

TOWN OF HORIZON CITY, TEXAS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2022

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REQUIRED SUPPLEMENTARY INFORMATION**

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TOWN OF HORIZON CITY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022. 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 SEPTEMBER 30, 2022

- The Town's total assets amounted to \$72,228,605. This represents an increase of 5% from the prior year.
- Total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,632,675 (net position). This represents an increase of \$578,775 from the prior year.
- Total capital assets, net of accumulated depreciation amounted to \$47,368,691. This represents a decrease of less than 1% from the prior year.
- Unrestricted net position, available to meet the Town's ongoing obligations, totaled \$6,877,072. The amount invested in capital assets, net of related debt, totaled \$28,251,219. Net position restricted for state mandated funds was \$504,384. This represents an increase of 1%, 2%, and 7% from prior year, respectively.
- The Town's governmental fund statement shows a combined ending fund balance of \$18,964,309, a decrease of \$557,496 or 3% compared to the prior year fund balance.
- Total liabilities amounted to \$36,659,058 of which \$7,170,423 is due in less than one year. This represents an increase of \$3,124,049 and an increase of \$4,422,771, respectively, compared to the prior year.
- General Fund revenues were approximately 1% more than budgeted and actual expenses were less than budgeted expenses by approximately 5%, resulting in an overall increase in the fund balance of the General Fund of \$392,005.
- The Town's primary source of revenue comes from property taxes levied for general purpose and debt service, which amounted to \$6,275,736 in the current fiscal year. This represents approximately a 15% increase in comparison to the amount of property tax revenue in the prior fiscal year. Total revenues amounted to \$12,519,317, which represented an increase of \$1,110,129 from the prior year.

FINANCIAL HIGHLIGHTS FISCAL YEAR SEPTEMBER 30, 2022 (Continued)

- Total debt service expenditures for the year amounted to \$2,501,415, which represents an increase of 15% from prior year. The combined outstanding balance in bonds payable, capital leases, and intergovernmental payable was \$28,877,322 at the end of the fiscal year.
- The Town's revenues from sales taxes amounted to \$3,764,911 during 2022, of which \$619,450 was reserved for street maintenance and \$619,450 was reserved for economic development. Total sales taxes increased by approximately 10% from the prior year primarily due to an increase in commercial sales revenue in the Town's jurisdiction.
- The Town invested \$2,482,804 in equipment, intangibles, and infrastructure, resulting in a 0.08% decrease 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 \$1,003,712 for infrastructure. At the end of the fiscal period, the net change in fund balance in the Capital Improvements Fund was \$629,396, representing a 6% decrease from the prior year due to capital outlay expenditures.
- The Town reports deferred inflows of resources on its general fund, debt service fund and TIRZ#2 fund. 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 \$122,697 at September 30, 2022, represent the portion of property tax revenue receivable collected within 60 days following the end of the fiscal year. This represents an increase of 3% from the prior year.
- During 2022, the Town participated in the Texas Municipal Retirement System ("TMRS") Pension Plan. The Town's net pension liability was measured at December 31, 2021, the Plan year, for a total amount of \$1,396,712. This represented a decrease of \$97,928 from the previous year. In 2022, the Town recognized net pension expense of \$181,777, which represents a decrease of \$11,087 from the previous year.
- At September 30, 2022, total deferred outflows and inflows of resources related to pensions were \$181,137 and \$133,881, respectively, which represented an increase of \$21,855 and \$67,841, 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, 2021, the Plan year, the Town recognized a total liability of \$88,744 for the supplemental death benefit plan. This represents an increase of \$17,152 or 24% from the previous year. Total deferred outflows and inflows of resources related to the Plan were \$18,403 and \$2,531, which represented a decrease of \$3,001 and a decrease of \$3,736, respectively, from the previous year.
- The Town received \$350,428 in operating grants and contributions. This represents a decrease of \$423,627 or 55% from the previous year. This decrease is attributed to the expiration of the CARES Act award period in December 2021.

FINANCIAL HIGHLIGHTS FISCAL YEAR SEPTEMBER 30, 2022 (Continued)

- The Town's deferred revenue increased by \$4,857,964, or 4,912%. This is due to the majority of the funding received from the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) being received during the year, which had not been spent by September 30, 2022.

OVERVIEW OF FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position presents information on all the Town's assets and liabilities, with the difference between the two reported as net position as of September 30, 2022. 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, 2022. It provides a breakdown of revenues and expenses by function. All changes in net position are reported as soon as the underlying event, which contributes to the change, occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only affect cash flows in future fiscal periods. Examples of such items include revenues earned and expenses incurred but not yet paid, all of which will produce changes in cash in a future fiscal period.

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

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town only has governmental funds. The governmental funds financial statements are on pages 23 through 28.

FUND FINANCIAL STATEMENTS (Continued)

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.

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 24 and 28 provide a reconciliation of the balance sheet of governmental funds to the statement of net position as well as a reconciliation of the statement of revenues, expenditures, and changes in funds balance of governmental funds to the statement of activities.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide fund financial statements. The notes to the financial statements can be found on pages 29 through 72 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 on Pages 73 through 88.

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 \$35,632,675 reflecting an increase of \$578,775 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, 2022 and 2021.

	Net Position	
	<u>Governmental Activities</u>	
	<u>09/30/22</u>	<u>09/30/21</u>
Cash and cash equivalents	\$19,395,830	\$19,355,452
Investments	4,949,265	1,119,001
Receivables (taxes, grants, other miscellaneous), net	444,363	602,703
Prepaid expenses	63,366	67,129
Other assets	7,090	7,512
Capital assets, net of accumulated depreciation	47,368,691	47,328,733
Deferred outflows of resources	<u>199,540</u>	<u>180,686</u>
Total assets and deferred outflows of resources	<u>72,428,145</u>	<u>68,661,216</u>
Short-term liabilities	7,170,423	2,747,652
Long-term liabilities	29,488,635	30,787,357
Deferred inflows of resources	<u>136,412</u>	<u>72,307</u>
Total liabilities and deferred inflows of resources	<u>36,795,470</u>	<u>33,607,316</u>
Net position:		
Invested in capital assets, net of related debt	28,251,219	27,751,717
Restricted for State mandated funds	504,384	471,017
Unrestricted	<u>6,877,072</u>	<u>6,831,166</u>
Total net position	<u>\$35,632,675</u>	<u>\$35,053,900</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

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

For fiscal year 2022, the Town collected \$12,519,317 in revenues from all sources, while expending \$11,940,542, resulting in a net increase in financial position. The table below summarizes the fiscal years 2022 and 2021 revenues and expenses for the Town.

Change in Net Position

	<u>Year Ended</u>	
	<u>09/30/22</u>	<u>09/30/21</u>
Charges for services, fees, fines and forfeitures	\$ 1,476,756	\$ 1,174,620
Operating grants and contributions	<u>350,428</u>	<u>774,055</u>
Total program revenues	<u>1,827,184</u>	<u>1,948,675</u>
Property taxes-general purpose	6,275,736	5,445,896
Sales taxes	3,764,911	3,413,723
Franchise taxes	600,601	510,877
Interest income	86,859	48,069
Gain on disposal of assets		24,576
Unrealized loss on investment	(87,893)	
Miscellaneous income	<u>51,919</u>	<u>17,372</u>
Total general revenues	<u>10,692,133</u>	<u>9,460,513</u>
Total revenues	<u>\$12,519,317</u>	<u>\$11,409,188</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)

	<u>Year Ended</u>	
	<u>09/30/22</u>	<u>09/30/21</u>
Public safety – police	\$2,819,841	\$ 2,360,257
Community development	2,223,799	2,374,273
General government	1,335,316	1,326,482
Interest on long-term debt	1,073,166	1,096,750
Public safety – dispatch	833,370	824,190
Public services	494,671	624,085
Planning	227,748	537,074
Finance	550,551	437,846
Parks and recreation	856,547	425,848
Building services	412,716	342,664
Information technology	360,096	332,962
Municipal court	250,749	240,712
Storm water	245,348	226,180
Code enforcement	220,065	218,278
Executive	<u>36,559</u>	<u>41,770</u>
Total expenses	<u>11,940,542</u>	<u>11,409,371</u>
Change in net position	<u>\$ 578,775</u>	<u>\$ (183)</u>

Governmental Activities

The largest ongoing revenue source for the Town’s governmental activities is property taxes of \$6,275,736, which represents 50% of total revenues. Another significant source of revenue for governmental activities is state sharing of sales taxes. The sales tax revenue totals \$3,764,911 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 \$1,476,756 or 12% of total revenues for governmental activities.

