>1,674</u>
Total OPEB expense	<u>\$13,274</u>

As of September 30, 2021, 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	\$19,565	\$2,275
Difference between actual and expected pension experience	<u>1,839</u>	<u>3,992</u>
Total	<u>\$21,404</u>	<u>\$6,267</u>

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

Year Ending December 31,

2021	\$1,431
2022	1,431
2023	1,431
2024	1,431
2025	1,431
Thereafter	<u>7,982</u>
	<u>\$15,137</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

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, 2021, deferred outflows of resources with a balance of \$180,686 represented contributions to the employee benefit plan that were made subsequent to the latest Plan measurement date and differences between actual and expected pension experience to the Town's pension plan and other post-employment benefit plan. Deferred inflows of resources with a balance of \$72,307 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 \$119,430 at September 30, 2021, 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.

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 entire remaining balance of \$273,416 was distributed to participants during the year ended September 30, 2021.

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	\$129,406
Security Fund	126,869
PEG Capital Fund	123,499
Children's Fund	70,859
Time Payments	9,744
Truancy	9,513
STDS	714
CARES	225
Jury Fund	<u>188</u>
Total	<u>\$471,017</u>

(Continued)

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

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	\$10,389,246
Economic Development	1,829,662
Street Construction and Maintenance	2,096,109
Stabilization by City Charter	590,885
Other Capital Improvements	368,451
Transportation Reinvestment Zone #2	<u>75,636</u>
Total	<u>\$15,349,989</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, 2021, no claims were dismissed with Texas Municipal League – Intergovernmental Risk Pool.

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.

(Continued)

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

COMMITMENTS AND CONTINGENCIES

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 will be based on the Town's activity at the Shelter. The Town incurred costs of \$18,732 in animal shelter services provided by the City in 2021.

The Town entered into an interlocal agreement with the City of El Paso in which the Town will receive public health and environmental services from the City, including but not limited to providing food handling permits, disease control, immunization services, vector control, and air control. The period of the contract began on September 1, 2020 and ended on August 31, 2021. Total compensation for the public health and environmental services provided by the City was \$176,987 for the year ended September 30, 2021.

The Town entered into an interlocal agreement with the City of El Paso in which the Town will receive public health and environmental services from the City, including but not limited to providing food handling permits, disease control, immunization services, vector control, and air control. The period of the contract began on September 1, 2021 and ends on August 31, 2022. Total compensation for the public health and environmental services provided by the City is \$167,751 and \$6,791, respectively.

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 ended on September 30, 2021. The Town incurred costs of \$49,392 under this contract for the year ended September 30, 2021. The agreement was renewed on October 1, 2021 with an annual compensation of \$49,392. The new agreement ends on September 30, 2024.

Town of Clint

The Town entered into an interlocal agreement with the Town of Clint in which the Town will provide mosquito control services to the Town of Clint. The period of the contract began September 1, 2021 and ended on October 31, 2021 and is in the amount of \$15,000.

(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, 2021 was \$113,894. The agreement requires the annual contract amount be revisited every year and approved by both parties. The contract amount for fiscal year 2021-2022 is \$116,892.

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, 2021 was \$354,338. The agreement requires the annual contract amount be revisited every year and approved by both parties. The contract amount for fiscal year 2021-2022 is \$361,304.

The Town entered into an agreement with Elite Medical Transport in which the Town received emergency ambulance services. The period of the contract began on March 1, 2021 and expired on February 28, 2022. The Town incurred costs of \$123,620 under this contract for the year ended September 30, 2021.

The Town entered into an agreement with Abescape Landscaping, LLC in which the Town received parks and grounds maintenance services. The period of the contract began on July 1, 2021 and expires on December 31, 2023. The total contract cost for the period of service is \$872,371. The Town incurred costs of \$68,176 under this contract for the year ended September 30, 2021.

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.

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, 2021.

(Continued)

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

COMMITMENTS AND CONTINGENCIES (Continued)

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

In July 2020, the Town entered into an interlocal subrecipient grant agreement with the County of El Paso where the Town received 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 the 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 expired December 1, 2020. As of September 30, 2021, the Town has expended \$859,565 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.

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

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 medical related equipment due to the COVID-19 pandemic and any other necessary expenditures incurred due to the pandemic. The total amount of the agreement amounted to \$134,654 and the total amount was expended during the year ended September 30, 2021. The original termination date of the agreement was 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 total amount of the agreement amounted to \$26,250 and was expended during the year ended September 30, 2021. The original termination date of the agreement was December 2020.

