

**TOWN OF HORIZON CITY, TEXAS**

**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2024**

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<b><u>TABLE OF CONTENTS</u></b>	<b><u>Page(s)</u></b>
Management's Discussion and Analysis	1-15
Independent Auditors' Report	16-19
<b>Financial Statements:</b>	
Statement of Net Position	20-21
Statement of Activities	22
Balance Sheet – Governmental Funds	23
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	25-27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Notes to Financial Statements	29-74
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	75-76
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Fund – Federal Grants Fund	77
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Fund – Street Maintenance Fund	78
Notes to Required Supplementary Information	79-80
Schedule of Changes in Net Pension Liability and Related Ratios	81
Schedule of Pension Contributions	82

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<b><u>TABLE OF CONTENTS (CONTINUED)</u></b>	<b><u>Page(s)</u></b>
Notes to Schedule of Pension Contributions	83
Schedule of Changes in Total Other Post-Employment Benefit Liability and Related Ratios	84
Schedule of Other Post-Employment Benefit Contributions	85
Notes to Schedule of Changes in Total Other Post-Employment Benefit Liability and Related Ratios and Other Post-Employment Benefit Contributions	86
<b>Supplementary Information:</b>	
Combining Schedule of Assets, Liabilities and Fund Balances – Aggregate Non-Major Funds	87
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Aggregate Non-Major Funds	88
<b>Auditors' Section:</b>	
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 <i>Government Auditing Standards</i>	89-90
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the <i>Uniform Guidance</i>	91-93
Schedule of Expenditures of Federal and State Awards	94-95
Notes to the Schedule of Expenditures of Federal and State Awards	96
Schedule of Findings and Questioned Costs	97-98

## **TOWN OF HORIZON CITY, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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, 2024. 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 FOR FISCAL YEAR ENDED SEPTEMBER 30, 2024**

- The Town's total assets amounted to \$101,568,684. This represents an increase of 2.2% from the prior year.
- Total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41,212,249 (net position). This represents an increase of 9.5% from the prior year.
- Total capital assets, net of accumulated depreciation amounted to \$51,677,813. This represents an increase of 4.4% from the prior year.
- Unrestricted net position, available to meet the Town's ongoing obligations, totaled \$7,045,569. The amount invested in capital assets, net of related debt, totaled \$33,471,236. Net position restricted for state mandated funds was \$695,444. This represents a decrease of 3.2%, an increase of 12.5%, and an increase of 12.2% from the prior year, respectively.
- The Town's governmental fund balance sheet shows a combined ending fund balance of \$43,935,339, a decrease of \$102,782 or 0.23% compared to the prior year fund balance.
- Total liabilities amounted to \$60,519,408 of which \$7,323,661 is due in less than one year. This represents a decrease of \$1,430,847 and an increase of \$43,821, respectively, compared to the prior year.
- General Fund revenues were approximately 3.8% less than budgeted and actual expenses were less than budgeted expenses by approximately 3.0%, resulting in an overall decrease in the fund balance of the General Fund of \$250,129.
- The Town's primary source of revenue comes from property taxes levied for general purpose and debt service, which amounted to \$8,226,228 in the current fiscal year. This represents approximately a 23.8% increase in comparison to the amount of property tax revenue in the prior fiscal year. Total revenues amounted to \$19,556,822, which represented an increase of \$3,293,593 from the prior year or 20.3%.

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**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2024  
(CONTINUED)**

- Total debt service expenditures for the year amounted to \$4,235,060, which represents an increase of 27.5% from prior year. The combined outstanding balance in bonds payable, capital leases, intergovernmental payable, pension, other post-employment benefit obligation, and accrued rebatable arbitrage was \$54,445,774 at the end of the fiscal year.
- The Town's revenues from sales taxes amounted to \$4,108,707 during 2024, of which \$650,269 was reserved for street maintenance and \$650,269 was reserved for economic development. Total sales taxes increased by approximately 4.2% from the prior year primarily due to an increase in commercial sales revenue in the Town's jurisdiction.
- The Town invested \$5,793,295 in equipment, right-of-way acquisition, and infrastructure, resulting in a 4.4% increase in capital assets, net of accumulated depreciation. The Capital Improvements Fund maintains proceeds from Combination Tax and Revenue Series 2014 Certificates of Obligation, Combination Tax and Revenue Series 2019 Certificates of Obligation and Combination Tax and Revenue Series 2023 Certificates of Obligation, which have been committed by Town ordinance to be issued in infrastructure projects included in the Capital Improvements Master Plan. The Town's Capital Improvement Fund provided \$4,174,543 for infrastructure. At the end of the fiscal period, the net change in fund balance in the Capital Improvements Fund was \$99,382, representing a 100% decrease from the prior year due to capital outlay expenditures and proceeds from bond issuance.
- 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 \$183,869 at September 30, 2024, represent the portion of property tax revenue receivable not collected within 60 days following the end of the fiscal year. This represents an increase of 39.5% from the prior year.
- During 2024, the Town participated in the Texas Municipal Retirement System ("TMRS") Pension Plan. The Town's net pension liability was measured at December 31, 2023, the Plan year, for a total amount of \$1,464,917. This represented a decrease of \$106,267 from the previous year. In 2024, the Town recognized net pension expense of \$238,807, represents an increase of \$9,905 from the previous year.
- At September 30, 2024, total deferred outflows and inflows of resources related to pensions were \$360,328 and \$181,368, respectively, which represented a decrease of \$24,609 and increase of \$43,072, 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, 2023, the Plan year, the Town recognized a total liability of \$80,995 for the supplemental death benefit plan. This represents an increase of \$14,610 or 22% from the previous year. Total deferred outflows and inflows of resources related to the Plan were \$20,520 and \$36,507, which represented a decrease of \$374 and \$5,895 respectively, from the previous year.

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## **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2024 (CONTINUED)**

- The Town received \$3,143,133 in operating and capital grants and contributions. This represents an increase of \$412,662 or 15.1% from the previous year. This increase is attributed to an increase in expenditures for an in-kind federal and state award received from the Texas Department of Transportation for the improvement of roads in the amount of \$2,229,776 and \$148,703, respectively, compared to the prior year.
- The Town's deferred revenue decreased by \$510,162, or 12.3%. This is due to a portion of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) being spent on construction and assistance to small businesses.
- Subsequent to year end, the Town purchased a total of 37 land lots for \$3,244,146.

## **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, 2024. 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, 2024. 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.

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## GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The government-wide financial statements not only include the Town itself, but also its component units, Town of Horizon City Type 4B Economic Development Corporation and Tax Increment Reinvestment Zone #1. The component units are blended with the Town's operations. More information can be found on pages 29 and 30.

## 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.

The Town's finances are segregated into four types of funds: General Fund, Special Revenue Funds, Debt Service Fund, Capital Improvements Fund and Street Maintenance 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 Street Maintenance Fund provides maintenance of the existing streets of the city.

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 named *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.

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## FUND FINANCIAL STATEMENTS (CONTINUED)

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 fund balances 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 74 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 major 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 75 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 \$41,212,249 reflecting an increase of \$3,566,449 compared to the previous fiscal year. The table below summarizes the Town's total assets, deferred outflows or inflows of resources, liabilities and net position for the fiscal years ended September 30, 2024 and 2023.

### Net Position

	<u>Governmental Activities</u>	
	<u>09/30/24</u>	<u>09/30/23</u>
Cash and cash equivalents	\$38,017,206	\$44,168,713
Investments	11,195,729	5,041,219
Receivables (taxes, grants, other miscellaneous), net	531,304	526,543
Prepaid expenses	139,542	132,114
Other assets	7,090	7,090
Capital assets, net of accumulated depreciation	51,677,813	49,495,243
Deferred outflows of resources	<u>380,848</u>	<u>405,831</u>
Total assets and deferred outflows of resources	<u>101,949,532</u>	<u>99,776,753</u>

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## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

### Net Position (Continued)

Short-term liabilities	\$ 7,323,661	\$ 7,279,840
Long-term liabilities	53,195,747	54,670,415
Deferred inflows of resources	<u>217,875</u>	<u>180,698</u>
Total liabilities and deferred inflows of resources	<u>60,737,283</u>	<u>62,130,953</u>
Net position:		
Invested in capital assets, net of related debt	33,442,640	29,749,656
Restricted for State mandated funds	695,444	620,081
Unrestricted	<u>7,074,165</u>	<u>7,276,063</u>
Total net position	<u>\$41,212,249</u>	<u>\$37,645,800</u>

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

For fiscal year 2024, the Town collected \$19,556,822 in revenues from all sources, while expending \$15,990,373, resulting in a net increase in financial position. The table below summarizes the fiscal years 2024 and 2023 revenues and expenses for the Town.

### Change in Net Position

	<u>Year Ended</u>	
	<u>09/30/24</u>	<u>09/30/23</u>
Charges for services, fees, fines and forfeitures	\$ 1,424,488	\$ 1,498,762
Operating grants and contributions	253,155	108,142
Capital grants and contributions	<u>2,889,978</u>	<u>2,622,329</u>
Total program revenues	<u>4,567,621</u>	<u>4,229,233</u>
Property taxes	8,226,228	6,642,789
Sales taxes	4,108,707	3,943,506
Franchise taxes	556,571	643,213
Interest income	2,127,705	720,583
Gain (loss) on disposal of assets	(60,534)	17,159
Miscellaneous income	<u>30,524</u>	<u>66,746</u>
Total general revenues	<u>14,989,201</u>	<u>12,033,996</u>
Total revenues	<u>19,556,822</u>	<u>16,263,229</u>

(Continued)

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

### Change in Net Position (Continued)

	<u>Year Ended</u>	
	<u>09/30/24</u>	<u>09/30/23</u>
Public safety – police	\$ 3,666,298	\$ 3,242,202
Interest on long-term debt	2,595,919	1,180,662
Community development	2,300,062	2,263,589
Parks and recreation	1,621,256	1,502,035
General government	1,421,410	1,644,834
Public safety – dispatch	1,036,611	882,010
Finance	678,455	625,608
Bond issuance costs		577,630
Public services	604,711	475,937
Information technology	491,312	449,286
Building services	413,270	396,212
Planning	355,380	313,393
Municipal court	288,004	241,028
Code enforcement	252,706	208,755
Storm water	226,368	204,543
Executive	<u>38,611</u>	<u>42,380</u>
Total expenses	<u>15,990,373</u>	<u>14,250,104</u>
Change in net position	<u>\$ 3,566,449</u>	<u>\$ 2,013,125</u>

### Governmental Activities

The largest ongoing revenue source for the Town's governmental activities is property taxes of \$8,226,228 which represents 42% of total revenues. Another significant source of revenue for governmental activities is state sharing of sales taxes. The sales tax revenue totals \$4,108,707 or 21% of total revenues for governmental activities. Additional significant sources of revenue for governmental activities are grants and contributions of \$3,143,133 or 16% of total revenues for governmental activities.