The largest expenditure categories among governmental activities were public safety – police and community development, totaling \$2,819,841 and \$2,223,799, respectively. The public safety – police expenditure category represents 24% of total expenditures and includes the cost of the Town providing police protection to residents. The community development expenditure category represents 19% 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>09/30/22</u>	<u>09/30/21</u>	<u>09/30/22</u>	<u>09/30/21</u>
Public safety - police	\$ 2,819,841	\$ 2,360,257	\$ 1,971,105	\$1,117,970
Community development	2,223,799	2,374,273	2,223,799	2,374,273
General government	1,335,316	1,326,482	580,171	827,260
Interest on long-term debt	1,073,166	1,096,750	1,073,166	1,096,750
Public safety – dispatch	833,370	824,190	833,370	824,190
Public services	494,671	624,085	494,671	624,085
Planning	227,748	537,074	227,748	537,074
Finance	550,551	437,846	550,551	437,846
Parks and recreation	856,547	425,848	856,547	425,848
Building services	412,716	342,664	412,716	342,664
Information technology	360,096	332,962	360,096	332,962
Municipal court	250,749	240,712	27,446	33,546
Storm water	245,348	226,180	245,348	226,180
Code enforcement	220,065	218,278	220,065	218,278
Executive	<u>36,559</u>	<u>41,770</u>	<u>36,559</u>	<u>41,770</u>
Totals	<u>\$11,940,542</u>	<u>\$11,409,371</u>	<u>\$10,113,358</u>	<u>\$9,460,696</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 \$18,964,309, a decrease of \$557,496 compared to the prior year fund balance. Of this amount, \$3,861,680 (20.4%) constitutes unassigned fund balance, which is available for spending at the Town’s discretion. Of the total fund balances, \$15,039,263 (79.3%) is restricted for statutory requirements or committed for Town Council purposes. Less than 1% (or \$63,366) 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 \$5,298,201, an increase of \$392,001 compared to the prior year fund balance. Of this amount, \$3,755,807 (70.9%) is unassigned and available for spending at the Town's discretion. Of the remaining fund balances, \$1,479,028 (27.9%) is restricted for statutory requirements or committed for Town Council purposes and \$63,366 (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 ARPA funding. The ending fund balance was \$175, an increase of \$175 when compared to prior year and is classified as restricted.

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 \$1,797,105, a decrease of \$299,004 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 \$194,900, a decrease of \$26,437 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 \$1,930,924, an increase of \$101,262 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 \$9,759,850, a decrease of \$629,396 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 (\$16,846), a decrease of \$96,097 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 Transportation Reinvestment Zone #2 and Tax Increment Reinvestment Zone #1, and state and local grants received. The Tax Increment Reinvestment Zone #1 has a payable to the general fund in the amount of \$150,000 which was used to cover expenditures during the year and therefore caused a deficit in the fund's balance. This deficit is expected to be financed the following year by increasing property tax revenues. The deficit has been classified as unassigned fund balance for the year ended September 30, 2022. The remaining 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>2022</u>	<u>2021</u>
General Fund	\$ 5,298,201	\$ 4,906,200
Capital Improvements Fund	9,759,850	10,389,246
Economic Development Fund	1,930,924	1,829,662
Special Revenue Fund – Street Maintenance	1,797,105	2,096,109
Debt Service Fund	194,900	221,337
Federal Grants Fund	175	
State and Local Grants Fund		225
Aggregate Non-Major Funds	<u>(16,846)</u>	<u>79,026</u>
Combined fund balances	<u>\$18,964,309</u>	<u>\$19,521,805</u>

The 3% decrease in overall fund balance is primarily attributed to the decrease in operating grants revenue (55%) and an overall increase in expenses (5%) from the previous year.

Revenue Sources

Governmental fund revenues for the fiscal year ended September 30, 2022 and a comparison with the governmental fund revenues in the prior fiscal year are as follows:

	<u>2022</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Increase</u> <u>(Decrease)</u> <u>Over 2021</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Property taxes	\$ 6,272,469	50.1%	\$ 819,894	15.0%
Sales taxes	3,764,911	30.1%	351,188	10.3%
Grant income	350,428	2.8%	(423,627)	(54.7)%
Franchise taxes	600,601	4.8%	89,724	17.6%
Licenses, permits and fees	755,145	6.0%	256,007	51.3%
Charges for services	498,308	4.0%	30,076	6.4%
Fines and forfeitures	223,303	1.8%	16,053	7.7%
Interest income	86,859	0.7%	38,790	80.7%
Unrealized loss on investments	(87,893)	(0.7%)	(87,893)	(100)%
Contributions			(24,576)	(100)%
Other income	<u>51,919</u>	<u>0.4%</u>	<u>34,547</u>	<u>198.9%</u>
Total	<u>\$12,516,050</u>	<u>100%</u>	<u>\$1,100,183</u>	<u>9.6%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted General Fund budget for fiscal year September 30, 2022, totaled \$8,241,497. This was an increase of \$709,920 over the prior year budget. A budgeted increase in property taxes and license, permits, and fees 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 2022 fiscal year. The amendments increased the budget by \$390,000. The first amendment transferred prior year surplus funds in the amount of \$300,000 for property acquisition and other City Hall related expenses. The second amendment transferred prior year surplus finds in the amount of \$90,000 for software purchases regarding timekeeping, scheduling, budgeting, etc., which were not originally included in the budget.

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 decrease in grant income is due to a decrease in allowable grant expenses, ARPA funds have been recorded as deferred revenue for fiscal year ending 2022. The increase in property taxes was attributed to an increase in the assessed value of the Town's taxing jurisdiction.

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 2022, the Town expended \$446,206 less than budgeted in the General Fund.

Final Budget Versus Actual Results General Fund

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues/inflows:				
Property taxes	\$3,984,489	\$3,984,489	\$4,089,473	\$104,984
Sales taxes	2,349,166	2,349,166	2,526,011	176,845
Franchise taxes	513,247	513,247	600,601	87,354
Licenses, permits and fees	571,733	571,733	755,145	183,412
Charges for services	488,196	488,196	498,308	10,112
Fines and forfeitures	191,324	191,324	223,303	31,979
Unrealized loss on investments			(83,125)	(83,125)
Interest income	20,000	20,000	27,053	7,053
Grant income	84,418	84,418		(84,418)
Other income	38,924	38,924	22,837	(16,087)
Prior year surplus		<u>390,000</u>		<u>(390,000)</u>
Total revenues	<u>\$8,241,497</u>	<u>\$8,631,497</u>	<u>\$8,659,606</u>	<u>\$ 28,109</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	\$ 2,360,230	\$ 2,372,595	\$2,387,022	\$ (14,427)
Public safety - dispatch	954,247	836,165	841,433	(5,268)
General government	661,217	661,217	628,065	33,152
Community development	464,056	462,196	487,333	(25,137)
Finance	516,331	516,331	532,472	(16,141)
Planning	361,134	361,134	201,048	160,086
Public services	399,173	399,173	432,339	(33,166)
Parks and recreation	504,380	501,524	572,594	(71,070)
Building services	459,987	459,987	401,424	58,563
Information technology	342,596	429,404	349,592	79,812
Municipal court	309,630	309,630	246,280	63,350
Code enforcement	244,762	244,762	208,122	36,640
Capital outlay	563,608	677,233	445,127	232,106
Debt service	191,816	191,816	240,281	(48,465)
Storm water	85,800	85,800	99,028	(13,228)
Executive	<u>45,958</u>	<u>45,958</u>	<u>36,559</u>	<u>9,399</u>
Total expenditures	<u>\$8,464,925</u>	<u>\$8,554,925</u>	<u>\$8,108,719</u>	<u>\$446,206</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 \$47,368,691 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 \$493,202 primarily due to vehicles and equipment purchased for the public safety department.
- The Town's investment in infrastructure increased by \$5,715,765, which represents the cost of Corky Park and Golden Eagle Park Improvements projects, which were reclassified from construction in progress at completion.
- The Town purchased land totaling \$228,801 for its Municipal Facilities Phase 2 project which was included in construction in progress.
- The Town had an increase in construction in progress of \$1,590,470, the majority of it was due to ongoing projects such as the 2020 Street Maintenance Program.

CAPITAL ASSETS (Continued)

Capital assets held by the Town are summarized as follows:

Capital assets, net of accumulated depreciation

	<u>09/30/22</u>	<u>09/30/21</u>
Land	\$ 876,527	\$ 876,527
Building and improvements	354,312	399,739
Equipment	849,504	574,976
Right-of-use assets	607,207	716,829
Infrastructure	42,164,866	38,483,816
Intangibles	211,651	240,446
Construction in progress	<u>2,304,624</u>	<u>6,201,118</u>
Total capital assets, net	<u>\$47,368,691</u>	<u>\$47,493,451</u>

The implementation of GASB 87 – *Leases* led to the recognition of right-of-use assets which amounted to \$607,207, net of depreciation, at September 30, 2022. This includes \$552,111 of vehicle leases previously included in equipment, and two building leases totaling \$164,719 which were previously classified as operating leases and therefore not included in the Town’s capital assets. Accordingly, the ending balances at September 30, 2021 have been modified to reflect this change.

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

LONG-TERM DEBT

At the end of the fiscal year, the Town had long-term debt outstanding in the amount of \$30,706,024. The Town’s debt is composed of general obligation bonds, an intergovernmental payable, leases, accrued compensated absences, net pension liability and other post-employment benefit liability at September 30, 2022. The following table shows the change in long-term debt from 2021 to 2022:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Bonds payable (direct placement)	\$23,195,000	\$24,080,000	\$ (885,000)
Bond premium	1,583,014	1,663,642	(80,628)
Intergovernmental payable (direct borrowing)	3,576,744	3,792,480	(215,736)
Leases	522,564	594,859	(72,295)
Compensated absences	343,246	303,850	39,396
Net pension liability	1,396,712	1,494,640	(97,928)
Other post-employment benefit liability	<u>88,744</u>	<u>71,592</u>	<u>17,152</u>
Total	<u>\$30,706,024</u>	<u>\$32,001,063</u>	<u>\$(1,295,039)</u>

LONG-TERM DEBT (Continued)

As mentioned previously, the implementation of GASB 87 – *Leases* led to the recognition of right-of-use assets along with a corresponding lease liability. This led to a \$164,719 increase in prior year’s balance due to two buildings which were previously considered operating leases and therefore not included in the Town’s debt obligations. Accordingly, the ending balances at September 30, 2021 have been modified to reflect this change.