(Continued)

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

COMMITMENTS AND CONTINGENCIES (Continued)

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

In February 2021, the Town amended the agreement with El Paso County Emergency Services District #1 to provide additional funding in the amount of \$109,795. Of the total amount, \$65,483 was expended during the year ended September 30, 2021. The original termination date of the agreement was December 2021.

In March 2021, the Town entered into an agreement with Elite Medical Transport of Texas, LLC for additional equipment to assist the subcontractor in response to the COVID-19 pandemic and any other necessary expenditures incurred to provide emergency ambulance response and related medical services due to the public health emergency with respect to the COVID-19 pandemic. The total amount of the agreement amounted to \$17,828. The total amount expended during the year ended September 30, 2021 was \$9,000. The original termination date of the agreement was December 2021.

The terms of the subcontractor agreements with original termination dates of December 2020 have been extended to December 2021 to reflect the amended term of the subrecipient grant agreement with the County of El Paso.

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.

Reinvestment Zone Number One Town of Horizon City (“Zone”), Texas was established in 2020 and receives 100% of the Town’s portion of the tax increment and a percentage of the tax increment that each taxing unit elects to dedicate to the Zone. The Zone is reported as a blended component unit because the majority of the governing body consists of members from the Town’s Council. The Zone’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 a 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. Base monthly rent is \$5,000 per month through June 30, 2022 and increases to \$5,500 per month through June 30, 2023. Future minimum lease payments are as follows:

Year Ending September 30,

2022	\$ 61,500
2023	<u>49,500</u>
	<u>\$111,000</u>

Total rental expense under this agreement was \$60,000 for the year ended September 30, 2021.

In February 2019, the Town entered into a lease agreement for the use of headquarters space for the 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 was extended two additional years beginning April 2021 at a rate of \$3,000 per month. Future minimum lease payments are as follows:

Year Ending September 30,

2022	\$36,000
2023	<u>21,000</u>
	<u>\$57,000</u>

Total rental expense under this agreement was \$34,800 for the year ended September 30, 2021.

(Continued)

TOWN OF HORIZON CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS

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 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.

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.

(Continued)

TOWN OF HORIZON CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS (Continued)

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 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.

SUBSEQUENT EVENTS

In October 2021, the Town entered into two Local Transportation Project Advance Funding Agreements with TXDOT to provide access to federal funds for the construction of two Highway Safety Improvement Program Off-System infrastructure projects on North Kenazo and South Darrington Road. The estimated costs for the North Kenazo project are \$399,529 for federal, \$19,906 for state, and \$47,485 for local participation. The estimated costs for the South Darrington Road project are \$781,254 for federal, \$38,928 for state, and \$86,704 for local participation.

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 Town Council’s satisfaction. In December 2021, EDC converted the incentive package to a grant, determined that the private equity had met incentives indicated by the amendment, and disbursed funds in the amount of \$95,278.

(Continued)

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

SUBSEQUENT EVENTS (Continued)

In December 2021, the Town entered into an Advance Funding Agreement with TxDOT to provide access to federal funds for the reconstruction of North Darrington Road. The estimated costs for the North Darrington Road project are \$8,496,606 for federal, \$4,373,251 for state, and \$922,661 for local participation.

In December 2021, the Town entered into an agreement with Reinvestment Zone Number One of Town of Horizon City where the Town advanced \$150,000 for the purpose of covering expenses for fiscal year 2021-2022. The loan is interest free and matures on December 31, 2026.