The largest expenditure categories among governmental activities were public safety – police and debt interest totaling \$3,666,298 and \$2,595,919, respectively. The public safety – police expenditure category represents 23% of total expenditures and includes the cost of the Town providing police protection to residents. The debt interest expenditure category represents 16% of total expenditures mainly due to outstanding debt from certificates of obligation.

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## 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>09/30/24</u>	<u>09/30/23</u>	<u>09/30/24</u>	<u>09/30/23</u>
Public safety - police	\$ 3,666,298	\$ 3,242,202	\$ 2,757,874	\$2,426,264
Interest on long-term debt	2,595,919	1,180,662	2,595,919	1,180,662
Community development	2,300,062	2,263,589	(589,916)	(358,740)
Parks and recreation	1,621,256	1,502,035	1,621,256	1,502,035
General government	1,421,410	1,644,834	900,618	1,075,681
Public safety – dispatch	1,036,611	882,010	1,036,611	882,010
Finance	678,455	625,608	678,455	625,608
Bond issuance costs		577,630		577,630
Public services	604,711	475,937	604,711	475,937
Information technology	491,312	449,286	491,312	449,286
Building services	413,270	396,212	413,270	396,212
Planning	355,380	313,393	355,380	313,393
Municipal court	288,004	241,028	39,457	19,215
Code enforcement	252,706	208,755	252,826	208,755
Storm water	226,368	204,543	226,368	204,543
Executive	<u>38,611</u>	<u>42,380</u>	<u>38,611</u>	<u>42,380</u>
Totals	<u>\$15,990,373</u>	<u>\$14,250,104</u>	<u>\$11,422,752</u>	<u>\$10,020,871</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 \$43,935,339, a decrease of \$102,782 compared to the prior year fund balance. Of this amount, \$3,396,703 (8%) constitutes unassigned fund balance, which is available for spending at the Town's discretion. Of the total fund balances, \$40,399,094 (92%) is restricted for statutory requirements or committed for Town Council purposes. Less than 1% (or \$139,542) of the combined ending fund balance represents prepaid expenses in non-spendable form.

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## **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 \$5,452,793, a decrease of \$250,129 compared to the prior year fund balance (as restated). Of this amount, \$3,486,132 (64%) is unassigned and available for spending at the Town's discretion. Of the remaining fund balances, \$1,829,068 (34%) is restricted for statutory requirements or committed for Town Council purposes and \$137,593 (2%) 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 \$89,580, an increase of \$35,899 when compared to prior year and is classified as restricted.

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 \$48,086, a decrease of \$173,658 compared to the prior year and is classified as unassigned fund balance.

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, Combination Tax and Revenue Series 2019 Certificates of Obligation and Combination Tax and Revenue Series 2023 Certificates of Obligation that are to be used for future infrastructure and commercial development projects. The fund balance at year-end was \$33,872,290, an increase of \$99,382 compared to the prior year (as restated) and is classified as funds committed by Town Council.

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 ending fund balance was \$2,208,245, a decrease of \$80,687 when compared to prior year and is classified as committed.

The Town's Aggregate Non-Major Funds had a combined fund balance of \$2,264,345, a decrease of \$266,411 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 fiscal year 2023 and therefore caused a deficit in the fund's unassigned balance. This deficit is expected to be eliminated the following years by increasing property tax revenues. The deficit has been classified as unassigned fund balance for the year ended September 30, 2024. The remaining fund balance in Aggregate Non-Major Funds is classified \$1,949 as nonspendable, \$3,480 as restricted, and \$2,396,431 as committed by Town Council.

The Town identified an error in the prior year's financial statements where a \$354,253 interfund advance from the General Fund to the Capital Improvements Fund was incorrectly recorded as an interfund transfer. This misstatement understated the General Fund's beginning fund balance and overstated the Capital Improvements Fund's balance. A reclassification was made to correct this, increasing the General Fund's beginning balance by \$354,253 and decreasing the Capital Improvements Fund's balance accordingly. This reclassification does not affect total combined fund balance.

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## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

### Governmental Funds (Continued)

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

	<u>2024</u>	<u>2023</u> <u>(As restated)</u>
General Fund	\$ 5,452,793	\$ 5,702,922
Street Maintenance Fund	2,208,245	2,288,932
Capital Improvements Fund	33,872,290	33,772,908
Debt Service Fund	48,086	221,744
Federal Grants Fund	89,580	53,681
Aggregate Non-Major Funds	<u>2,264,345</u>	<u>1,997,934</u>
Combined fund balances	<u>\$43,935,339</u>	<u>\$44,038,121</u>

The 0.23% decrease in overall fund balance is primarily attributed to an overall increase in expenses from the previous year.

### Revenue Sources

Governmental fund revenues for the fiscal year ended September 30, 2024 and a comparison with the governmental fund revenues in the prior fiscal year are as follows:

	<u>2024</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Increase</u> <u>(Decrease)</u> <u>Over 2023</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Property taxes	\$ 8,174,127	41.1%	\$1,540,409	23.2%
Sales taxes	4,108,707	20.7%	165,201	4.2%
Grant income	3,143,133	15.8%	412,662	15.1%
Interest income	2,127,705	10.7%	1,407,122	195.3%
Charges for services	655,269	3.3%	(52,527)	(7.4)%
Franchise taxes	556,571	2.8%	(86,642)	(13.5)%
Licenses, permits and fees	520,672	2.6%	(48,481)	(8.5)%
Fines and forfeitures	248,547	1.3%	26,734	12.1%
Other income	<u>342,948</u>	<u>1.7%</u>	<u>276,202</u>	<u>413.8%</u>
Total	<u>\$19,877,679</u>	<u>100%</u>	<u>\$3,640,680</u>	<u>22.4%</u>

(Continued)

## GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted General Fund budgeted revenue for fiscal year September 30, 2024, totaled \$10,017,891. This was an increase of \$494,093 over the prior year budget. A budgeted increase in property taxes, gas franchise and interest income were the primary drivers in the revenue increase. The increase in budgeted revenue was to support the net effect of new personnel hires, salary adjustments and incentives. Full benefits for the additional positions are offset by decreases in contracted services. In addition, the Town anticipated increases in parks maintenance, utilities and leased equipment.

The increase in sales tax revenue is attributed to a continued increase in sales experienced by commercial establishments in the Town's taxing jurisdiction. The increase in property taxes was attributed to an increase in the assessed value of the Town's taxing jurisdiction.

The amendments to the General Fund adopted budget during the 2023 fiscal year were reclassifications between department and capital expenditures. The amendments did not result in additional total budgeted appropriations.

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 2024, the Town expended \$316,531 less than budgeted in the General Fund.

### Final Budget Versus Actual Results General Fund

	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Favorable (Unfavorable)</u></b>
Revenues/inflows:				
Property taxes	\$ 4,683,973	\$ 4,683,973	\$4,649,206	\$ (34,767)
Sales taxes	2,871,536	2,871,536	2,751,923	(119,613)
Franchise taxes	664,989	664,989	556,571	(108,418)
Licenses, permits and fees	777,092	777,092	520,672	(256,420)
Charges for services	654,473	654,473	655,269	796
Fines and forfeitures	233,780	233,780	248,547	14,767
Interest income	116,344	116,344	225,056	108,712
Other income	<u>15,704</u>	<u>15,704</u>	<u>32,994</u>	<u>17,290</u>
Total revenues	<u>\$10,017,891</u>	<u>\$10,017,891</u>	<u>\$9,640,238</u>	<u>\$(377,653)</u>

(Continued)

## GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

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

	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Favorable (Unfavorable)</u></b>
Expenditures/outflows:				
Public safety - police	\$ 3,143,609	\$ 3,067,432	\$ 3,135,291	\$ (67,859)
Public safety - dispatch	1,160,925	1,129,561	1,044,044	85,517
General government	908,097	908,097	757,497	150,720
Community development	528,585	528,585	478,203	50,382
Finance	665,814	665,814	664,281	1,533
Planning	404,380	417,380	307,799	109,581
Public services	549,784	536,784	596,572	(59,788)
Parks and recreation	578,255	578,255	801,261	(223,006)
Building services	440,118	440,118	406,311	33,807
Information technology	586,055	564,769	490,750	74,019
Municipal court	307,528	307,528	290,007	17,521
Code enforcement	267,576	267,576	248,589	18,867
Capital outlay	506,081	634,908	447,390	187,518
Debt service	210,688	210,688	292,782	(82,094)
Storm water	90,037	90,037	80,621	9,416
Executive	<u>49,008</u>	<u>49,008</u>	<u>38,611</u>	<u>10,397</u>
Total expenditures	<u>\$10,396,540</u>	<u>\$10,396,540</u>	<u>\$10,080,009</u>	<u>\$316,531</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 \$51,677,813 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 \$371,048 primarily due to vehicles and equipment purchased for the public safety department.
- The Town's investment in infrastructure increased by \$3,149,144, which includes the cost of projects completed in the current year, such as Darrington Reconstruction Right-of-Way Acquisitions, Beaux Street Improvements, 2020 Street Maintenance Program, and Oxbow and Pawling Street Improvements.
- The Town had a net increase in construction in progress of \$876,595, the majority of which was due to ongoing projects such as the Municipal Facilities, Transit Center Plaza, North Darrington Road Widening, and Rodman Street projects.

(Continued)

## CAPITAL ASSETS (CONTINUED)

- The Town had an increase in right-of-use assets of \$210,458 related to building and vehicle leases.

Capital assets held by the Town are summarized as follows:

	<u>09/30/24</u>	<u>09/30/23</u>
Land and land rights	\$ 1,647,590	\$ 876,527
Building and improvements	257,452	305,882
Equipment	927,607	812,127
Right-of-use lease assets	887,107	888,270
Infrastructure	40,299,891	39,805,063
Intangibles	155,863	181,666
Construction in progress	<u>7,502,303</u>	<u>6,625,708</u>
Total capital assets, net	<u>\$51,677,813</u>	<u>\$49,495,243</u>

Additional information on the Town's capital assets can be found in the notes to the financial statements on Pages 45 through 46.