More detailed information about the Town’s long-term liabilities is presented in the notes to the financial statements on Pages 46 through 52 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 is being 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 has been stimulating 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. Although the Plan was meant to end during 2022, it is still ongoing during 2023.

In 2020, the Town established Reinvestment Zone #1 (TIRZ #1), which 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, which is then used to foster new development in the Town. The Zone is reported as a blended component unit as 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.

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 Audit of the Financial Statements

Opinions

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, 2022, 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.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Horizon City, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Horizon City, Texas’ ability to continue as a going concern for twelve months beyond the financial statement date, including any current known information that may raise substantial doubt shortly thereafter.

(Continued)

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

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

(Continued)

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

Report on the Audit of the Financial Statements (Continued)

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 15 and 73 through 86 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Horizon City, Texas' basic financial statements. The combining aggregate non-major fund financial statements on Pages 87 and 88 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.

(Continued)

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated April 25, 2023, on our consideration of the 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 the Town of Horizon City, Texas's 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's internal control over financial reporting and compliance.

SBNG, PC

El Paso, Texas
April 25, 2023

TOWN OF HORIZON CITY, TEXAS

STATEMENT OF NET POSITION

Year Ended September 30, 2022

<u>ASSETS</u>	Governmental <u>Activities</u>
Cash and cash equivalents	\$ 19,395,830
Investments	4,949,265
Taxes receivable	395,419
Grants receivable	33,359
Other receivables, net	15,585
Prepaid expenses	63,366
Other assets	7,090
Non-depreciable capital assets	3,181,151
Depreciable capital assets, net of accumulated depreciation	<u>44,187,540</u>
Total assets	<u>72,228,605</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources related to pension	181,137
Deferred outflows of resources related to other post-employment benefit obligation	<u>18,403</u>
Total deferred outflows of resources	<u>199,540</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS

**STATEMENT OF NET POSITION
(CONTINUED)**

Year Ended September 30, 2022

<u>LIABILITIES</u>	<u>Governmental Activities</u>
Accounts payable	\$ 614,489
Accrued liabilities	381,677
Deferred revenues	4,956,868
Due within one year:	
Bonds payable	915,000
Leases	265,464
Compensated absences	36,925
Due in more than one year:	
Bonds payable, net	23,863,014
Intergovernmental payable	3,576,744
Leases	257,100
Compensated absences	306,321
Net pension liability	1,396,712
Other post-employment benefit liability	<u>88,744</u>
Total liabilities	<u>36,659,058</u>

<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows of resources related to pension	133,881
Deferred inflows of resources related to other post-employment benefit obligation	<u>2,531</u>
Total deferred inflows of resources	<u>136,412</u>

<u>NET POSITION</u>	
Net position:	
Invested in capital assets, net of related debt	28,251,219
Restricted for State mandated funds	504,384
Unrestricted	<u>6,877,072</u>
Total net position	<u>\$35,632,675</u>

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

TOWN OF HORIZON CITY, TEXAS

STATEMENT OF ACTIVITIES

Year Ended September 30, 2022

<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	\$ 2,819,841	\$ 498,308	\$ 350,428	\$ (1,971,105)
Community development	2,223,799			(2,223,799)
General government	1,335,316	755,145		(580,171)
Interest on long-term debt	1,073,166			(1,073,166)
Public safety - dispatch	833,370			(833,370)
Public services	494,671			(494,671)
Planning	227,748			(227,748)
Finance	550,551			(550,551)
Parks and recreation	856,547			(856,547)
Building services	412,716			(412,716)
Information technology	360,096			(360,096)
Municipal court	250,749	223,303		(27,446)
Storm water	245,348			(245,348)
Code enforcement	220,065			(220,065)
Executive	36,559			(36,559)
Total governmental activities	<u>\$ 11,940,542</u>	<u>\$ 1,476,756</u>	<u>\$ 350,428</u>	<u>(10,113,358)</u>
		General revenues:		
				6,275,736
				3,764,911
				600,601
				86,859
				(87,893)
				51,919
			Total general revenues	<u>10,692,133</u>
			Change in net position	578,775
			Net position, beginning of year	<u>35,053,900</u>
			Net position, end of year	<u>\$ 35,632,675</u>

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

TOWN OF HORIZON CITY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2022

ASSETS	General Fund	Special Revenue Fund - Federal Grants	Street Maintenance Fund	Debt Service Fund	Economic Development Fund	Capital Improvements Fund	Aggregate Non-Major Funds	Total Governmental Funds
Cash and cash equivalents, non-pooled	\$ 912,793	\$	\$	\$	\$ 329,925	\$ 9,788,935	\$ 8,919	\$ 11,040,572
Pooled cash and cash equivalents	1,465,822	4,430,744	1,598,777	533	773,925		85,457	8,355,258
Investments	3,110,891				844,827			3,955,718
Pooled investments	123,294	524,056	211,946	73,027			61,224	993,547
Taxes receivable	282,184			110,180			3,055	395,419
Due from other funds	150,000			41,593				191,593
Grants receivable		7,661					25,698	33,359
Other receivables, net	15,585							15,585
Other assets					3,500	3,590		7,090
Prepaid expenses	63,366							63,366
Total assets	\$ 6,123,935	\$ 4,962,461	\$ 1,810,723	\$ 225,333	\$ 1,952,177	\$ 9,792,525	\$ 184,353	\$ 25,051,507
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 506,819	\$ 3,328	\$ 13,618	\$	\$ 9,905	\$ 32,675	\$ 48,144	\$ 614,489
Accrued liabilities	188,113	2,090			11,348			201,551
Unearned revenue		4,956,868						4,956,868
Due to other funds	41,593						150,000	191,593
Total liabilities	736,525	4,962,286	13,618		21,253	32,675	198,144	5,964,501
Deferred inflows of resources:								
Deferred property taxes	89,209			30,433			3,055	122,697
Total deferred inflows of resources	89,209			30,433			3,055	122,697
Fund balances:								
Nonspendable	63,366							63,366
Restricted	502,508	175					1,701	504,384
Committed	976,520		1,797,105		1,930,924	9,759,850	70,480	14,534,879
Unassigned	3,755,807			194,900			(89,027)	3,861,680
Total fund balances	5,298,201	175	1,797,105	194,900	1,930,924	9,759,850	(16,846)	18,964,309
Total liabilities, deferred inflows of resources and fund balances	\$ 6,123,935	\$ 4,962,461	\$ 1,810,723	\$ 225,333	\$ 1,952,177	\$ 9,792,525	\$ 184,353	\$ 25,051,507

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, 2022

Total fund balances of governmental funds in the balance sheet \$ 18,964,309

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	60,157,707	
Accumulated depreciation	<u>(12,789,016)</u>	47,368,691

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	181,137
Deferred outflows of resources related to other post-employment benefit obligation	18,403
Deferred inflows of resources related to pension	(133,881)
Deferred inflows of resources related to other post-employment benefit obligation	(2,531)

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	122,697
-------------------------	---------

Net pension and other post-employment benefit liabilities represent pensions liabilities in excess of the total pension assets, which are not available to pay current period expenditures and, therefore, excluded from the governmental funds:

Net pension liability	(1,396,712)
Other post-employment benefit liability	(88,744)

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:

Leases	(522,564)	
Bonds payable	(24,778,014)	
Intergovernmental payable	(3,576,744)	
Compensated absences	(343,246)	
Accrued interest	<u>(180,126)</u>	<u>(29,400,694)</u>

Total net position of governmental activities \$ 35,632,675

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, 2022

	<u>General Fund</u>	<u>Special Revenue Fund - Federal 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	\$ 4,089,473	\$	\$	\$ 1,833,325	\$	\$	\$ 349,671	\$ 6,272,469
Sales taxes	2,526,011		619,450		619,450			3,764,911
Licenses, permits and fees	755,145							755,145
Franchise taxes	600,601							600,601
Charges for services	498,308							498,308
Federal and state grants		81,116					269,312	350,428
Interest income	27,053		325	7,712	2,003	49,714	52	86,859
Fines and forfeitures	223,303							223,303
Unrealized loss on investments	(83,125)				(4,768)			(87,893)
Other income	22,837					28,263	819	51,919
	<u>8,659,606</u>	<u>81,116</u>	<u>619,775</u>	<u>1,841,037</u>	<u>616,685</u>	<u>77,977</u>	<u>619,854</u>	<u>12,516,050</u>
Total revenues								
<u>EXPENDITURES</u>								
Public safety - police	2,387,022	74,351					49,034	2,510,407
General government	628,065	4,498			473,393		98,537	1,204,493
Public safety - dispatch	841,433							841,433
Public services	432,339						53,435	485,774
Planning	201,048					1,704	1,267	204,019
Community development	487,333		33,711			1,957	25,575	548,576
Finance	532,472			2,893			10,422	545,787
Parks and recreation	572,594							572,594
Building services	401,424							401,424
Information technology	349,592							349,592

(Continued)