Subsequent events were evaluated through April 12, 2022, 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, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues/inflows:				
Property taxes	\$ 3,771,395	\$ 3,771,395	\$ 3,551,606	\$ (219,789)
Sales taxes	1,894,710	1,894,710	2,288,601	393,891
Franchise taxes	510,906	510,906	510,877	(29)
Licenses, permits and fees	569,200	569,200	499,138	(70,062)
Charges for services	468,232	468,232	468,232	
Fines and forfeitures	241,687	241,687	207,250	(34,437)
Proceeds from sale of assets			24,576	24,576
Interest income	60,000	60,000	22,246	(37,754)
Other income	15,447	15,447	13,691	(1,756)
Prior year surplus		114,500		(114,500)
	<u>7,531,577</u>	<u>7,646,077</u>	<u>7,586,217</u>	<u>(59,860)</u>
Expenditures/outflows:				
Public safety - police	2,072,495	1,995,611	1,955,596	40,015
Public safety - dispatch	871,580	871,580	820,770	50,810
General government	688,485	682,298	645,546	36,752
Community development	446,579	446,579	436,057	10,522
Finance	436,519	441,281	427,566	13,715
Planning	329,315	443,815	389,592	54,223
Public services	570,315	570,315	379,800	190,515
Parks and recreation	469,001	431,801	323,573	108,228
Building services	386,351	386,351	317,566	68,785
Information technology	324,749	324,749	311,224	13,525
Municipal court	302,388	297,626	227,697	69,929
Code enforcement	232,830	232,830	197,669	35,161
Capital outlay	106,932	198,703	186,046	12,657
Debt service	162,878	162,878	167,729	(4,851)
Storm water	53,400	81,900	79,860	2,040
Executive	47,260	47,260	41,770	5,490
	<u>7,501,077</u>	<u>7,615,577</u>	<u>6,908,061</u>	<u>707,516</u>
Excess of revenues over expenditures	<u>30,500</u>	<u>30,500</u>	<u>678,156</u>	<u>647,656</u>

(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, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Excess of revenues over expenditures	\$ 30,500	\$ 30,500	\$ 678,156	\$ 647,656
Other financing uses:				
Transfers out	(30,500)	(30,500)	_____	30,500
Total other financing uses	(30,500)	(30,500)	_____	30,500
Excess of revenue over expenditures - budgetary basis			678,156	678,156
Reconciliation of budgetary basis to GAAP basis:				
Proceeds from capital leases	_____	_____	13,147	13,147
GAAP basis excess			691,303	691,303
Fund balance, beginning of year	4,214,897	4,214,897	4,214,897	_____
Fund balance, end of year	\$ 4,214,897	\$ 4,214,897	\$ 4,906,200	\$ 691,303

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 - FEDERAL GRANTS FUND**

Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Grant income	\$ 190,049	\$ 190,049	\$ 50,130	\$(139,919)
Total revenues	<u>190,049</u>	<u>190,049</u>	<u>50,130</u>	<u>(139,919)</u>
Expenditures/outflows:				
Public safety - police	105,049	105,049	31,730	73,319
Capital outlay	<u>85,000</u>	<u>85,000</u>	<u>18,400</u>	<u>66,600</u>
Total expenditures	<u>190,049</u>	<u>190,049</u>	<u>50,130</u>	<u>139,919</u>
Excess of revenues over expenditures				
Fund balance, beginning of the year	_____	_____	_____	_____
Fund balance, end of the year	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</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 - STREET MAINTENANCE FUND**

Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues/inflows:				
Prior year fund surplus	\$ 653,964	\$ 653,964	\$	\$(653,964)
Sales taxes	466,036	466,036	562,561	96,525
Interest income	<u> </u>	<u> </u>	<u>913</u>	<u>913</u>
Total revenues	<u>1,120,000</u>	<u>1,120,000</u>	<u>563,474</u>	<u>(556,526)</u>
Expenditures/outflows:				
Capital outlay	1,000,000	875,000	130,319	744,681
Community development	<u>120,000</u>	<u>120,000</u>	<u>43,160</u>	<u>76,840</u>
Total expenditures	<u>1,120,000</u>	<u>995,000</u>	<u>173,479</u>	<u>821,521</u>
Excess of revenues over expenditures		125,000	389,995	264,995
Fund balance, beginning of the year	<u>1,706,114</u>	<u>1,706,114</u>	<u>1,706,114</u>	<u> </u>
Fund balance, end of the year	<u>\$1,706,114</u>	<u>\$1,831,114</u>	<u>\$2,096,109</u>	<u>\$ 264,995</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, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues/inflows:				
Sales taxes	\$ 466,036	\$ 466,036	\$ 562,561	\$ 96,525
Prior year fund surplus	19,156	19,156		(19,156)
Interest income			1,023	1,023
Other income	<u> </u>	<u> </u>	<u>2,501</u>	<u>2,501</u>
Total revenues	<u>485,192</u>	<u>485,192</u>	<u>566,085</u>	<u>80,893</u>
Expenditures/outflows:				
General government	485,192	485,192	318,457	166,735
Capital outlay	<u> </u>	<u> </u>	<u>2,900</u>	<u>(2,900)</u>
Total expenditures	<u>485,192</u>	<u>485,192</u>	<u>321,357</u>	<u>163,835</u>
Excess of revenues over expenditures			244,728	244,728
Fund balance, beginning of the year	<u>1,584,934</u>	<u>1,584,934</u>	<u>1,584,934</u>	<u> </u>
Fund balance, end of the year	<u>\$ 1,584,934</u>	<u>\$ 1,584,934</u>	<u>\$ 1,829,662</u>	<u>\$ 244,728</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, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues/inflows:				
Grant income	<u>\$ 976,673</u>	<u>\$ 976,673</u>	<u>\$ 723,925</u>	<u>\$(252,748)</u>
Total revenues	<u>976,673</u>	<u>976,673</u>	<u>723,925</u>	<u>(252,748)</u>
Expenditures/outflows:				
Public safety - police	111,275	111,275	93,952	17,323
General government	864,248	864,248	229,034	635,214
Public safety - dispatch	1,150	1,150	6,336	(5,186)
Public services			235,388	(235,388)
Capital outlay			95,943	(95,943)
Community development			12,894	(12,894)
Information technology			10,990	(10,990)
Planning			10,831	(10,831)
Municipal court			8,997	(8,997)
Finance			8,236	(8,236)
Building services			5,773	(5,773)
Code enforcement			<u>5,326</u>	<u>(5,326)</u>
Total expenditures	<u>976,673</u>	<u>976,673</u>	<u>723,700</u>	<u>252,973</u>
Excess of expenditures over revenues			225	225
Fund balance, beginning of the year	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balance, end of the year	<u>\$ </u>	<u>\$ </u>	<u>\$ 225</u>	<u>\$ 225</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, Economic Development Fund, and Special Event 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 2021.

BUDGET OVER-EXPENDITURES

The Town did not over expend in the general fund and major special revenue funds.

TOWN OF HORIZON CITY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended December 31, 2018 through 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2011 - 2017</u>
Total Pension Liability				
Service cost	\$ 267,525	\$ 246,651	\$ 227,568	\$N/A
Interest on total pension liability	156,655	134,423	111,226	N/A
Change in benefit terms			1,534,956	N/A
Difference between expected and actual experience	9,221	(52,221)		N/A
Change in assumptions		(1,415)		N/A
Benefit payments/refund of contributions	<u>(9,554)</u>	<u>(7,486)</u>	<u>(1,879)</u>	<u>N/A</u>
Net change in total pension liability	423,847	319,952	1,871,871	N/A
Total pension liability, beginning	<u>2,191,823</u>	<u>1,871,871</u>	<u> </u>	<u>N/A</u>
Total pension liability, ending	<u>2,615,670</u>	<u>2,191,823</u>	<u>1,871,871</u>	<u>N/A</u>
Fiduciary Net Position				
Employer contributions	204,640	185,067	170,748	N/A
Employee contributions	173,718	157,907	145,689	N/A
Net investment income	53,618	49,203		N/A
Benefit payments/refund of contributions	(9,554)	(7,486)	(1,879)	N/A
Administrative expenses	(343)	(275)		N/A
Other	<u>(14)</u>	<u>(9)</u>	<u> </u>	<u>N/A</u>
Net change in fiduciary net position	422,065	384,407	314,558	N/A
Fiduciary net position, beginning	<u>698,965</u>	<u>314,558</u>	<u> </u>	<u>N/A</u>
Fiduciary net position, ending	<u>1,121,030</u>	<u>698,965</u>	<u>314,558</u>	<u>N/A</u>
 Net pension liability	 <u>\$ 1,494,640</u>	 <u>\$1,492,858</u>	 <u>\$1,557,313</u>	 <u>\$N/A</u>
 Fiduciary net position as a percentage of total pension liability	 42.86%	 31.89%	 16.80%	 N/A
 Pensionable covered payroll	 \$ 3,474,351	 \$3,158,143	 \$2,913,801	 \$N/A
 Net pension liability as a percentage of covered payroll	 43.02%	 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
Years Ended September 30, 2018 through 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2012 - 2017</u>
Actuarially determined contribution	\$ 205,449	\$ 199,168	\$ 181,876	\$ 122,493	\$N/A
Contributions in relation to the actuarially determined contribution	<u>208,933</u>	<u>202,931</u>	<u>184,048</u>	<u>123,956</u>	<u>N/A</u>
Contribution deficiency (excess)	<u>\$ (3,484)</u>	<u>\$ (3,763)</u>	<u>\$ (2,172)</u>	<u>\$ (1,463)</u>	<u>\$N/A</u>
Covered payroll	\$ 3,549,524	\$ 3,385,938	\$ 3,103,685	\$ 2,090,333	N/A
Contributions as a percentage of covered payroll	5.89%	5.99%	5.93%	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 September 30, 2021

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	23 years.
Asset valuation method	10-year smoothed market; 12% soft corridor.
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation.
Investment rate of return	6.75%
Retirement age	Experience-based table of rates 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.