## LONG-TERM DEBT

At the end of the fiscal year, the Town had long-term debt outstanding in the amount of \$54,445,774. 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, 2024. The following table shows the change in long-term debt from 2023 to 2024:

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Due within one year:			
Bonds payable (direct placement)	\$ 990,000	\$ 950,000	\$40,000
Leases	182,177	258,579	(76,402)
Intergovernmental payable	28,596		28,596
Compensated absences	<u>49,254</u>	<u>50,672</u>	<u>(1,418)</u>
	<u>1,250,027</u>	<u>1,259,251</u>	<u>(9,224)</u>

(Continued)



## LONG-TERM DEBT (CONTINUED)

Due in more than one year:			
Bonds payable (direct placement)	\$45,750,000	\$46,740,000	\$ (990,000)
Bond premium	2,136,663	2,247,680	(111,017)
Intergovernmental payable (direct borrowing)	2,480,479	3,161,754	(681,275)
Leases	539,548	514,735	24,813
Compensated absences	375,394	368,677	6,717
Net pension liability	1,464,917	1,571,184	(106,267)
Rebatable arbitrage liability	367,751		367,751
Other post-employment benefit liability	<u>80,995</u>	<u>66,385</u>	<u>14,610</u>
	<u>53,195,747</u>	<u>54,670,415</u>	<u>(1,474,668)</u>
Total	<u>\$54,445,774</u>	<u>\$55,929,666</u>	<u>\$(1,483,892)</u>

More detailed information about the Town's long-term liabilities is presented in the notes to the financial statements on Pages 47 through 65 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 have brought new families to the Town and a concurrent increases in sales by local vendors, and thus, will continue to increase the sales and franchise tax rebates to the Town in the following years. 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 2025-2027 Capital Improvement Plan ("CIP") that focuses on the construction, reconstruction, and repair of public infrastructure. The projects are being funded by various sources that include the Town's Transportation Reinvestment Zone, the State's Surface Transportation Program, Federal and State grants, and Certificates of Obligation (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 2024 and is expected to continue beyond 2027.

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.

(Continued)

## **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 Andres Renteria  
Town of Horizon City, Texas

**INDEPENDENT AUDITORS' REPORT**

To Honorable Mayor Andres Renteria  
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, 2024, 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, 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 Andres Renteria  
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 auditors' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government 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 Andres Renteria  
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 74 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 Town of Horizon City, Texas' basic financial statements. The accompanying combining aggregate non-major fund financial statements on Pages 87 and 88 and schedule of expenditures of federal and state awards on Pages 94 and 95, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor fund financial statements and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(Continued)

To Honorable Mayor Andres Renteria  
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 17, 2025, 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' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Horizon City, Texas' internal control over financial reporting and compliance.

*SBNG, PC*

El Paso, Texas  
April 17, 2025

**TOWN OF HORIZON CITY, TEXAS**

**STATEMENT OF NET POSITION**

**September 30, 2024**

<b><u>ASSETS</u></b>	<b><u>Governmental Activities</u></b>
Cash and cash equivalents	\$ 38,017,206
Investments	11,195,729
Taxes receivable	481,867
Grants receivable	43,652
Other receivables, net	5,785
Prepaid expenses	139,542
Other assets	7,090
Non-depreciable capital assets	9,149,893
Depreciable capital assets, net of accumulated depreciation	<u>42,527,920</u>
Total assets	<u>101,568,684</u>
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Deferred outflows of resources related to pension	360,328
Deferred outflows of resources related to other post-employment benefit obligation	<u>20,520</u>
Total deferred outflows of resources	<u>380,848</u>

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

**STATEMENT OF NET POSITION  
(CONTINUED)**

**September 30, 2024**

<b><u>LIABILITIES</u></b>	<b>Governmental <u>Activities</u></b>
Accounts payable	\$ 1,867,192
Accrued liabilities	566,646
Deferred revenues	3,639,796
Due within one year:	
Bonds payable	990,000
Leases	182,177
Compensated absences	49,254
Intergovernmental payable	28,596
Due in more than one year:	
Bonds payable, net	47,886,663
Intergovernmental payable	2,480,479
Leases	539,548
Compensated absences	375,394
Net pension liability	1,464,917
Accrued rebatable arbitrage	367,751
Other post-employment benefit liability	<u>80,995</u>
Total liabilities	<u>60,519,408</u>

<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred inflows of resources related to pension	181,368
Deferred inflows of resources related to other post-employment benefit obligation	<u>36,507</u>
Total deferred inflows of resources	<u>217,875</u>

<b><u>NET POSITION</u></b>	
Net position:	
Invested in capital assets, net of related debt	33,471,236
Restricted for State mandated funds	695,444
Unrestricted	<u>7,045,569</u>
Total net position	<u>\$ 41,212,249</u>

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



**TOWN OF HORIZON CITY, TEXAS**

**STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2024**

<b><u>FUNCTIONS/PROGRAMS</u></b>	<b><u>Direct Expenses</u></b>	<b><u>Program Revenues</u></b>			<b><u>Net Revenue (Expenses) and Changes in Net Position</u></b>
		<b><u>Charges for Services, Fees, Fines and Forfeitures</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	
Primary government:					
Public safety - police	\$ 3,666,298	\$ 655,269	\$ 253,155	\$	\$ (2,757,874)
Interest on long-term debt	2,595,919				(2,595,919)
Community development	2,300,062			2,889,978	589,916
Parks and recreation	1,621,256				(1,621,256)
General government	1,421,410	520,672			(900,738)
Public safety - dispatch	1,036,611				(1,036,611)
Finance	678,455				(678,455)
Public services	604,711				(604,711)
Information technology	491,312				(491,312)
Building services	413,270				(413,270)
Planning	355,380				(355,380)
Municipal court	288,004	248,547			(39,457)
Code enforcement	252,706				(252,706)
Storm water	226,368				(226,368)
Executive	38,611				(38,611)
Total governmental activities	<u>\$ 15,990,373</u>	<u>\$ 1,424,488</u>	<u>\$ 253,155</u>	<u>\$ 2,889,978</u>	<u>(11,422,752)</u>
General revenues:					
Property taxes					8,226,228
Sales taxes					4,108,707
Franchise taxes					556,571
Interest income					2,127,705
Loss on disposal of capital assets					(60,534)
Miscellaneous income					30,524
Total general revenues					<u>14,989,201</u>
Change in net position					3,566,449
Net position, beginning of year					<u>37,645,800</u>
Net position, end of year					<u>\$ 41,212,249</u>

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

**TOWN OF HORIZON CITY, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

September 30, 2024

	General Fund	Special Revenue Fund - Federal Grants	Debt Service Fund	Capital Improvements Fund	Street Maintenance Fund	Aggregate Non-Major Funds	Total Governmental Funds
<b><u>ASSETS</u></b>							
Cash and cash equivalents, non-pooled	\$ 1,003,453	\$	\$	\$ 35,208,014	\$	\$ 761,191	\$ 36,972,658
Pooled cash and cash equivalents		491,141			571,376	(17,969)	1,044,548
Investments	3,340,961					852,263	4,193,224
Pooled investments	1,706,254	3,275,472			1,993,958	26,821	7,002,505
Taxes receivable	310,988		155,080			15,799	481,867
Due from other funds	658,161		98,372		29,976	797,378	1,583,887
Grants receivable		25,923				17,729	43,652
Other receivables, net	5,785						5,785
Other assets				3,590		3,500	7,090
Prepaid expenses	137,593					1,949	139,542
Total assets	<u>\$ 7,163,195</u>	<u>\$ 3,792,536</u>	<u>\$ 253,452</u>	<u>\$ 35,211,604</u>	<u>\$ 2,595,310</u>	<u>\$ 2,458,661</u>	<u>\$ 51,474,758</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>							
Liabilities:							
Accounts payable	\$ 424,216	\$ 59,930	\$	\$ 985,061	\$ 387,065	\$ 10,920	\$ 1,867,192
Accrued liabilities	243,848	3,230				17,597	264,675
Unearned revenue		3,639,796					3,639,796
Due to other funds	924,663		154,971	354,253		150,000	1,583,887
Total liabilities	<u>1,592,727</u>	<u>3,702,956</u>	<u>154,971</u>	<u>1,339,314</u>	<u>387,065</u>	<u>178,517</u>	<u>7,355,550</u>
Deferred inflows of resources:							
Deferred property taxes	117,675		50,395			15,799	183,869
Total deferred inflows of resources	<u>117,675</u>		<u>50,395</u>			<u>15,799</u>	<u>183,869</u>
Fund balances:							
Nonspendable	137,593					1,949	139,542
Restricted	602,384	89,580				3,480	695,444
Committed	1,226,684			33,872,290	2,208,245	2,396,431	39,703,650
Unassigned	3,486,132		48,086			(137,515)	3,396,703
Total fund balances	<u>5,452,793</u>	<u>89,580</u>	<u>48,086</u>	<u>33,872,290</u>	<u>2,208,245</u>	<u>2,264,345</u>	<u>43,935,339</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,163,195</u>	<u>\$ 3,792,536</u>	<u>\$ 253,452</u>	<u>\$ 35,211,604</u>	<u>\$ 2,595,310</u>	<u>\$ 2,458,661</u>	<u>\$ 51,474,758</u>

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

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2024**

Total fund balances of governmental funds in the balance sheet	\$ 43,935,339
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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	70,818,396	
Accumulated depreciation	<u>(19,140,583)</u>	51,677,813

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	360,328
Deferred outflows of resources related to other post-employment benefit obligation	20,520
Deferred inflows of resources related to pension	(181,368)
Deferred inflows of resources related to other post-employment benefit obligation	(36,507)

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	183,869
-------------------------	---------

Net pension and other post-employment benefit liabilities represent pension 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	(1,464,917)
Other post-employment benefit liability	(80,995)

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	(721,725)	
Bonds payable	(48,876,663)	
Accrued rebate of investment earnings	(367,751)	
Intergovernmental payable	(2,509,075)	
Compensated absences	(424,648)	
Accrued interest	<u>(301,971)</u>	<u>(53,201,833)</u>

Total net position of governmental activities	<u>\$ 41,212,249</u>
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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, 2024**

	<u>General Fund</u>	<u>Special Revenue Fund - Federal Grants</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Street Maintenance Fund</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>							
Property taxes	\$ 4,649,206	\$	\$ 2,766,589	\$	\$	\$ 758,332	\$ 8,174,127
Sales taxes	2,751,923				678,392	678,392	4,108,707
Federal and state grants		587,117		2,378,479		177,537	3,143,133
Interest income	225,056	44,913	15,992	1,761,744	23,036	56,964	2,127,705
Charges for services	655,269						655,269
Franchise taxes	556,571						556,571
Licenses, permits and fees	520,672						520,672
Fines and forfeitures	248,547						248,547
Other income	<u>32,994</u>	<u></u>	<u></u>	<u>308,727</u>	<u></u>	<u>1,227</u>	<u>342,948</u>
Total revenues	<u>9,640,238</u>	<u>632,030</u>	<u>2,782,581</u>	<u>4,448,950</u>	<u>701,428</u>	<u>1,672,452</u>	<u>19,877,679</u>
<b><u>EXPENDITURES</u></b>							
Public safety - police	3,135,291	95,266				83,870	3,314,427
General government	757,497	156,360				420,817	1,334,674
Public safety - dispatch	1,044,044						1,044,044
Parks and recreation	801,261						801,261
Finance	664,281		6,014	15			670,310
Community development	478,203				51,896	3,492	533,591
Public services	596,572						596,572
Information technology	490,750						490,750
Building services	406,311						406,311
Planning	307,799			23,318			331,117