TOWN OF HORIZON CITY, TEXAS

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

Year Ended September 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund - Federal 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	\$ 246,280	\$	\$	\$	\$	\$	\$ 1,853	\$ 248,133
Code enforcement	208,122							208,122
Storm water	99,028							99,028
Executive	36,559							36,559
Debt service:								
Principal	202,971			885,000	35,938		215,736	1,339,645
Interest	37,310			979,581	62		144,817	1,161,770
Capital outlay	<u>445,127</u>	<u>2,092</u>	<u>885,068</u>	<u></u>	<u>6,030</u>	<u>1,003,712</u>	<u>140,775</u>	<u>2,482,804</u>
Total expenditures	<u>8,108,719</u>	<u>80,941</u>	<u>918,779</u>	<u>1,867,474</u>	<u>515,423</u>	<u>1,007,373</u>	<u>741,451</u>	<u>13,240,160</u>
Excess (deficit) of revenues over (under) expenditures	<u>550,887</u>	<u>175</u>	<u>(299,004)</u>	<u>(26,437)</u>	<u>101,262</u>	<u>(929,396)</u>	<u>(121,597)</u>	<u>(724,110)</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS

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

Year Ended September 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund - Federal 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):								
Transfers out	\$ (325,500)	\$	\$	\$	\$	\$	\$	\$ (325,500)
Transfers in						300,000	25,500	325,500
Proceeds from leases	<u>166,614</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>166,614</u>
Total other financing sources	<u>(158,886)</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>300,000</u>	<u>25,500</u>	<u>166,614</u>
Net change in fund balance	392,001	175	(299,004)	(26,437)	101,262	(629,396)	(96,097)	(557,496)
Fund balance, beginning of the year	<u>4,906,200</u>	<u> </u>	<u>2,096,109</u>	<u>221,337</u>	<u>1,829,662</u>	<u>10,389,246</u>	<u>79,251</u>	<u>19,521,805</u>
Fund balance, end of the year	<u>\$ 5,298,201</u>	<u>\$ 175</u>	<u>\$ 1,797,105</u>	<u>\$ 194,900</u>	<u>\$ 1,930,924</u>	<u>\$ 9,759,850</u>	<u>\$ (16,846)</u>	<u>\$ 18,964,309</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, 2022

Net change in fund balances – total governmental funds \$ (557,496)

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	2,482,804	
Depreciation expense	(2,607,564)	(124,760)

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	3,267
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The proceeds from intergovernmental payables provide current financial
resources to governmental funds, but issuing debt increases long-term
liabilities in the statement of net position.

Leases	(166,614)
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Payment of principal on bonds and amortization of bond premiums is an
expenditure in the governmental funds but the principal payment reduces
long-term liabilities in the statement of net position and interest expense in the
statement of activities is reduced by bond premium amortization. Amortization
for the current year amounted to \$80,627.

1,181,363

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

238,909

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	97,928	
Change in other post-employment benefit liability	(17,152)	
Change in accrued interest payable	7,977	
Change in compensated absences payable	(39,396)	
Change in deferred inflows related to pension	(67,841)	
Change in deferred inflows related to other post-employment benefits	3,736	
Change in deferred outflows related to other post-employment benefits	(3,001)	
Change in deferred outflows related to pension	21,855	4,106

Change in net position of governmental activities \$ 578,775

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, 2022.

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 Town 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.

Tax Increment Reinvestment Zone #1 (“TIRZ”) – 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 TIRZ, which is then used to foster new development in the Town. TIRZ is reported as a blended component unit because the majority of the governing body consists of members from the Town’s Council. TIRZ’s activities are reporting in the Town’s governmental activities as a special revenue fund. The Corporation’s fiscal year ends on September 30.

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

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

(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 – 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. 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 36.

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.

(Continued)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued) –

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 and other departments. 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.

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

(Continued)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued) –

Special Revenue Fund – Transportation Reinvestment Zone #2 – 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 and maintenance 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.

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.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues – Exchange and Non-Exchange Transactions (Continued) – 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.

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.

(Continued)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,104,122,001 for the year ended September 30, 2022. 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 2021-2022 tax rate was \$.565503, per \$100 of assessed valuation. The Town incurred expenditures of \$77,920 for the services provided by El Paso Central Appraisal District for the year ended September 30, 2022.

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, 2022, 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. 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
Right-to-use buildings	40
Machinery and equipment	7
Right-to-use vehicles	7
Office furniture and equipment	5-7
Infrastructure	25

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022, 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.

(Continued)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022, nonspendable fund balance consisted of prepaid expenses in the amount of \$63,366.

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 \$504,384 at September 30, 2022 represents amounts mandated by the State of Texas, the detail of which can be found on Page 64.

Committed fund balance – amounts that can be spent only for specific purposes determined by a resolution of the Town Council, the Town’s highest level of decision-making authority. The committed fund balance of \$14,534,879 is composed of funds for street development and maintenance, economic development, and capital improvement, the detail of which can be found on Page 65.

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.

(Continued)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued) –

- 2) Restricted net position – consists of net position with constraints placed on their use either by a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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

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

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, 2022.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

ACCOUNTING CHANGES

On October 1, 2021, the Town implemented GASB Statement No. 87, “Leases.” The implementation of this Statement resulted in the recognition of lease liabilities and corresponding right-of-use assets of \$164,718 in the Town’s financial statements, such leases were previously accounted for as operating leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Additional information can be found on pages 46-52.

DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

At September 30, 2022, the reported amount of the Town’s deposits was \$19,395,830 and the bank balance was \$19,392,922. 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 \$9,788,935 has been committed through Town Ordinance to be used in infrastructure projects. Cash held in the Economic Development Fund in the amount of \$1,103,850 has been committed through Town Council Ordinance to be used in economic development projects. Cash held in the General Fund totaling \$591,264 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, 2022, 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.

(Continued)

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, 2022, pledged collateral funds securing the Town’s deposits had a fair market value of \$6,131,796, which exceeded the combined bank balance for WestStar Bank of \$5,535,365.

The Town’s investment policy does not require that deposits held in investment accounts or intergovernmental investment pools be collateralized. On September 30, 2022, cash equivalents held in investment accounts totaling \$8,578,581 were insured by the FDIC up to \$1,464,714. Management does not believe the Town is exposed to any significant credit risk.

(Continued)

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

DEPOSITS AND INVESTMENTS (Continued)

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 this 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 \$5,278,976 in LOGIC at September 30, 2022. 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.

Investments held in the Economic Development Fund in the amount of \$844,827 have been committed through Town Council Ordinance to be used in economic development projects. There are other balances other than investments that have been committed through Council Ordinances.

(Continued)

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

DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Investments consist of the following at September 30, 2022:

	<u>Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
General Fund	A	\$3,234,185	\$3,234,185
Federal Grants Fund	A	524,056	524,056
Street Maintenance Fund	A	211,946	211,946
Debt Service Fund	A	73,027	73,027
Economic Development Fund	A	844,827	844,827
Aggregate Non-Major Funds	A	<u>61,224</u>	<u>61,224</u>
Total		<u>\$4,949,265</u>	<u>\$4,949,265</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 eight 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, 2022, 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	\$ 249,335
Issuer B	248,373
Issuer C	248,045
Issuer D	250,494
Issuer E	403,911
Issuer F	248,125
Issuer G	272,900
Issuer H	407,628
Issuer I	254,620
Issuer J	287,706
Issuer K	283,465
Issuer L	<u>516,305</u>
Total	<u>\$3,670,907</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, 2022:

	<u>Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net</u>
Governmental activities:			
Property taxes, current	\$305,643	\$	\$305,643
Property taxes, delinquent	<u>89,776</u>	<u> </u>	<u>89,776</u>
Property taxes, total	395,419		395,419
Other	<u>16,354</u>	<u>(769)</u>	<u>15,585</u>
Total governmental activities	<u>\$411,773</u>	<u>\$(769)</u>	<u>\$411,004</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, 2022:

Border Star	\$25,698
Stone Garden	<u>7,661</u>
Total	<u>\$33,359</u>

INTERFUND RECEIVABLES AND PAYABLES

The composition of the Town's interfund balances as of September 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Tax Reinvestment Zone	\$150,000
Debt Service	General Fund	<u>41,593</u>
	Total interfund receivables and payables	<u>\$191,593</u>

(Continued)

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

INTERFUND RECEIVABLES AND PAYABLES (Continued)

The composition of the Town's transfers as of September 30, 2022 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	\$325,500
Capital Improvements Fund	300,000	
Special Events	<u>25,500</u>	<u> </u>
Total	<u>\$325,500</u>	<u>\$325,500</u>

The Town's Special Events Fund's only source of revenue during the year ended September 30, 2022 was interest income, therefore the General Fund transferred \$25,500 to cover expenses. The Capital Improvements Fund purchased land for Phase 2 of its Municipal Facilities project, which involves a new Town Hall.