TOWN OF HORIZON CITY, TEXAS

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

Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2011 - 2017</u>
Total Other Post-Employment Benefit ("OPEB") Liability				
Service cost	\$ 10,423	\$ 6,632	\$ 6,993	\$N/A
Interest on total OPEB liability	1,420	1,316	1,016	N/A
Change in benefit terms			27,207	N/A
Difference between expected and actual experience	2,013	(4,826)		N/A
Change in assumptions	11,298	11,173		N/A
Benefit payments (1) (2)	<u> </u>	<u> </u>	(3,073)	N/A
Net change in total OPEB liability	25,154	14,295	32,143	N/A
Total OPEB liability, beginning	<u>46,438</u>	<u>32,143</u>	<u> </u>	N/A
Total OPEB liability, ending	<u>\$ 71,592</u>	<u>\$ 46,438</u>	<u>\$ 32,143</u>	<u>\$N/A</u>
Pensionable covered payroll	\$ 3,474,351	\$ 3,158,143	\$ 2,913,801	\$N/A
Net pension liability as a percentage of covered payroll	2.06%	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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2012 - 2017</u>
Actuarially determined contribution	\$	\$	\$	\$	\$N/A
Contributions in relation to the actuarially determined contribution	_____	_____	_____	_____	N/A
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$N/A</u>
Covered payroll	\$ 3,549,524	\$ 3,385,938	\$ 3,103,685	\$ 2,090,333	N/A
Contributions as a percentage of covered payroll	0%	0%	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, 2021

	<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	\$ 3,390	\$	\$ 3,390
Pooled cash and cash equivalents		18,472	18,472
Pooled investments		57,164	57,164
Taxes receivable	<u> </u>	<u>1,056</u>	<u>1,056</u>
Total assets	<u>\$ 3,390</u>	<u>\$ 76,692</u>	<u>\$ 80,082</u>
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Deferred inflows of resources:			
Deferred property taxes	\$ <u> </u>	\$ <u>1,056</u>	\$ <u>1,056</u>
Total deferred inflows of resources	<u> </u>	<u>1,056</u>	<u>1,056</u>
Fund balances:			
Committed	<u>3,390</u>	<u>75,636</u>	<u>79,026</u>
Total fund balances	<u>3,390</u>	<u>75,636</u>	<u>79,026</u>
Deferred inflows of resources and fund balances	<u>\$ 3,390</u>	<u>\$ 76,692</u>	<u>\$ 80,082</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, 2021

	<u>Special Revenue Fund - Special Events</u>	<u>Transportation Reinvestment Zone #2</u>	<u>Aggregate Non-Major Funds</u>
<u>REVENUES</u>			
Property taxes	\$	\$ 156,749	\$ 156,749
Interest income	4	24	28
Other income	<u> </u>	<u>1,180</u>	<u>1,180</u>
Total revenues	<u>4</u>	<u>157,953</u>	<u>157,957</u>
<u>EXPENDITURES</u>			
Public safety - police	12,500		12,500
Debt service:			
Interest	<u> </u>	<u>149,326</u>	<u>149,326</u>
Total expenditures	<u>12,500</u>	<u>149,326</u>	<u>161,826</u>
Excess of revenues (expenditures) over expenditures (revenues)	<u>(12,496)</u>	<u>8,627</u>	<u>(3,869)</u>
Net change in fund balance	(12,496)	8,627	(3,869)
Fund balance, beginning of the year	<u>15,886</u>	<u>67,009</u>	<u>82,895</u>
Fund balance, end of the year	<u>\$ 3,390</u>	<u>\$ 75,636</u>	<u>\$ 79,026</u>

See independent auditors' report.

AUDITORS' SECTION

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, 2021, 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 12, 2022.

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 12, 2022

TOWN OF HORIZON CITY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2021

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, 2021

**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.