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2024**

	<u>General Fund</u>	<u>Special Revenue Fund - Federal Grants</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Street Maintenance Fund</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b><u>EXPENDITURES (Continued)</u></b>							
Municipal court	\$ 290,007	\$	\$	\$	\$	\$	\$ 290,007
Code enforcement	248,589						248,589
Storm water	80,621						80,621
Executive	38,611						38,611
Capital outlay	447,390	344,505		4,174,543	730,219	96,638	5,793,295
Debt service:							
Principal	241,120		950,000			691,927	1,883,047
Interest	<u>51,662</u>	<u>                    </u>	<u>2,181,054</u>	<u>                    </u>	<u>                    </u>	<u>119,297</u>	<u>2,352,013</u>
Total expenditures	<u>10,080,009</u>	<u>596,131</u>	<u>3,137,068</u>	<u>4,197,876</u>	<u>782,115</u>	<u>1,416,041</u>	<u>20,209,240</u>
Excess (deficit) of revenues over (under) expenditures	<u>(439,771)</u>	<u>35,899</u>	<u>(354,487)</u>	<u>251,074</u>	<u>(80,687)</u>	<u>256,411</u>	<u>(331,561)</u>

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2024**

	<u>General Fund</u>	<u>Special Revenue Fund - Federal Grants</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Street Maintenance Fund</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):							
Transfers out	\$ (39,257)	\$	\$	\$ (151,692)	\$	\$	\$ (190,949)
Transfers in	120		180,829			10,000	190,949
Proceeds from leases	<u>228,779</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>228,779</u>
Total other financing sources	<u>189,642</u>	<u>                    </u>	<u>180,829</u>	<u>(151,692)</u>	<u>                    </u>	<u>10,000</u>	<u>228,779</u>
Net change in fund balance	<u>(250,129)</u>	<u>35,899</u>	<u>(173,658)</u>	<u>99,382</u>	<u>(80,687)</u>	<u>266,411</u>	<u>(102,782)</u>
Fund balance, beginning of the year, as previously reported	5,348,669	53,681	221,744	34,127,161	2,288,932	1,997,934	44,038,121
Prior period adjustment	<u>354,253</u>	<u>                    </u>	<u>                    </u>	<u>(354,253)</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund balance, beginning of the year, as restated	<u>5,702,922</u>	<u>53,681</u>	<u>221,744</u>	<u>33,772,908</u>	<u>2,288,932</u>	<u>1,997,934</u>	<u>44,038,121</u>
Fund balance, end of the year	<u>\$ 5,452,793</u>	<u>\$ 89,580</u>	<u>\$ 48,086</u>	<u>\$ 33,872,290</u>	<u>\$ 2,208,245</u>	<u>\$ 2,264,345</u>	<u>\$ 43,935,339</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, 2024**

Net change in fund balances – total governmental funds \$ (102,782)

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	5,793,295	
Depreciation expense	<u>(3,237,767)</u>	2,555,528

The net effect of transactions involving capital assets (i.e., sales, disposals)

Disposal of assets		(372,958)
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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		52,101
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The proceeds from lease liabilities provide current financial  
resources to governmental funds, but issuing debt increases long-term  
liabilities in the statement of net position.

Leases		(228,779)
--------	--	-----------

Payment of principal on bonds and intergovernmental payable as well as  
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.

Bond principal payments		1,602,679
Bond premium amortization		111,017

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.

280,368

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	106,267	
Change in other post-employment benefit liability	(14,610)	
Change in accrued interest payable	12,828	
Change in accrued rebate of investment earnings liability	(367,751)	
Change in compensated absences payable	(5,299)	
Change in deferred inflows related to pension	(43,072)	
Change in deferred inflows related to other post-employment benefits	5,895	
Change in deferred outflows related to other post-employment benefits	(374)	
Change in deferred outflows related to pension	<u>(24,609)</u>	<u>(330,725)</u>

Change in net position of governmental activities

\$ 3,566,449

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, 2024.

**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 reported in the Town’s governmental activities as a special revenue fund. The Corporation’s fiscal year ends on September 30. There are no separate financial statements prepared for TIRZ.

**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 four 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.

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.

Capital Improvements Fund – This fund accounts for the capital expenditures of 2014, 2019, and 2023 Combination Tax and Revenue Certificates of Obligation proceeds designated for use in infrastructure and commercial development projects.

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.

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

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.

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 environmental 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 are required 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 \$1,453,763,239 for the year ended September 30, 2024. 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 2023-2024 tax rate was \$.574491, per \$100 of assessed valuation. The Town incurred expenditures of \$116,781 for the services provided by El Paso Central Appraisal District for the year ended September 30, 2024.

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, 2024, 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' 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, 2024, 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, 2024, nonspendable fund balance consisted of prepaid expenses in the amount of \$139,542.

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 \$695,444 at September 30, 2024 represents amounts mandated by the State of Texas, the detail of which can be found on Page 66.

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 \$39,703,650 is composed of funds for street development and maintenance, economic development, and capital improvement, the detail of which can be found on Page 67.

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, 2024.

**PRIOR PERIOD ADJUSTMENT**

During the current year, the Town identified an error in the prior year's financial statements where a \$354,253 interfund advance from the General Fund to the Capital Improvements Fund was incorrectly recorded as an interfund transfer. This misstatement understated the General Fund's beginning fund balance and overstated the Capital Improvements Fund's balance. A reclassification was made to correct this, increasing the General Fund's beginning balance by \$354,253 and decreasing the Capital Improvements Fund's balance accordingly. This reclassification does not affect total combined fund balance.

(Continued)

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

**PRIOR PERIOD ADJUSTMENT (CONTINUED)**

The following table summarizes the effect of corrected misstatements in previously reported amounts for the statement of revenues, expenditures, and changes in fund balances for governmental funds:

	<b><u>General Fund</u></b>	<b><u>Capital Improvements Fund</u></b>	<b><u>Total Governmental Funds</u></b>
Beginning fund balance, as previously reported	\$5,348,669	\$34,127,161	\$44,038,121
Prior period adjustment	<u>354,253</u>	<u>(354,253)</u>	<u>                    </u>
Beginning fund balance, as restated	<u>\$5,702,922</u>	<u>\$33,772,908</u>	<u>\$44,038,121</u>

**DEPOSITS AND INVESTMENTS**

***Cash and Cash Equivalents***

At September 30, 2024, the reported amount of the Town’s deposits was \$38,017,206 and the bank balance was \$38,005,491. 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 \$35,208,014 has been committed through Town Ordinance to be used in infrastructure projects. Cash held in the Economic Development Fund in the amount of \$736,360 has been committed through Town Council Ordinance to be used in economic development projects. Cash held in the General Fund totaling \$768,279 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, 2024, 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 SIPC 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, 2024, pledged collateral funds securing the Town’s deposits had a fair market value of \$4,759,934, which exceeded the combined bank balance for WestStar Bank of \$3,376,656.

The Town’s investment policy does not require that deposits held in investment accounts or intergovernmental investment pools be collateralized as long as they meet requirements established by the Public Funds Investments Act. On September 30, 2024, cash equivalents held in investment accounts totaling \$2,248,222 were insured by the FDIC up to \$1,495,936 and cash equivalents held in intergovernmental pools totaling \$3,380,613 were not insured. Management monitors credit ratings of intergovernmental pools, as well as the composition of its cash equivalents held in investment accounts, and 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](http://www.logic.org). The Town held \$32,380,613 in LOGIC at September 30, 2024. The Town's investment policy does not require deposits in intergovernmental investment pools to be collateralized as long as they meet certain risk ratings.

***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 \$852,263 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, 2024:

	<b><u>Category</u></b>	<b><u>Carrying Amount</u></b>	<b><u>Fair Value</u></b>
General Fund	A	\$5,047,215	\$ 5,047,215
Federal Grants Fund	A	3,275,472	3,275,472
Street Maintenance Fund	A	1,993,958	1,993,958
Aggregate Non-Major Funds	A	<u>879,084</u>	<u>879,084</u>
Total		<u>\$11,195,729</u>	<u>\$11,195,729</u>

The Town's investments consisted of certificates of deposit with maturities in excess of three months and U.S. Treasury Money Market Funds. The Town invests in Money Market Funds that seek to maintain a net asset value of \$1.00 per unit, as determined by using the total market value of all the securities using the amortized cost method, and are designed to be used for investment of funds which may be needed at any time. The Town has established a pooled investment account with a carrying balance of \$7,002,505, that has been allocated among various funds. 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 and U.S. Treasury Securities. At September 30, 2024, 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 – 100% U.S. Treasury Money Market Funds	<u>\$6,000,000</u>
Total	<u>\$6,000,000</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, 2024:

	<u>Gross</u>	<b>Allowance for Uncollectible</b>	<u>Net</u>
		<u>Accounts</u>	
Governmental activities:			
Property taxes, current	\$370,824	\$	\$370,824
Property taxes, delinquent	<u>111,043</u>	<u>—</u>	<u>111,043</u>
Property taxes, total	481,867		481,867
Other	<u>6,554</u>	<u>(769)</u>	<u>5,785</u>
Total governmental activities	<u>\$488,421</u>	<u>\$(769)</u>	<u>\$487,652</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, 2024:

Stone Garden	\$23,224
Border Star	17,729
STEP- Click it or Ticket Mobilization	1,413
Texas Department of Transportation	<u>1,286</u>
Total	<u>\$43,652</u>

(Continued)

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

**INTERFUND RECEIVABLES AND PAYABLES**

The composition of the Town's interfund balances as of September 30, 2024 is as follows:

<b><u>Receivable Fund</u></b>	<b><u>Payable Fund</u></b>	<b><u>Amount</u></b>
Economic Development	General Fund	\$ 797,378
General Fund	Capital Improvements	354,253
General Fund	Transportation Reinvestment Zone #2	150,000
General Fund	Debt Service	153,908
Debt Service	General Fund	98,372
Street Maintenance	General Fund	28,913
Street Maintenance	Debt Service	<u>1,063</u>
Total interfund receivables and payables		<u>\$1,583,887</u>

The composition of the Town's transfers as of September 30, 2024 is as follows:

	<b><u>Transfers In</u></b>	<b><u>Transfers Out</u></b>
General Fund	\$ 120	\$ 39,257
Debt Service	180,829	
Capital Improvements Fund		151,692
Special Events Fund	<u>10,000</u>	<u>      </u>
Total	<u>\$190,949</u>	<u>\$190,949</u>

The Town's Special Events Fund's only source of revenue during the year ended September 30, 2024, was interest income, therefore the General Fund transferred \$10,000 to cover expenses. The Capital Improvements Fund transferred \$120 to the General Fund to cover the cost of miscellaneous infrastructure costs. In addition, the Capital Improvements Fund and the General Fund transferred a combined total of \$180,829 to the Debt Service Fund to cover the cost of an arbitrage payment related to the Town's 2019 Bond Certificates.