CAPITAL ASSETS

Capital asset activity for the Town for the year ended September 30, 2022, was as follows:

	<u>September 30,</u> <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>September 30,</u> <u>2022</u>
Non-depreciable assets:					
Land	\$ 876,527	\$	\$	\$	\$ 876,527
Construction in progress	<u>6,201,118</u>	<u>1,819,271</u>	<u> </u>	<u>(5,715,765)</u>	<u>2,304,624</u>
Total non-depreciable capital assets	<u>7,077,645</u>	<u>1,819,271</u>	<u> </u>	<u>(5,715,765)</u>	<u>3,181,151</u>
Depreciable assets:					
Building and improvements	851,522				851,522
Right-to use building leases	164,718				164,718
Equipment	2,901,408	493,202			3,394,610
Right to use vehicle leases	965,437	167,139			1,132,576
Intangibles	276,485	3,192			279,677
Infrastructure	<u>45,437,688</u>	<u> </u>	<u> </u>	<u>5,715,765</u>	<u>51,153,453</u>
Total depreciable capital assets	<u>50,597,258</u>	<u>663,533</u>	<u> </u>	<u>5,715,765</u>	<u>56,976,556</u>

(Continued)

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

CAPITAL ASSETS (Continued)

	September 30, <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	September 30, <u>2022</u>
Accumulated depreciation:					
Building and improvements	\$ (451,783)	\$ (45,427)	\$	\$	\$ (497,210)
Right to use building leases		(99,261)			(99,261)
Equipment	(2,326,432)	(218,674)			(2,545,106)
Right to use vehicle leases	(413,326)	(177,500)			(590,826)
Intangibles	(36,039)	(31,987)			(68,026)
Infrastructure	<u>(6,953,872)</u>	<u>(2,034,715)</u>	_____	_____	<u>(8,988,587)</u>
 Total accumulated depreciation	 <u>(10,181,452)</u>	 <u>(2,607,564)</u>	 _____	 _____	 <u>(12,789,016)</u>
 Depreciable capital assets, net	 <u>40,415,806</u>	 <u>(1,944,031)</u>	 _____	 <u>5,715,765</u>	 <u>44,187,540</u>
 Total capital assets, net	 <u>\$47,493,451</u>	 <u>\$ (124,760)</u>	 \$_____	 \$_____	 <u>\$47,368,691</u>

Depreciation expense was charged to functions/programs of the government for the year ended September 30, 2022 as follows:

Community development	\$1,678,206
Public safety – police	330,389
Parks and recreation	284,141
Storm water	146,320
General government	81,872
Planning	25,803
Building services	14,444
Code enforcement	13,699
Information technology service	11,352
Public services	8,897
Finance	7,677
Municipal court	<u>4,764</u>
 Total provisions for depreciation	 <u>\$2,607,564</u>

(Continued)

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

DEFERRED REVENUE

Deferred revenue was composed of the following at September 30, 2022:

Coronavirus State and Local Fiscal Recovery Funds (SLFRF), authorized by the American Rescue Plan Act (ARPA)	\$4,857,436
Forfeiture funds received from Customs and Border Protection	<u>99,432</u>
Total deferred revenue	<u>\$4,956,868</u>

During the year ended September 30, 2022, the Town received a total of \$4,876,630 in SLFRF funds. Only \$19,194 was spent before year-end, therefore the remaining balance remain in deferred revenue. The Department of Treasury of the United States released a Final Rule stating funds are to be spent in four broad categories: public health and economic impacts, premium pay, general government revenue loss, and investments in water, sewer, and broadband. SLFRF funds may be used to cover eligible costs incurred during the period that begins on March 3, 2021 and ends December 31, 2024, as long as the award funds for the obligations incurred by December 31, 2024 are expensed by December 31, 2026. At September 30, 2022, total obligated SLFRF funds per the Town's approved budget for the grant were \$829,000.

LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2022:

	<u>Balance at September 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at September 30, 2022</u>	<u>Due Within One Year</u>
Compensated absences	\$ 303,850	\$333,170	\$ (293,774)	\$ 343,246	\$ 36,925
Intergovernmental payable (direct borrowings)	3,792,480		(215,736)	3,576,744	
Bonds payable, net (direct placement)	25,743,642		(965,628)	24,778,014	915,000
Leases					
Vehicles	430,141	166,614	(141,647)	455,108	198,008
Buildings	164,718		(97,262)	67,456	67,456
Net pension liability	1,494,640		(97,928)	1,396,712	
Other post-employment benefit liability	<u>71,592</u>	<u>17,152</u>	<u> </u>	<u>88,744</u>	<u> </u>
	<u>\$32,001,063</u>	<u>\$516,936</u>	<u>\$(1,811,975)</u>	<u>\$30,706,024</u>	<u>\$1,217,389</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, 2022, employees had approximately 13,279 hours of accumulated paid-time-off.

Total accrued compensated absences \$343,246

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.

\$3,576,744

(Continued)

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

LONG-TERM DEBT (Continued)

Intergovernmental payable - CRRMA construction liability (Direct Borrowings) (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>
2023	\$	\$ 128,440	\$ 128,440
2024		168,241	168,241
2025		212,359	212,359
2026	136,352	124,416	260,768
2027	193,184	117,470	310,654
2028-2032	1,765,358	417,610	2,182,968
2033-2036	<u>1,481,850</u>	<u>47,182</u>	<u>1,529,032</u>
Totals	<u>\$3,576,744</u>	<u>\$1,215,718</u>	<u>\$4,792,462</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. \$ 325,000

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%. 11,815,000

(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>\$11,055,000</u>
Total bonds payable outstanding (Direct Placements)	23,195,000
Unamortized bond premium	<u>1,583,014</u>
Total bonds payable, net	24,778,014
Less amount due in one year	<u>915,000</u>
Amount due after one year	<u>\$23,863,014</u>

Annual debt service for the outstanding bonds, as shown on Page 46-47, is as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
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
2027	1,080,000	788,384	1,868,384
2028-2032	5,925,000	3,233,364	9,158,364
2033-2037	7,135,000	1,913,000	9,048,000
2038-2042	4,400,000	614,800	5,014,800
2043	<u>770,000</u>	<u>30,800</u>	<u>800,800</u>
Totals	<u>\$23,195,000</u>	<u>\$10,144,662</u>	<u>\$33,339,662</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)

Leases

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. During the year ended September 30, 2022, the Town entered into 5 additional lease agreements. The original leased principal for the 5 agreements is \$166,614. The agreements have varying monthly payments, which range from \$299 to \$842, and include implicit interest rates varying from 6.40% to 14.94% per annum. The lease agreements' maturity dates vary from September 2023 to August 2027 and are secured by vehicles.

Total vehicle lease obligations	\$455,108
Less amount due in one year	<u>198,008</u>
Amount due in more than one year	<u>\$257,100</u>

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. The Town also extended its lease agreement for the court and police department building through June 30, 2023, at a rate of \$5,000 per month through June 30, 2022, and increases to \$5,500 per month through June 30, 2023. The implicit interest rates for these leases are 0.18% and 0.23%, respectively.

Total building lease obligations	\$ 67,456
Less amount due in one year	<u>67,456</u>
Amounts due in more than one year	\$ _____

(Continued)

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

LONG-TERM DEBT (Continued)

Leases (Continued)

Annual debt service for the lease obligations is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$265,464	\$276,397	\$541,861
2024	139,760	15,186	154,946
2025	39,378	8,899	48,277
2026	47,372	5,248	52,620
2027	<u>30,590</u>	<u>1,295</u>	<u>31,885</u>
Totals	<u>\$522,564</u>	<u>\$307,025</u>	<u>\$829,589</u>

Amortization expense for leased vehicles is included in total depreciation expense recognized for the year. At September 30, 2022, total leased vehicles and buildings had a carrying balance of \$541,750 and \$65,457, respectively. Total amortization recognized in 2022 was \$276,761.

EMPLOYEE PENSION PLAN

Plan Description – The Town participates as one of 901 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 three monthly benefit payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLAN (Continued)

Benefits (Continued) – 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, current service credit and updated 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.

Prior service credit is a monetary credit that the Town may grant to eligible employees when the Town joined TMRS. The credit is used in calculating the employee’s retirement benefit and is based on compensation they earned while working for the Town before the Town joined TMRS.

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.

Updated Service Credit (USC) is a monetary credit the Town may grant to active members. The USC calculation is performed annually on a member’s account and may grant supplemental financial credits. The USC calculation considers a member’s salary history and the Town’s plan changes and may increase the value of a member’s benefit at retirement.

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:	3
Inactive employees entitled to but not yet receiving benefits:	25
Active employees:	<u>76</u>
Total	<u>104</u>

(Continued)

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

EMPLOYEE PENSION PLAN (Continued)

Employees Covered by Benefit Terms (Continued)

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 2022. The contribution rates for the Town were 5.75% and 5.72% in calendar years 2021 and 2022, respectively, for both the defined cash-balance pension plan and the Supplemental Death Benefits Fund. The Town’s contributions to TMRS were \$237,022 during the year ended September 30, 2022. 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 30, 2022.

At the December 31, 2021 valuation and measurement date, the following data was used by the Plan’s actuary to determine the Town’s contribution rate:

Annual payroll:	\$3,669,425
Average age of contributing members:	41.9
Average length of service in years of contributing members:	6.4

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, 2021 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.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLAN (Continued)

Net Pension Liability (Continued) – The Total Pension Liability in the December 31, 2021 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 by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of real rates of return for each major asset class in plan year 2021 are summarized in the following table:

Long-Term Expected Real Asset Class	Target Allocation	Rate of Return (Arithmetic)
Global equity	35%	7.55%
Core fixed income	6%	2.00%
Non-core fixed income	20%	5.68%
Other public & private markets	12%	7.22%
Real estate	12%	6.85%
Private equity	10%	10.00%
Hedge funds	5%	5.35%

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, 2021</u>
Total pension liability	\$3,018,566
Fiduciary net position	<u>1,621,854</u>
Net pension liability/(asset)	<u>\$1,396,712</u>
Fiduciary net position as a percentage of total pension liability	53.73%
Pensionable covered payroll	\$3,669,425
Net pension liability as a percentage of covered payroll	38.06%
Discount rate	6.75%
Long-term expected rate of return, net of investment expense	6.75%
Municipal bond rate (1)	1.84%

(Continued)

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

EMPLOYEE PENSION PLAN (Continued)

Net Pension Liability (Continued) –

- (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, 2021.

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.

Schedule of Changes in Net Pension Liability/(Asset) – The change in the reported net pension liability for the measurement period ended December 31, 2021 is as follows:

	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a)-(b)
Balance as of December 31, 2020	\$2,615,670	\$ 1,121,030	\$1,494,640
Changes for the year:			
Service cost	283,280		283,280
Interest on total pension liability	184,748		184,748
Difference between expected and actual experience	(24,523)		(24,523)
Benefit payments, including refunds of contributions	(40,609)	(40,609)	
Net investment income		147,641	(147,641)
Administrative expenses		(676)	676
Other		5	(5)
Employee contributions		183,471	(183,471)
Employer contributions	<u> </u>	<u>210,992</u>	<u>(210,992)</u>
Balance as of December 31, 2021	<u>\$3,018,566</u>	<u>\$1,621,854</u>	<u>\$1,396,712</u>

A schedule of Changes in Net Pension Liability and Related Ratios, 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 81 of this report.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLAN (Continued)

Sensitivity Analysis – The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate as of December 31, 2021:

	1% Decrease in Discount Rate <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase in Discount Rate <u>(7.75%)</u>
Net Pension Liability	<u>\$1,953,907</u>	<u>\$1,396,712</u>	<u>\$948,419</u>

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 30, 2022, is recognized by the Town as follows:

<u>Pension Expense/ (Income)</u>	<u>January 1, 2021 to December 31, 2021</u>
Service cost	\$283,280
Interest on total pension liability	184,748
Employee contributions	(183,471)
Projected earnings on plan investments	(75,670)
Administrative expenses	676
Other changes in fiduciary net position	(5)
Recognition of current year outflow (inflow) of resources-liabilities	(2,612)
Recognition of current year outflow (inflow) of resources-assets	(14,395)
Amortization or prior year outflows (inflows) of resources-liabilities	(3,892)
Amortization or prior year outflows (inflows) of resources-assets	<u>(6,882)</u>
Net pension expense	<u>\$181,777</u>

(Continued)

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

EMPLOYEE PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position (Continued)

Net Pension Expense (Continued) – As of September 30, 2022, 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	\$173,660	\$
Changes in pension assumptions		1,037
Difference between actual and expected pension experience	7,477	60,218
Difference between expected and actual investment earnings	<u> </u>	<u>72,626</u>
Total	<u>\$181,137</u>	<u>\$133,881</u>

Deferred outflows of resources related to pensions reported \$173,660 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. 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,

2022	\$145,879
2023	(27,781)
2024	(22,185)
2025	(20,895)
2026	(6,504)
Thereafter	<u>(21,258)</u>
Total	<u>\$ 47,256</u>

At September 30, 2022, the Town had outstanding contributions due to the Plan in the amount of \$42,252.

(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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	3
Inactive employees entitled to but not yet receiving benefits:	3
Active employees:	<u>76</u>
Total	<u>82</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, 2021 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)	1.84%

(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, 2021.

The actuarial assumptions used in the December 31, 2021 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, 2021 is as follows:

	Total OPEB Liability
Balance as of December 31, 2020	\$ 71,592
Changes for the year:	
Service cost	13,210
Interest on total OPEB liability	1,564
Differences between expected and actual experience	(975)
Changes in assumptions or other inputs	<u>3,353</u>
Balance as of December 31, 2021	<u>\$ 88,744</u>
 Total OPEB Liability as a Percentage of Covered Payroll	 <u>2.42%</u>

Sensitivity Analysis – The following presents the Total OPEB liability of the Town, calculated using the discount rate of 1.84%, 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 (0.84%) or one percentage point higher (2.84%) than the current rate as of December 31, 2021:

	1% Decrease in Discount Rate <u>(0.84%)</u>	Current Discount Rate <u>(1.84%)</u>	1% Increase in Discount Rate <u>(2.84%)</u>
Total OPEB liability	<u>\$114,011</u>	<u>\$88,744</u>	<u>\$70,113</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 30, 2022, is recognized by the Town as follows:

<u>OPEB Expense/ (Income)</u>	<u>January 1, 2021 to December 31, 2021</u>
Service cost	\$13,210
Interest on total OPEB liability	1,564
Recognition of deferred outflows/inflows of resources:	
Difference between expected and actual experience	(331)
Changes in assumptions	<u>1,974</u>
Total OPEB expense	<u>\$16,417</u>

As of September 30, 2022, 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	\$17,625	\$(1,044)
Difference between actual and expected pension experience	<u>778</u>	<u>3,575</u>
Total	<u>\$18,403</u>	<u>\$2,531</u>

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

Year Ending December 31,

2022	\$ 1,643
2023	1,643
2024	1,643
2025	1,643
2026	1,643
Thereafter	<u>7,657</u>
	<u>\$15,872</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, 2022, deferred outflows of resources with a balance of \$199,540 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 \$136,412 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 \$122,697 at September 30, 2022, 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.

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:

PEG Capital Fund	\$144,900
Technology Fund	132,488
Security Fund	130,420
Children's Fund	71,199
Truancy	12,782
Time Payments	9,751
State and Local Grants	1,701
STDS	714
Jury Fund	254
Federal Grants	<u>175</u>
Total	<u>\$504,384</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	\$ 9,759,850
Economic Development	1,930,924
Street Construction and Maintenance	1,797,105
Stabilization by City Charter	591,264
Other Capital Improvements	394,175
Transportation Reinvestment Zone #2	<u>61,561</u>
Total	<u>\$14,534,879</u>

DEFICIT FUND BALANCE

The Tax Increment Reinvestment Zone #1 Fund had a deficit at September 30, 2022 of \$89,027. This deficit will be financed through future revenues of the fund.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

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, 2022, 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	\$8,786,089
Information security and privacy liability	\$2,000,000
Flood and earthquake liability	\$1,500,000
Boiler and machinery liability	\$100,000
Mobile equipment liability	\$81,255
Public employee dishonesty liability	\$100,000
Forgery or alteration	\$100,000

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

COMMITMENTS AND CONTINGENCIES

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, 2021 for a year and the contract automatically renews every year. The Town incurred costs of \$28,782 in animal shelter services provided by the City in 2022.

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 ended on August 31, 2022. Total compensation for the public health and environmental services provided by the City was \$174,542 for the year ended September 30, 2022.

(Continued)

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

COMMITMENTS AND CONTINGENCIES (Continued)

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 agreement was renewed on October 1, 2021 and the Town incurred costs of \$49,392 under this contract for the year ended September 30, 2022. The new agreement ends on September 30, 2024.

The Town entered into an interlocal agreement with the County of El Paso in which the Town received public works services from the County, including operation, maintenance, and repair of public work's infrastructure. The period of the contract began March 8, 2016 and automatically renews every year. The fees for this agreement are as follows:

Support services	\$22-50 per hour
Road and bridge services	\$15-54 per hour
	\$112 per sign
	\$73-350,000 per mile
Maintenance operations	\$49-51 per hour

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 May 1, 2022 and ended on October 31, 2022 and is in the amount of \$23,393.

Texas Department of Transportation

On 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 Darrington Road. The Town's responsibilities for these projects include utilities and right-of-way acquisition. Once the construction phase begins, TxDOT will pay for construction on behalf of Horizon. The Town's matching contributions for these projects are \$47,485 and \$86,704, respectively.

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 Town's responsibility for this project is a local match, which has been estimated to be \$758,354.

(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 Camino Real Regional Mobility Authority (CRRMA) for acquiring properties for need for the development of the North Darrington Reconstruction project. The Town's responsibilities include utility relocations, environmental permitting, appraisals, as well as the design and planning of the North Darrington reconstruction project. CRRMA is responsible in aiding the Town with the right-of-way acquisitions and appraisals necessary for the project. The agreement began August 9, 2022 and will continue in effect until the completion of the services to be provided. The total estimated cost of this project is \$1,296,406. The Town had incurred expenses of \$2,092 under this contract for the year ended September 30, 2022.

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, 2022 was \$116,892. The agreement requires the annual contract amount be revisited every year and approved by both parties.

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, 2022 was \$361,304. The agreement requires the annual contract amount be revisited every year and approved by both parties.

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. Contract was renewed on March 8, 2022 for a three year term, with two options to extend for an additional year. The renewed agreement establishes quarterly payments are to be made in the amount of \$41,175. The Town incurred costs of \$164,883 under this contract for the year ended September 30, 2022.

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 \$332,846 under this contract for the year ended September 30, 2022.

(Continued)

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

COMMITMENTS AND CONTINGENCIES (Continued)

The Town entered into an agreement with Able City, LLC to provide architectural design standards for the Town's Transit Oriented Development for an estimated project amount of \$129,550. The Town had expended \$77,727 under this contract as of September 30, 2022.