(Continued)

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

**CAPITAL ASSETS**

Capital asset activity for the Town for the year ended September 30, 2024, was as follows:

	September 30, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	September 30, <u>2024</u>
Non-depreciable assets:					
Land	\$ 876,527	\$	\$(372,958)	\$1,144,021	\$ 1,647,590
Construction in progress	<u>6,625,708</u>	<u>5,169,760</u>	<u>          </u>	<u>(4,293,165)</u>	<u>7,502,303</u>
Total non-depreciable capital assets	<u>7,502,235</u>	<u>5,169,760</u>	<u>(372,958)</u>	<u>(3,149,144)</u>	<u>9,149,893</u>
Depreciable assets:					
Building and improvements	851,522				851,522
Right-of-use building leases	640,430				640,430
Equipment	3,603,638	371,048			3,974,686
Right-of-use vehicle leases	1,199,047	247,167	(36,709)		1,409,505
Intangibles	279,677				279,677
Infrastructure	<u>51,358,219</u>	<u>5,320</u>	<u>          </u>	<u>3,149,144</u>	<u>54,512,683</u>
Total depreciable capital assets	<u>57,932,533</u>	<u>623,535</u>	<u>(36,709)</u>	<u>          </u>	<u>61,668,503</u>
Accumulated depreciation:					
Building and improvements	(545,640)	(48,430)			(594,070)
Right-of-use building leases	(204,206)	(118,696)			(322,902)
Equipment	(2,791,511)	(255,568)			(3,047,079)
Right-of-use vehicle leases	(747,001)	(129,634)	36,709		(839,926)
Intangibles	(98,011)	(25,803)			(123,814)
Infrastructure	<u>(11,553,156)</u>	<u>(2,659,636)</u>	<u>          </u>	<u>          </u>	<u>(14,212,792)</u>
Total accumulated depreciation	<u>(15,939,525)</u>	<u>(3,237,767)</u>	<u>36,709</u>	<u>          </u>	<u>(19,140,583)</u>
Depreciable capital assets, net	<u>41,993,008</u>	<u>(2,614,232)</u>	<u>          </u>	<u>          </u>	<u>42,527,920</u>
Total capital assets, net	<u>\$ 49,495,243</u>	<u>\$2,555,528</u>	<u>\$(372,958)</u>	<u>\$          </u>	<u>\$51,677,813</u>

(Continued)



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

**CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs of the government for the year ended September 30, 2024 as follows:

Community development	\$1,768,873
Parks and recreation	820,807
Public safety – police	374,656
Storm water	145,747
Administration	66,355
Planning	25,803
Finance	10,630
Public works	9,819
Public services	8,139
Code enforcement	5,639
IT	<u>1,299</u>
Total provisions for depreciation	<u>\$3,237,767</u>

**DEFERRED REVENUE**

Deferred revenue was composed of the following at September 30, 2024:

Coronavirus State and Local Fiscal Recovery Funds (SLFRF), authorized by the American Rescue Plan Act (ARPA)	\$3,538,668
Forfeiture funds received from Customs and Border Protection	<u>101,128</u>
Total deferred revenue	<u>\$3,639,796</u>

During the year ended September 30, 2022, the Town received a total of \$4,876,630 in SLFRF funds. Only \$1,337,962 has been spent as of September 30, 2024, therefore the remaining balance remains 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.

(Continued)

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

**LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended September 30, 2024:

	<b>Balance at September <u>30,2023</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b>Balance at September <u>30,2024</u></b>	<b><u>Due Within One Year</u></b>
Compensated absences	\$ 419,349	\$370,672	\$ (365,373)	\$ 424,648	\$ 49,254
Intergovernmental payable (direct borrowings)	3,161,754		(652,679)	2,509,075	28,596
Bonds payable, net (direct placement)	49,937,680		(1,061,017)	48,876,663	990,000
Leases					
Vehicles	332,912	228,779	(174,318)	387,373	92,335
Buildings	440,402		(106,050)	334,352	89,842
Net pension liability	1,571,184		(106,267)	1,464,917	
Other post-employment benefit liability	66,385	14,610		80,995	
Rebatable arbitrage liability	<u>                    </u>	<u>367,751</u>	<u>                    </u>	<u>367,751</u>	<u>                    </u>
	<u>\$55,929,666</u>	<u>\$981,812</u>	<u>\$(2,465,704)</u>	<u>\$54,445,774</u>	<u>\$1,250,027</u>

For governmental activities, compensated absences and leases are liquidated by the general fund. Intergovernmental payable is liquidated by the Transportation Reinvestment Zone #2 special revenue fund. General obligation bonds issued for governmental activity purposes are liquidated by the debt service fund.

***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, 2024, employees had approximately 12,753 hours of accumulated paid-time-off.

Total accrued compensated absences	<u>\$424,648</u>
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(Continued)

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

**LONG-TERM DEBT (CONTINUED)**

***Intergovernmental payable – CRRMA construction liability (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 1<sup>st</sup> 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.

\$2,509,075

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

<b><u>Year Ending September 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2025	\$ 28,596	\$ 89,351	\$ 117,947
2026	177,811	82,957	260,768
2027	236,190	74,464	310,654
2028	286,325	64,168	350,493
2029	339,954	51,944	391,898
2030-2033	<u>1,440,199</u>	<u>63,603</u>	<u>1,503,802</u>
Totals	<u>\$2,509,075</u>	<u>\$426,487</u>	<u>\$2,935,562</u>

(Continued)

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

**LONG-TERM DEBT (CONTINUED)**

***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.

\$ 245,000

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%.

10,700,000

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

10,385,000

The Town issued \$25,410,000 of Combination Tax and Revenue Certificates of Obligation, Series 2023 to finance the cost of construction projects as well as new municipal facilities. Interest only payments are due at 2.25% of face value from the date of issuance through February 2027. Interest rate varies from 4% to 5% over the term of the bonds. Varying principal and interest payments are due semi-annually beginning August 15, 2027 through August, 2048. The original bond issue included a \$745,293 reoffering premium to be amortized over the life of the bond. The effective yield rate is approximately 4.12%.

25,410,000

(Continued)

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

**LONG-TERM DEBT (CONTINUED)**

***Bonds Payable (Direct Placements) (Continued)***

Total bonds payable outstanding (Direct Placements)	\$46,740,000
Unamortized bond premium	<u>2,136,663</u>
Total bonds payable, net	48,876,663
Less amount due in one year	<u>990,000</u>
Amount due after one year	<u>\$47,886,663</u>

Annual debt service for the outstanding bonds, as shown on Page 49-50, is as follows:

<b><u>Year Ending</u></b> <b><u>September 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt</u></b> <b><u>Service</u></b>
2025	\$ 990,000	\$ 2,009,606	\$ 2,999,606
2026	1,030,000	1,970,038	3,000,038
2027	1,765,000	1,925,159	3,690,159
2028	1,840,000	1,843,835	3,683,835
2029	1,925,000	1,764,004	3,689,004
2030-2034	10,710,000	7,452,500	18,162,500
2035-2039	12,245,000	4,910,338	17,155,338
2040-2044	9,685,000	2,624,895	12,309,895
2045-2048	<u>6,550,000</u>	<u>731,719</u>	<u>7,281,719</u>
Totals	<u>\$46,740,000</u>	<u>\$25,232,094</u>	<u>\$71,972,094</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)**

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%:

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

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

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
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:

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

No portion of Series 2023 bond certificates is subject to mandatory sinking fund redemption.

(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 32 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. At September 2022, the Town had entered into 5 additional lease contracts with a leased principal value of \$166,614. At September 30, 2023, the Town terminated two of the prior lease agreements and entered into two new leases to replace the terminations, as well as one additional lease. The original leased principal for the 3 agreements, is \$83,392. During the year ended, September 30, 2024, the Town terminated two prior leases and entered into four new agreements to replace such terminations and additionally, entered into three new leases. The original leased principal for the 7 additional leases is \$228,779. The agreements have varying monthly payments, which range from \$381 to \$1,053, and include implicit interest rates varying from 5.28% to 16.71% per annum. The lease agreements' maturity dates vary from October 2023 to May 2029 and are secured by vehicles.

Total vehicle lease obligations	\$387,373
Less amount due in one year	<u>92,335</u>
Amount due in more than one year	<u>\$295,038</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-four months. The agreement was extended two additional years beginning April 2023 at a rate of \$3,400 per month. The Town also extended its lease agreement for the court and police department building through June 30, 2028, at a rate of \$6,750 per month through June 30, 2026, and increases to \$8,250 per month through June 30, 2028. The implicit interest rates of these leases are 4.06% and 4.13%, respectively.

Total building lease obligations	\$334,352
Less amount due in one year	<u>89,842</u>
Amounts due in more than one year	<u>\$244,510</u>

(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:

<b><u>Year Ending</u> <u>September 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt</u> <u>Service</u></b>
2025	\$182,177	\$ 47,526	\$229,703
2026	183,573	34,573	218,146
2027	201,232	18,617	219,849
2028	124,325	7,337	131,662
2029	<u>30,418</u>	<u>1,447</u>	<u>31,865</u>
Totals	<u>\$721,725</u>	<u>\$109,500</u>	<u>\$831,225</u>

Amortization expense for leased vehicles is included in total depreciation expense recognized for the year. At September 30, 2024, total leased vehicles and buildings had a carrying balance of \$569,579 and \$317,528, respectively. Total amortization recognized in 2024 was \$248,330.

***Arbitrage Rebate Payable***

The Town's bond agreements are subject to rebatable arbitration requirements for any interest earnings in excess of amounts allowed by applicable federal tax requirements that are earned from investing gross bond proceeds in accordance with the Town's investment policy. The Town has determined that committed funds related to bond proceeds from its \$25,410,000 Combination Tax and Revenue Bond Series 2023 bond, issued on August 15, 2023, will not be spent in full prior to the exempt period.

Accordingly, the Town has engaged a loan specialist with the required qualifications to determine the estimated amount of rebatable arbitration from interest earnings that will be due at the applicable reporting deadlines, which typically occur five years after the funding of the bonds. As of September 30, 2024, the initial estimate for a potential rebatable liability is approximately \$367,751. The amount is subject to change pending any investment activity and expenditure of the remaining project funds occurring through the completion of the project. The estimated liability has been included in the government-wide statement of net position as accrued rebatable arbitrage.

Additionally, the Town made a yield restriction payment of \$180,829 during the fiscal year related to its Combination Tax and Revenue Bond series 2019, which has been included in interest expense in the governmental funds financial statements.

(Continued)



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

**EMPLOYEE PENSION PLAN**

Plan Description – The Town participates as one of 934 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](http://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.

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 Town. In 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.