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, 2022.

Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")

In July 2020, the Town entered an interlocal subrecipient grant agreement with the County of El Paso where the Town received funds appropriated under the CARES Act. The purpose of this grant is to provide funds to mitigate 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 total allotment to the Town amounted to \$1,080,310. The original agreement stipulated that a minimum of 75% of its allotment will be spent in the categories of medical expenses, public health expenses and payroll expenses for employees substantially dedicated to mitigating or responding to public emergency and that the funds were to be spent by December 1, 2021. Since then multiple amendments have been passed which removed 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 31, 2021. The amendments also allowed the Town to subcontract with vendors, organizations, non-profits and businesses on COVID-19 related matters.

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

In December 2020, the Town entered an agreement with El Paso County Emergency Services District #1 to assist the subcontractor with necessary expenditures incurred to provide emergency fire response 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. Subsequently, the Town amended the agreement to provide additional funding in the amount of \$109,795.

(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 December 2020, the Town entered 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 and any other necessary expenditures incurred due to the pandemic. The total amount of the agreement amounted to \$26,250.

In March 2021, the Town entered 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 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. The Town completed its expenditures of CARES Act funds on December 27, 2021.

RELATED PARTY

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

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.

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.

(Continued)

TOWN OF HORIZON CITY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NEW ACCOUNTING PRONOUNCEMENTS

For 2022, the Town implemented GASB Statement No. 87, “*Leases.*” GASB No. 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes the requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. These changes were incorporated in the Town’s 2022 financial statements, but did not have an effect on the beginning net position.

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. These changes were incorporated in the Town’s 2022 financial statements, but did not have an effect on the beginning net position.

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. These changes were incorporated in the Town’s 2022 financial statements, but did not have an effect on the beginning net position.

(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 March 2023, the Town amended its agreement with CRRMA for the right-of-way acquisition for the North Darrington reconstruction project. The Town’s financial responsibilities did not change as a result of this amendment.

Subsequent events were evaluated through April 25, 2023, 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, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues/inflows:				
Property taxes	\$ 3,984,489	\$ 3,984,489	\$ 4,089,473	\$ 104,984
Sales taxes	2,349,166	2,349,166	2,526,011	176,845
Franchise taxes	513,247	513,247	600,601	87,354
Licenses, permits and fees	571,733	571,733	755,145	183,412
Charges for services	488,196	488,196	498,308	10,112
Fines and forfeitures	191,324	191,324	223,303	31,979
Interest income	20,000	20,000	27,053	7,053
Grant income	84,418	84,418		(84,418)
Unrealized loss on investment			(83,125)	(83,125)
Other income	38,924	38,924	22,837	(16,087)
Prior year surplus		390,000		(390,000)
 Total revenues	 8,241,497	 8,631,497	 8,659,606	 28,109
 Expenditures/outflows:				
Public safety - police	2,360,230	2,372,595	2,387,022	(14,427)
Public safety - dispatch	954,247	836,165	841,433	(5,268)
General government	661,217	661,217	628,065	33,152
Community development	464,056	462,196	487,333	(25,137)
Finance	516,331	516,331	532,472	(16,141)
Planning	361,134	361,134	201,048	160,086
Public services	399,173	399,173	432,339	(33,166)
Parks and recreation	504,380	501,524	572,594	(71,070)
Building services	459,987	459,987	401,424	58,563
Information technology	342,596	429,404	349,592	79,812
Municipal court	309,630	309,630	246,280	63,350
Code enforcement	244,762	244,762	208,122	36,640
Capital outlay	563,608	677,233	445,127	232,106
Debt service	191,816	191,816	240,281	(48,465)
Storm water	85,800	85,800	99,028	(13,228)
Executive	45,958	45,958	36,559	9,399
 Total expenditures	 8,464,925	 8,554,925	 8,108,719	 446,206

(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, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Excess of revenues (expenditures) over expenditures (revenues)	\$ (223,428)	\$ 76,572	\$ 550,887	\$ 474,315
Other financing uses:				
Proceeds from capital leases	248,924	248,924	166,614	(82,310)
Transfers out	<u>(25,500)</u>	<u>(325,500)</u>	<u>(325,500)</u>	<u> </u>
Total other financing uses	<u>223,424</u>	<u>(76,576)</u>	<u>(158,886)</u>	<u>(82,310)</u>
Excess of revenue (expenditures) over expenditures (revenue) - budgetary basis	(4)	(4)	392,001	392,005
Fund balance, beginning of year	<u>4,906,200</u>	<u>4,906,200</u>	<u>4,906,200</u>	<u> </u>
Fund balance, end of year	<u>\$ 4,906,196</u>	<u>\$ 4,906,196</u>	<u>\$ 5,298,201</u>	<u>\$ 392,005</u>
Budget basis excess			<u>\$ 392,001</u>	
GAAP basis excess			392,001	
Fund balance, beginning of year			<u>4,906,200</u>	
Fund balance, end of year			<u>\$ 5,298,201</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 - FEDERAL GRANTS FUND**

Year Ended September 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Grant income	\$ 2,501,507	\$ 2,501,507	\$ 81,116	\$ (2,420,391)
Prior year surplus	<u>117,231</u>	<u>117,231</u>	<u> </u>	<u>(117,231)</u>
Total revenues	<u>2,618,738</u>	<u>2,618,738</u>	<u>81,116</u>	<u>(2,537,622)</u>
Expenditures/outflows:				
Public safety - police	81,921	81,921	74,351	7,570
General government	91,200	91,200	4,498	86,702
Capital outlay	117,231	117,231	2,092	115,139
General contingency	<u>2,328,386</u>	<u>2,328,386</u>	<u> </u>	<u>2,328,386</u>
Total expenditures	<u>2,618,738</u>	<u>2,618,738</u>	<u>80,941</u>	<u>2,537,797</u>
Excess of revenues over expenditures			175	175
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>\$ 175</u>	<u>\$ 175</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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Prior year fund surplus	\$ 540,666	\$ 540,666	\$	\$ (540,666)
Sales taxes	579,334	579,334	619,450	40,116
Interest income	<u> </u>	<u> </u>	<u>325</u>	<u>325</u>
Total revenues	<u>1,120,000</u>	<u>1,120,000</u>	<u>619,775</u>	<u>(500,225)</u>
Expenditures/outflows:				
Capital outlay	1,000,000	1,000,000	885,068	114,932
Community development	<u>120,000</u>	<u>120,000</u>	<u>33,711</u>	<u>86,289</u>
Total expenditures	<u>1,120,000</u>	<u>1,120,000</u>	<u>918,779</u>	<u>201,221</u>
Excess of expenditures over revenues			(299,004)	(299,004)
Fund balance, beginning of the year	<u>2,096,109</u>	<u>2,096,109</u>	<u>2,096,109</u>	<u> </u>
Fund balance, end of the year	<u>\$2,096,109</u>	<u>\$ 2,096,109</u>	<u>\$ 1,797,105</u>	<u>\$ (299,004)</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, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues/inflows:				
Sales taxes	\$ 579,334	\$ 579,334	\$ 619,450	\$ 40,116
Prior year fund surplus	44,723	109,366		(109,366)
Unrealized loss on investment			(4,768)	(4,768)
Interest income	<u> </u>	<u> </u>	<u>2,003</u>	<u>2,003</u>
Total revenues	<u>624,057</u>	<u>688,700</u>	<u>616,685</u>	<u>(72,015)</u>
Expenditures/outflows:				
General government	391,457	461,100	473,393	(12,293)
Debt service			36,000	(36,000)
Capital outlay	<u>232,600</u>	<u>227,600</u>	<u>6,030</u>	<u>221,570</u>
Total expenditures	<u>624,057</u>	<u>688,700</u>	<u>515,423</u>	<u>173,277</u>
Excess of revenues over expenditures			101,262	101,262
Fund balance, beginning of the year	<u>1,829,662</u>	<u>1,829,662</u>	<u>1,829,662</u>	<u> </u>
Fund balance, end of the year	<u>\$ 1,829,662</u>	<u>\$ 1,829,662</u>	<u>\$ 1,930,924</u>	<u>\$ 101,262</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 September 30, 2022.

BUDGET OVER-EXPENDITURES

The Town’s actual expenditures exceeded appropriations in the general fund in the following departments:

Public safety – police	\$ 14,427
Public safety – dispatch	5,268
Community development	25,137
Finance	16,141
Public services	33,166
Parks and recreation	71,070
Debt service	48,465
Storm water	<u>13,228</u>
Total	<u>\$226,902</u>

(Continued)

TOWN OF HORIZON CITY, TEXAS

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

BUDGET OVER-EXPENDITURES (Continued)

The public safety – police department exceeded appropriations due to an increase in travel, as well as turnover which increased the uniform, safety equipment, and supplies expenditures. The public safety – dispatch department exceeded its appropriations due to an increase in overtime and other payroll related expenses, as well as an increase in employee candidate testing due to turnover. Community development incurred costs regarding materials and supplies, as well as maintenance and gasoline expenses, causing it to exceed appropriations. The finance department exceeded its appropriations due to a combination of numerous fee increases such as audit fees, bank charges, appraisal fees, etc. The public services department experienced an increase in most of its contracts (animal shelter, ambulance service, etc.) and therefore exceeded its appropriations. Parks and recreation experienced an increase in its water expense due to its water park opening daily during the summer. The Town also exceeded its debt service appropriations due to the implementation of GASB 87 – *Leases*, in which a building previously classified as an operating lease, was serviced from this department. The storm water fund exceeded its appropriations due to an increase in maintenance costs.