(Continued)

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

**EMPLOYEE PENSION PLAN (CONTINUED)**

Benefits (Continued) – Members in the Town of Horizon City, Texas can retire at age 60 or with 20 years of service regardless of age and are vested after 5 years. Members may work for more than one TMRS city during their career. If an individual has become vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

The Town elected to grant 100% prior service cost to all participating employees and has elected a matching percentage of 150%. In addition, the Town elected to participate in the Supplemental Death Benefits Fund of the System for each of the Town's employees who are members of the system for the purpose of providing in-service death benefits and post-retirement death benefits.

***Employees Covered by Benefit Terms***

Inactive employees or beneficiaries currently receiving benefits:	9
Inactive employees entitled to but not yet receiving benefits:	37
Active employees:	<u>84</u>
Total	<u>130</u>

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

Employees of the Town were required to contribute 5% of their annual gross earnings during the fiscal year 2024. The contribution rates for the Town were 5.75% and 5.46% in calendar years 2023 and 2024, respectively, for both the defined cash-balance pension plan and the Supplemental Death Benefits Fund. The Town's contributions to TMRS were \$286,179 during the year ended September 30, 2024. 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, 2024.

(Continued)

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

**EMPLOYEE PENSION PLAN (CONTINUED)**

***Employees Covered by Benefit Terms (Continued)***

At the December 31, 2023, valuation and measurement date, the following data was used by the Plan's actuary to determine the Town's contribution rate:

Annual payroll:	\$4,623,703
Average age of contributing members:	40.7
Average length of service in years of contributing members:	6.8

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, 2023 valuation and measurement date. The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service. The FNP is determined on the same basis used by the pension plans.

The Total Pension Liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted for population declines, if any
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 110% of Public Safety table used for males and 100% 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on fully generational basis by the most recent Scale MP-2021 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 MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3% floor.

(Continued)

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

**EMPLOYEE PENSION PLAN (CONTINUED)**

Net Pension Liability (Continued) – The actuarial assumptions were primarily developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined 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 2023 are summarized in the following table:

<b>Long-Term Expected Real <u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Rate of Return (Arithmetic)</u></b>
Global equity	35%	6.70%
Core fixed income	6%	4.70%
Non-core fixed income	20%	8.00%
Other public and private markets	12%	8.00%
Real estate	12%	7.60%
Private equity	10%	11.60%
Hedge funds	5%	6.40%

(Continued)

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

**EMPLOYEE PENSION PLAN (CONTINUED)**

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

<b><u>Net Pension Liability/ (Asset)</u></b>	<b><u>December 31, 2023</u></b>
Total pension liability	\$3,894,350
Fiduciary net position	<u>2,429,433</u>
Net pension liability/(asset)	<u>\$1,464,917</u>
Fiduciary net position as a percentage of total pension liability	62.38%
Pensionable covered payroll	\$4,623,703
Net pension liability as a percentage of covered payroll	31.68%
Single discount rate	6.75%
Long-term expected rate of return, net of investment expense	6.75%
Municipal bond rate (1)	3.77%

(1) The rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" daily rate closest to but not later than the Measurement Date.

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

(Continued)

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

**EMPLOYEE PENSION PLAN (CONTINUED)**

Schedule of Changes in Net Pension Liability/(Asset) – The change in the reported net pension liability for the measurement period ended December 31, 2023 is as follows:

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Fiduciary Net Position (b)</b>	<b>Net Pension Liability/ (Asset) (a)-(b)</b>
Balance as of December 31, 2022	\$3,388,499	\$1,817,315	\$1,571,184
Changes for the year:			
Service cost	358,337		358,337
Interest on total pension liability	237,842		237,842
Difference between expected and actual experience	(4,241)		(4,241)
Benefit payments, including refunds of contributions	(88,150)	(88,150)	
Change in assumptions	2,063		2,063
Net investment income		213,353	(213,353)
Administrative expenses		(1,338)	1,338
Other		(9)	9
Employee contributions		231,185	(231,185)
Employer contributions	<u>                    </u>	<u>257,077</u>	<u>(257,077)</u>
Balance as of December 31, 2023	<u>\$3,894,350</u>	<u>\$2,429,433</u>	<u>\$1,464,917</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.

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, 2023:

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
Net Pension Liability	<u>\$2,115,232</u>	<u>\$1,464,917</u>	<u>\$935,002</u>

(Continued)

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

**EMPLOYEE PENSION PLAN (CONTINUED)**

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position by Participating City. That report may be obtained at [tmrs.com](http://tmrs.com).

Net Pension Expense – Pension expense for the year ended September 30, 2024, is recognized by the Town as follows:

<b><u>Pension Expense/ (Income)</u></b>	<b><u>January 1, 2023 to December 31, 2023</u></b>
Service cost	\$358,337
Interest on total pension liability	237,842
Employee contributions	(231,185)
Projected earnings on plan investments	(122,669)
Administrative expenses	1,338
Other changes in fiduciary net position	9
Recognition of current year outflow (inflow) of resources-liabilities	(276)
Recognition of current year outflow (inflow) of resources-assets	(18,137)
Amortization or prior year outflows (inflows) of resources-liabilities	(11,028)
Amortization or prior year outflows (inflows) of resources-assets	<u>24,576</u>
Net pension expense	<u>\$238,807</u>

(Continued)

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

**EMPLOYEE PENSION PLAN (CONTINUED)**

Net Pension Expense (Continued) – As of September 30, 2024, the deferred outflows and inflows of resources related to the pension are as follows:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Contributions made subsequent to measurement date	\$215,238	\$
Changes in pension assumptions	1,800	785
Difference between actual and expected pension experience	5,733	77,964
Difference between expected and actual investment earnings	<u>137,557</u>	<u>102,619</u>
Total	<u>\$360,328</u>	<u>\$181,368</u>

Deferred outflows of resources related to pensions reported \$215,238 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, 2024. 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,**

2024	\$215,969
2025	2,021
2026	16,410
2027	(29,440)
2028	(11,304)
Thereafter	<u>(14,696)</u>
Total	<u>\$178,960</u>

At September 30, 2024, the Town had outstanding contributions due to the Plan in the amount of \$40,439.

(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. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	9
Inactive employees entitled to but not yet receiving benefits:	5
Active employees:	<u>84</u>
 Total	 <u>98</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, 2023 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	3.60% to 11.85%, including inflation
Discount rate (1)	3.77%

(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
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Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
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Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis with the most recent Scale MP-2021(with immediate convergence).
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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 MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3% floor.
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(1) The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

The actuarial assumptions used in the December 31, 2023 valuation, were based on the results of an actuarial experience study for the period December 31, 2022.

(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, 2023, is as follows:

	<b><u>Total OPEB Liability</u></b>
Balance as of December 31, 2022	\$66,385
Changes for the year:	
Service cost	7,860
Interest on total OPEB liability	2,838
Differences between expected and actual experience	(1,436)
Changes in assumptions or other inputs	5,810
Benefit payments	<u>(462)</u>
Balance as of December 31, 2023	<u>\$80,995</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>1.75%</u>

Sensitivity Analysis – The following presents the Total OPEB liability of the Town, calculated using the discount rate of 3.77%, 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 (2.77%) or one percentage point higher (4.77%) than the current rate as of December 31, 2023:

	<b>1% Decrease in Discount Rate <u>(2.77%)</u></b>	<b>Current Discount Rate <u>(3.77%)</u></b>	<b>1% Increase in Discount Rate <u>(4.77%)</u></b>
Total OPEB liability	<u>\$101,771</u>	<u>\$80,995</u>	<u>\$65,362</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, 2024, is recognized by the Town as follows:

<b><u>OPEB Expense/ (Income)</u></b>	<b><u>January 1, 2023 to December 31, 2023</u></b>
Service cost	\$7,860
Interest on total OPEB liability	2,838
Recognition of deferred outflows/inflows of resources:	
Difference between expected and actual experience	70
Changes in assumptions	<u>(1,679)</u>
Total OPEB expense	<u>\$9,089</u>

As of September 30, 2024, the deferred outflows and inflows of resources related to OPEB are as follows:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes in pension assumptions	\$17,396	\$33,766
Difference between actual and expected pension experience	4,000	2,741
Contributions made subsequent to measurement date	<u>(876)</u>	<u>      </u>
Total	<u>\$20,520</u>	<u>\$36,507</u>

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

<b><u>Year Ending December 31,</u></b>	
2024	\$ (2,485)
2025	(1,609)
2026	(1,609)
2027	(1,609)
2028	(1,609)
Thereafter	<u>(7,066)</u>
	<u>\$ (15,987)</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, 2024, deferred outflows of resources with a balance of \$380,848 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 obligation. Deferred inflows of resources with a balance of \$217,875 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 obligation.

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. Unavailable revenues in the amount of \$183,869 at September 30, 2024, represent property tax revenue received up to 60 days following year-end (unavailable to pay liabilities of the current period).

**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	\$180,095
Security Fund	152,501
Technology Fund	151,643
Federal Grants	89,580
Children's Fund	73,804
Truancy	32,980
Time Payments	9,990
State and Local Grants	3,480
STDS	714
Jury Fund	<u>657</u>
Total	<u>\$695,444</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	\$33,872,290
Economic Development	2,361,409
Street Construction and Maintenance	2,208,245
Stabilization by City Charter	768,279
Other Capital Improvements	411,205
West Eastlake Estates	47,200
Keep Horizon Beautiful	24,406
Transportation Reinvestment Zone #2	<u>10,616</u>
Total	<u>\$39,703,650</u>

**DEFICIT FUND BALANCE**

The Tax Increment Reinvestment Zone #1 Fund had a deficit at September 30, 2023 of \$137,515. This deficit will be financed through future revenues of the fund.

**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, 2024, no claims were dismissed with Texas Municipal League – Intergovernmental Risk Pool.

(Continued)

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

**RISK POOL (CONTINUED)**

Coverages provided are as follows:

Errors and omissions liability (per occurrence)	\$1,000,000
Law enforcement liability (per occurrence)	\$1,000,000
Automobile liability (each accident)	\$1,000,000
General liability (per occurrence)	\$1,000,000
Real and personal property liability	\$11,454,209
Information security and privacy liability	\$2,000,000
Flood liability	\$1,500,000
Earthquake liability	\$10,000,000
Boiler and machinery liability	\$100,000
Mobile equipment liability	\$289,434
Public employee dishonesty liability	\$100,000
Forgery or alteration	\$100,000

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

**COMMITMENTS AND CONTINGENCIES**

***Texas Department of Transportation***

In December 2021, the Town entered into a Local Transportation Project Advance Funding Agreement with the Texas Department of Transportation ("TXDOT") for the North Darrington Road Reconstruction. The agreement provides access to federal funds for the reconstruction of Darrington Road from Eastlake Boulevard to Oxbow Drive. Funding for construction and supervision is provided by the U.S. Department of Transportation and was awarded by TXDOT to the Town on a pass-through basis. TXDOT is responsible for managing federal funds committed to this project. Accordingly, all federal funds expended for this project are recognized by the Town as an in-kind donation. Estimated budgets for the project are established in the Advance Funding Agreement and total \$20,113,538. The Agreement stipulates the Town's participation (match) in the project's budget, which is not to exceed \$1,120,304. In addition, any costs incurred for the project in excess of federal budget caps are to be matched by the Town. Total payments made by the Town from inception of the project through September 30, 2023 amounted to \$1,120,304.

(Continued)

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

**COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***Texas Department of Transportation (Continued)***

In October 2021, the Town entered into a Local Transportation Project Advance Funding Agreement with the Texas Department of Transportation (“TXDOT”) for the installation of safety lights along Darrington Road. The agreement provides access to federal and state funds. Funding for construction and supervision is provided by the U.S. Department of Transportation and was awarded through TXDOT to the Town on a pass-through basis. TXDOT is responsible for managing federal and state funds committed to this project. Accordingly, all federal and state funds expended for this project are recognized by the Town as an in-kind donation. Estimated budgets for the project are established in the Advance Funding Agreement and total \$906,886. The Agreement stipulates the Town’s participation (match) in the project’s budget, which is not to exceed \$86,704. In addition, any costs incurred for the project in excess of federal and state budget caps are to be matched by the Town. Total matching payments made by the Town from inception of the project through September 30, 2024, amounted to \$3,695.

In October 2021, the Town entered into a Local Transportation Project Advance Funding Agreement with the Texas Department of Transportation (“TXDOT”) for the installation of safety lights along North Kenazo Avenue. The agreement provides access to federal and state funds. Funding for construction and supervision is provided by the U.S. Department of Transportation and was awarded through TXDOT to the Town on a pass-through basis. TXDOT is responsible for managing federal and state funds committed to this project. Accordingly, all federal and state funds expended for this project are recognized by the Town as an in-kind donation. Estimated budgets for the project are established in the Advance Funding Agreement and total \$466,920. The Agreement stipulates the Town’s participation (match) in the project’s budget, which is not to exceed \$47,485. In addition, any costs incurred for the project in excess of federal and state budget caps are to be matched by the Town. Total matching payments made by the Town from inception of the project through September 30, 2024, amounted to \$3,633. As of September 30, 2024, TXDOT has estimated the project will incur cost overruns of \$152,270. The remaining city participating budget, along with any final cost overruns will be paid out at the completion of the project once billed by TXDOT.

In March 2024, the Town entered into a Local Transportation Project Advance Funding Agreement with the Texas Department of Transportation (“TXDOT”) for the Bicycle and pedestrian improvements, construction of a new shared-use path and signage along Rodman Street from FM 1281 (Horizon boulevard) to Veny Webb St. The agreement provides access to federal and state funds. Funding for construction and supervision is provided by the U.S. Department of Transportation and was awarded through TXDOT to the Town on a pass-through basis. TXDOT is responsible for managing federal and state funds committed to this project. Accordingly, all federal and state funds expended for this project are recognized by the Town as an in-kind donation. Estimated budgets for the project are established in the Advance Funding Agreement and total \$258,790. The Agreement stipulates the Town’s participation (match) in the project’s budget, which is not to exceed \$50,110. In addition, any costs incurred for the project in excess of federal and state budget caps are to be matched by the Town. Total matching payments made by the Town from the inception of the project through September 30, 2024 amounted to \$14,280.

(Continued)



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

**COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***Camino Real Regional Mobility Authority***

The Town entered into an interlocal agreement with Camino Real Regional Mobility Authority (CRRMA) for acquiring right -of-way and ownership of 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 for aiding the Town with the right-of-way acquisitions and appraisals necessary for the project. The agreement began on 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 \$771,062 under this contract, along with other related expenses for North Darrington right-of-way acquisition, as of September 30, 2024.

The Town entered into an interlocal agreement with Camino Real Regional Mobility Authority (CRRMA) to develop the Rodman Street Shared Use Path Project located in El Paso County. The Town and Authority have agreed to cooperatively develop the project, due to the mutual benefit to each party and the benefit to the region's transportation system. Both parties will engage outside consultants and contractors for the design and construction of the project using funds provided by the Town. CRRMA is responsible for providing services associated with the design and letting of the project which includes the required design plans, including path width, solar power lighting and minimal landscaping. The agreement began August 29, 2023, and will continue in effect until the completion of the services to be provided. The total estimated cost of this project is \$265,898. The Town had incurred expenses of \$116,202 related to this project as of September 30, 2024. In February 2025, the agreement was amended to include construction costs of \$188,949, increasing the total estimated cost of this project to \$454,847.

The Town entered into an agreement with Camino Real Regional Mobility Authority for development of the Transit Center Project. The period of interlocal agreement began on January 16, 2024, and will remain in full force and effect until the completion of the services. The Town is responsible for the cost of the project while the Authority will be responsible for the planning phase, reporting and performance measures of the project. The estimated cost of the project is \$87,838. The Town incurred costs of \$82,044 under this contract for the year ending September 30, 2024.

***Other Commitments***

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, 2023, and ended on August 31, 2024. Total compensation for the public health and environmental services provided by the City was \$203,941 for the year ended September 30, 2024.

(Continued)

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

**COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***Other Commitments (Continued)***

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, 2024 was \$180,172. 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, 2024 was \$451,019. The agreement requires the annual contract amount to 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 \$176,698 under this contract for the year ended September 30, 2024.

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 amended on November 2024. As a result of third amendment, the Town added three new parks and three new ponding areas to be maintained. The total contract cost for the period of service is \$872,371. The Town incurred costs of \$396,199 under this contract for the year ended September 30, 2024.

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. One of the Town’s largest on-going construction contracts as of September 30, 2024 is for the construction of new Municipal Facilities and a Police Headquarters building. The contract budget for this project has been established for approximately \$8,400,000.

(Continued)

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

**COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Litigation**

The Town is party to various legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town and, therefore, no liability has been accrued at September 30, 2024.

**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.

Tax Increment Reinvestment Zone #1 (“TIRZ”), 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 TIRZ. 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 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**

Effective December 2023, the Governmental Accounting Standards Board issued GASB Statement No. 102 *Certain Risk Disclosures*, (GASBS102), which enhances transparency by requiring governments to disclose significant risks related to concentrations or constraints that could substantially impact their ability to deliver services or meet obligations. A concentration is defined as a lack of diversity in resources or obligations, while a constraint involves external or formal limitations on resources or operations. However, the provisions of GASBS102 are not effective until June 15, 2024, and as such the Town has not yet adopted this standard.

Effective April 2024, the Governmental Accounting Standards Board issued GASB Statement No. 103 *Financial Reporting Model Improvements*, (GASBS103), which addresses updates to enhance the effectiveness of financial reporting for state and local governments. The statement introduces modifications to key elements of the reporting model, including the structure of Management's Discussion and Analysis (MD&A), handling of unusual or infrequent items, and improved presentation in proprietary fund statements. However, the provisions of GASBS103 are not effective until June 15, 2025, and as such the Town has not yet adopted this standard.

Effective September 2024, the Governmental Accounting Standards Board issued GASB Statement No. 104 *Disclosure of Certain Capital Assets*, (GASBS104), which enhances transparency by requiring separate disclosures of certain types of capital assets, including: lease assets under GASB Statement No. 87, intangible right-to-use assets under GASB Statement No. 94, subscription assets under GASB Statement No. 96 and other intangible assets not included in the categories above, categorized by major class. The adoption of this standard requires governments to separately disclose assets held for sale, including their historical cost and accumulated depreciation, enabling users of financial statements to better evaluate financial accountability and decision-making. However, the provisions of GASBS104 are not effective until June 15, 2025, and as such the Town has not yet adopted this standard.

**CONCENTRATIONS**

Labor Subject to Collective Bargaining Agreements – A substantial portion of the Town's workforce is employed under the terms of a collective bargaining agreement. As of September 30, 2024, approximately 33% of the Town's employees were covered under such agreement.

Grant Revenue – Approximately 11% of total revenues came from the U.S. Department of Transportation for the year ended September 30, 2024.

(Continued)

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

**SUBSEQUENT EVENTS**

Subsequent to year-end, the Town completed the following real estate purchases in connection with its Capital Improvements Plan:

- On October 30, 2024, the Town purchased eleven lots for \$204,423.
- On October 30, 2024, the Town purchased six lots for \$125,026.
- On December 20, 2024, the Town purchased seven lots for \$1,006,420.
- On December 20, 2024, the Town purchased eleven lots for \$1,630,889.
- In March 2025, the Town purchased two lots for \$277,388.

In February 2025, the Horizon City Economic Development Corporation (“EDC”), a component unit of the Town, entered into a Chapter 380 Economic Development Performance Agreement with a Developer. Under the agreement, the Town will provide tax incentives not to exceed \$125,000 to be granted over 5 years to the Developer. The Developer has obtained authorization to invest \$47,000,000 to expand commercial activity in the Town through construction and selling operations, which will bring 110 full-time positions to the Town within 3 years.

In March 2025, the Town entered into an Advance Funding Agreement with TXDOT to provide access to federal funds for the construction of Delake Street. The estimated costs approved for the initial phase of the North Delake Street project are \$630 for Federal and \$92,662 for State. The contract requires the Town to provide a match of \$1,754,5331 for local participation, which consists primarily of the engineering phase. This agreement will allow TXDOT to become an active participant in the design of Delake Street, which is required for the Town to become eligible for further rounds of Federal assistance for the completion of such project.