The Town’s actual expenditures exceeded appropriations in the Economic Development Corporation fund in the following departments:

Debt service	\$36,000
General government	<u>12,293</u>
Total	<u>\$48,293</u>

The debt service expense exceeded its appropriations due to the implementation of GASB 87 – *Leases*, in which the EDC Headquarters building previously classified as an operating lease, was serviced from this department. The general government department exceeded its appropriations due to an increase in contracted services expenses.

TOWN OF HORIZON CITY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended December 31, 2012 through 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2012 - 2017</u>
Total Pension Liability					
Service cost	\$ 283,280	\$ 267,525	\$ 246,651	\$ 227,568	N/A
Interest on total pension liability	184,748	156,655	134,423	111,226	N/A
Change in benefit terms				1,534,956	N/A
Difference between expected and actual experience	(24,523)	9,221	(52,221)		N/A
Change in assumptions			(1,415)		N/A
Benefit payments/refund of contributions	<u>(40,609)</u>	<u>(9,554)</u>	<u>(7,486)</u>	<u>(1,879)</u>	N/A
Net change in total pension liability	402,896	423,847	319,952	1,871,871	N/A
Total pension liability, beginning	<u>2,615,670</u>	<u>2,191,823</u>	<u>1,871,871</u>		N/A
Total pension liability, ending	<u>3,018,566</u>	<u>2,615,670</u>	<u>2,191,823</u>	<u>1,871,871</u>	N/A
Fiduciary Net Position					
Employer contributions	210,992	204,640	185,067	170,748	N/A
Employee contributions	183,471	173,718	157,907	145,689	N/A
Net investment income	147,641	53,618	49,203		N/A
Benefit payments/refund of contributions	(40,609)	(9,554)	(7,486)	(1,879)	N/A
Administrative expenses	(676)	(343)	(275)		N/A
Other	<u>5</u>	<u>(14)</u>	<u>(9)</u>		N/A
Net change in fiduciary net position	500,824	422,065	384,407	314,558	N/A
Fiduciary net position, beginning	<u>1,121,030</u>	<u>698,965</u>	<u>314,558</u>		N/A
Fiduciary net position, ending	<u>1,621,854</u>	<u>1,121,030</u>	<u>698,965</u>	<u>314,558</u>	N/A
Net pension liability	<u>\$ 1,396,712</u>	<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	53.73%	42.86%	31.89%	16.80%	N/A
Pensionable covered payroll	\$ 3,669,425	\$ 3,474,351	\$ 3,158,143	\$ 2,913,801	N/A
Net pension liability as a percentage of covered payroll	38.06%	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, 2013 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2013 - 2017</u>
Actuarially determined contribution	\$ 233,010	\$ 205,449	\$ 199,168	\$ 181,876	\$ 122,493	\$N/A
Contributions in relation to the actuarially determined contribution	<u>237,022</u>	<u>208,933</u>	<u>202,931</u>	<u>184,048</u>	<u>123,956</u>	<u>N/A</u>
Contribution excess	<u>\$ (4,012)</u>	<u>\$ (3,484)</u>	<u>\$ (3,763)</u>	<u>\$ (2,172)</u>	<u>\$ (1,463)</u>	<u>\$N/A</u>
Covered payroll	\$ 4,120,982	\$ 3,549,524	\$ 3,385,938	\$ 3,103,685	\$ 2,090,333	\$N/A
Contributions as a percentage of covered payroll	5.75%	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 December 31, 2021

VALUATION DATE

Measurement Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
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METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal.
Amortization method	Level percentage of payroll, closed.
Remaining amortization period	22 years (longest amortization ladder)
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	Adopted restricted prior service credit.
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TOWN OF HORIZON CITY, TEXAS

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

Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2012 - 2017</u>
Total Other Post-Employment Benefit ("OPEB") Liability					
Service cost	\$ 13,210	\$ 10,423	\$ 6,632	\$ 6,993	N/A
Interest on total OPEB liability	1,564	1,420	1,316	1,016	N/A
Change in benefit terms				27,207	N/A
Difference between expected and actual experience	(975)	2,013	(4,826)		N/A
Change in assumptions	3,353	11,298	11,173		N/A
Benefit payments (1) (2)	<u> </u>	<u> </u>	<u> </u>	(3,073)	N/A
Net change in total OPEB liability	17,152	25,154	14,295	32,143	N/A
Total OPEB liability, beginning	<u>71,592</u>	<u>46,438</u>	<u>32,143</u>	<u> </u>	N/A
Total OPEB liability, ending	<u>\$ 88,744</u>	<u>\$ 71,592</u>	<u>\$ 46,438</u>	<u>\$ 32,143</u>	<u>N/A</u>
 Pensionable covered payroll	 \$3,669,425	 \$ 3,474,351	 \$ 3,158,143	 \$2,913,801	 N/A
Net pension liability as a percentage of covered payroll	2.42%	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 being 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

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

Year Ended December 31, 2021

VALUATION DATE

Notes December 31, 2021

METHODS AND ASSUMPTIONS

Actuarial Cost Method	Individual entry age normal.
Inflation	2.50%
Salary increases	3.50% to 11.50%, including inflation.
Discount rate (1)	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rate – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP.
Mortality rate – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

(1) The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

Note: The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

TOWN OF HORIZON CITY, TEXAS

SCHEDULE OF OTHER POST-EMPLOYMENT BENEFIT CONTRIBUTIONS

Year Ended September 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2013 - 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>\$</u> _____	<u>\$N/A</u>
Covered payroll	\$ 4,120,982	\$ 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%	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.

SUPPLEMENTARY INFORMATION

TOWN OF HORIZON CITY, TEXAS

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

September 30, 2022

	<u>Special Revenue Fund - State and Local Grants</u>	<u>Special Revenue Fund - Special Events</u>	<u>Transportation Reinvestment Zone #2</u>	<u>Tax Increment Reinvestment Zone #1</u>	<u>Aggregate Non-Major Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents, non-pooled	\$	\$ 8,919	\$	\$	\$ 8,919
Pooled cash and cash equivalents	(23,997)		4,372	105,082	85,457
Pooled investments			57,189	4,035	61,224
Grants receivable	25,698				25,698
Taxes receivable			3,055		3,055
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,701</u>	<u>\$ 8,919</u>	<u>\$ 64,616</u>	<u>\$ 109,117</u>	<u>\$ 184,353</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Due to other funds	\$	\$	\$	\$ 150,000	\$ 150,000
Accounts payable				48,144	48,144
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities				198,144	198,144
Deferred inflows of resources:					
Deferred property taxes			3,055		3,055
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources			3,055		3,055
Fund balances:					
Restricted	1,701				1,701
Committed		8,919	61,561		70,480
Unassigned				(89,027)	(89,027)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	1,701	8,919	61,561	(89,027)	(16,846)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities, deferred inflows of resources and fund balances	<u>\$ 1,701</u>	<u>\$ 8,919</u>	<u>\$ 64,616</u>	<u>\$ 109,117</u>	<u>\$ 184,353</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, 2022

	<u>Special Revenue Fund - State and Local Grants</u>	<u>Special Revenue Fund - Special Events</u>	<u>Transportation Reinvestment Zone #2</u>	<u>Tax Increment Reinvestment Zone #1</u>	<u>Aggregate Non-Major Funds</u>
<u>REVENUES</u>					
Property taxes	\$	\$	\$345,637	\$ 4,034	\$ 349,671
Federal and state grants	269,312				269,312
Interest income		29	22	1	52
Other income			819		819
Total revenues	<u>269,312</u>	<u>29</u>	<u>346,478</u>	<u>4,035</u>	<u>619,854</u>
<u>EXPENDITURES</u>					
Public safety - police	49,034				49,034
General government	5,475			93,062	98,537
Finance	10,422				10,422
Public services	53,435				53,435
Community development	5,575	20,000			25,575
Municipal court	1,853				1,853
Planning	1,267				1,267
Capital outlay	140,775				140,775
Debt service:					
Principal			215,736		215,736
Interest			144,817		144,817
Total expenditures	<u>267,836</u>	<u>20,000</u>	<u>360,553</u>	<u>93,062</u>	<u>741,451</u>
Excess of revenues (expenditures) over expenditures (revenues)	<u>1,476</u>	<u>(19,971)</u>	<u>(14,075)</u>	<u>(89,027)</u>	<u>(121,597)</u>
Other financing sources (uses):					
Transfers in		25,500			25,500
Total other financing sources		<u>25,500</u>			<u>25,500</u>
Net change in fund balance	1,476	5,529	(14,075)	(89,027)	(96,097)
Fund balance, beginning of the year	<u>225</u>	<u>3,390</u>	<u>75,636</u>		<u>79,251</u>
Fund balance, end of the year	<u>\$ 1,701</u>	<u>\$ 8,919</u>	<u>\$ 61,561</u>	<u>\$ (89,027)</u>	<u>\$ (16,846)</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, 2022, 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 25, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

(Continued)

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

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 25, 2023

TOWN OF HORIZON CITY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2022

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, 2022

**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.