Subsequent events were evaluated through April 17, 2025, 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, 2024**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Revenues/inflows:				
Property taxes	\$ 4,683,973	\$ 4,683,973	\$ 4,649,206	\$ (34,767)
Sales taxes	2,871,536	2,871,536	2,751,923	(119,613)
Charges for services	654,473	654,473	655,269	796
Franchise taxes	664,989	664,989	556,571	(108,418)
Licenses, permits and fees	777,092	777,092	520,672	(256,420)
Fines and forfeitures	233,780	233,780	248,547	14,767
Interest income	116,344	116,344	225,056	108,712
Other income	<u>15,704</u>	<u>15,704</u>	<u>32,994</u>	<u>17,290</u>
Total revenues	<u>10,017,891</u>	<u>10,017,891</u>	<u>9,640,238</u>	<u>(377,653)</u>
Expenditures/outflows:				
Public safety - police	3,143,609	3,067,432	3,135,291	(67,859)
Public safety - dispatch	1,160,925	1,129,561	1,044,044	85,517
Parks and recreation	578,255	578,255	801,261	(223,006)
Public services	549,784	536,784	596,572	(59,788)
General government	908,097	908,097	757,497	150,600
Finance	665,814	665,814	664,281	1,533
Information technology	586,055	564,769	490,750	74,019
Community development	528,585	528,585	478,203	50,382
Capital outlay	506,081	634,908	447,390	187,518
Building services	440,118	440,118	406,311	33,807
Planning	404,380	417,380	307,799	109,581
Debt service	210,688	210,688	292,782	(82,094)
Municipal court	307,528	307,528	290,007	17,521
Code enforcement	267,576	267,576	248,589	18,987
Storm water	90,037	90,037	80,621	9,416
Executive	<u>49,008</u>	<u>49,008</u>	<u>38,611</u>	<u>10,397</u>
Total expenditures	<u>10,396,540</u>	<u>10,396,540</u>	<u>10,080,009</u>	<u>316,531</u>

(Continued)

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2024**

	<u><b>Original Budget</b></u>	<u><b>Final Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance Favorable (Unfavorable)</b></u>
Excess of expenditures over revenues	\$ (378,649)	\$ (378,649)	\$ (439,771)	\$ (61,122)
Other financing sources (uses):				
Proceeds from capital leases	275,000	275,000	228,779	(46,221)
Transfers in			120	120
Transfers out	<u>(25,700)</u>	<u>(25,700)</u>	<u>(39,257)</u>	<u>(13,557)</u>
Total other financing sources (uses)	<u>249,300</u>	<u>249,300</u>	<u>189,642</u>	<u>(59,658)</u>
Excess of expenditures over revenues - budgetary basis	<u>(129,349)</u>	<u>(129,349)</u>	<u>(250,129)</u>	<u>(120,780)</u>
Fund balance, beginning of year, as previously reported	5,348,669	5,348,669	5,348,669	
Prior period adjustment	<u>          </u>	<u>          </u>	<u>354,253</u>	<u>354,253</u>
Fund balance, beginning of year, as restated	<u>5,348,669</u>	<u>5,348,669</u>	<u>5,702,922</u>	<u>354,253</u>
Fund balance, end of year	<u>\$ 5,219,320</u>	<u>\$ 5,219,320</u>	<u>\$ 5,452,793</u>	<u>\$ 233,473</u>
Budget basis excess			<u>\$ (250,129)</u>	
GAAP basis excess			<u>(250,129)</u>	
Fund balance, beginning of year, as previously reported			5,348,669	
Prior period adjustment			<u>354,253</u>	
Fund balance, beginning of year, as restated			<u>5,702,922</u>	
Fund balance, end of year			<u>\$ 5,452,793</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, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Grant income	\$ 68,001	\$ 68,001	\$ 75,618	\$ 7,617
Interest income			44,913	44,913
Prior year surplus (ARPA)	<u>2,086,495</u>	<u>2,086,495</u>	<u>511,499</u>	<u>(1,574,996)</u>
Total revenues	<u>2,154,496</u>	<u>2,154,496</u>	<u>632,030</u>	<u>(1,522,466)</u>
Expenditures/outflows:				
Public safety - police	84,666	84,666	95,266	(10,600)
General government	181,974	181,974	156,360	25,614
Capital outlay	<u>1,887,856</u>	<u>1,887,856</u>	<u>344,505</u>	<u>1,543,351</u>
Total expenditures	<u>2,154,496</u>	<u>2,154,496</u>	<u>596,131</u>	<u>1,558,365</u>
Excess of revenues over expenditures			35,899	35,899
Fund balance, beginning of the year	<u>53,681</u>	<u>53,681</u>	<u>53,681</u>	<u>          </u>
Fund balance, end of the year	<u>\$ 53,681</u>	<u>\$ 53,681</u>	<u>\$ 89,580</u>	<u>\$ 35,899</u>

See notes to required supplementary information.

**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Sales taxes	\$ 660,698	\$ 660,698	\$ 678,392	\$ 17,694
Interest income			23,036	23,036
Total revenues	<u>660,698</u>	<u>660,698</u>	<u>701,428</u>	<u>40,730</u>
Expenditures/outflows:				
Community development	140,607	140,607	51,896	88,711
Capital outlay	<u>1,115,490</u>	<u>1,625,190</u>	<u>730,219</u>	<u>894,971</u>
Total expenditures	<u>1,256,097</u>	<u>1,765,797</u>	<u>782,115</u>	<u>983,682</u>
Excess of revenues (expenditures) over expenditures (revenues)	(595,399)	(1,105,099)	(80,687)	1,024,412
Fund balance, beginning of the year	<u>2,288,932</u>	<u>2,288,932</u>	<u>2,288,932</u>	
Fund balance, end of the year	<u>\$ 1,693,533</u>	<u>\$ 1,183,833</u>	<u>\$ 2,208,245</u>	<u>\$ 1,024,412</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, Special Event Fund, Federal Grants Fund, State Grants Fund, Tax Increment Reinvestment Zone #1 and Transportation Reinvestment Zone #2 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. Only budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget are included as required supplementary information in accordance with GASB 34.

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, 2024.

#### **BUDGET OVER-EXPENDITURES**

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

Public safety – police	\$ 67,859
Parks and recreation	223,006
Public services	59,788
Debt service	<u>82,094</u>
	<u>\$432,747</u>

The public safety – police department exceeded appropriations due to an increase in salaries paid for hours worked for special events and holidays as well as increases in vehicle maintenance and fuel expense. Parks and recreation experienced an increase in park renovations and maintenance as well as an increase in utility expenses related to the operation of Golden Eagle Park. The Town also exceeded public services appropriations due to an increase in its Health Services and Animal Control Services contracts. The Town also exceeded its debt service appropriations due to the payments of principal under lease obligations, which are typically included in the budget as rent expense under various departments.

The Town’s actual expenditures exceeded appropriations in the special service – federal grants in the following department due to an increase in salaries paid for hours worked for special events and holidays:

Public safety – police	<u>\$10,600</u>
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**TOWN OF HORIZON CITY, TEXAS**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

**Years Ended December 31, 2014 through 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<b>Years 2014 - 2017</b>
<b>Total Pension Liability</b>							
Service cost	\$ 358,337	\$ 321,519	\$ 283,280	\$ 267,525	\$ 246,651	\$ 227,568	N/A
Interest on total pension liability	237,842	210,406	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	(4,241)	(37,592)	(24,523)	9,221	(52,221)		N/A
Change in assumptions	2,063				(1,415)		N/A
Benefit payments/refund of contributions	<u>(88,150)</u>	<u>(124,400)</u>	<u>(40,609)</u>	<u>(9,554)</u>	<u>(7,486)</u>	<u>(1,879)</u>	N/A
Net change in total pension liability	505,851	369,933	402,896	423,847	319,952	1,871,871	N/A
Total pension liability, beginning	<u>3,388,499</u>	<u>3,018,566</u>	<u>2,615,670</u>	<u>2,191,823</u>	<u>1,871,871</u>		N/A
Total pension liability, ending	<u>3,894,350</u>	<u>3,388,499</u>	<u>3,018,566</u>	<u>2,615,670</u>	<u>2,191,823</u>	<u>1,871,871</u>	N/A
<b>Fiduciary Net Position</b>							
Employer contributions	257,077	232,553	210,992	204,640	185,067	170,748	N/A
Employee contributions	231,185	206,898	183,471	173,718	157,907	145,689	N/A
Net investment income	213,353	(119,788)	147,641	53,618	49,203		N/A
Benefit payments/refund of contributions	(88,150)	(124,400)	(40,609)	(9,554)	(7,486)	(1,879)	N/A
Administrative expenses	(1,338)	(1,024)	(676)	(343)	(275)		N/A
Other	<u>(9)</u>	<u>1,222</u>	<u>5</u>	<u>(14)</u>	<u>(9)</u>		N/A
Net change in fiduciary net position	612,118	195,461	500,824	422,065	384,407	314,558	N/A
Fiduciary net position, beginning	<u>1,817,315</u>	<u>1,621,854</u>	<u>1,121,030</u>	<u>698,965</u>	<u>314,558</u>		N/A
Fiduciary net position, ending	<u>2,429,433</u>	<u>1,817,315</u>	<u>1,621,854</u>	<u>1,121,030</u>	<u>698,965</u>	<u>314,558</u>	N/A
Net pension liability	<u>\$ 1,464,917</u>	<u>\$ 1,571,184</u>	<u>\$ 1,396,712</u>	<u>\$ 1,494,640</u>	<u>\$ 1,492,858</u>	<u>\$ 1,557,313</u>	N/A
Fiduciary net position as a percentage of total pension liability	62.38%	53.63%	53.73%	42.86%	31.89%	16.80%	N/A
Pensionable covered payroll	\$ 4,623,703	\$ 4,137,952	\$ 3,669,425	\$ 3,474,351	\$ 3,158,143	\$ 2,913,801	N/A
Net pension liability as a percentage of covered payroll	31.68%	37.97%	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 and notes to the schedule of pension contributions.

**TOWN OF HORIZON CITY, TEXAS**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**Years Ended September 30, 2015 through 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2015 - 2017</u>
Actuarially determined contribution	\$ 272,304	\$ 250,410	\$ 233,010	\$ 205,449	\$ 199,168	\$ 181,876	\$ 122,493	N/A
Contributions in relation to the actuarially determined contribution	<u>286,179</u>	<u>257,953</u>	<u>237,022</u>	<u>208,933</u>	<u>202,931</u>	<u>184,048</u>	<u>123,956</u>	N/A
Contribution excess	<u>\$ (13,875)</u>	<u>\$ (7,543)</u>	<u>\$ (4,012)</u>	<u>\$ (3,484)</u>	<u>\$ (3,763)</u>	<u>\$ (2,172)</u>	<u>\$ (1,463)</u>	N/A
Covered payroll	\$ 5,077,296	\$ 4,491,887	\$ 4,120,982	\$ 3,549,524	\$ 3,385,938	\$ 3,103,685	\$ 2,090,333	N/A
Contributions as a percentage of covered payroll	5.64%	5.74%	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 independent auditors' report and notes to schedule of pension contributions.

**TOWN OF HORIZON CITY, TEXAS**

**NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS**

**Year Ended December 31, 2023**

**VALUATION DATE**

Measurement Date

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

**METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

Actuarial cost method	Entry age normal.
Amortization method	Level percentage of payroll, closed.
Remaining amortization period	20 years (longest amortization ladder)
Asset valuation method	10-year smoothed market; 12% soft corridor.
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation.
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

**OTHER INFORMATION**

Notes

There were no benefit changes during the year.

**TOWN OF HORIZON CITY, TEXAS**

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

**Years Ended December 31, 2014 through 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2014 - 2017</u>
<b>Total Other Post-Employment Benefit ("OPEB") Liability</b>							
Service cost	\$ 7,860	\$ 15,310	\$ 13,210	\$ 10,423	\$ 6,632	\$ 6,993	\$N/A
Interest on total OPEB liability	2,838	1,770	1,564	1,420	1,316	1,016	N/A
Change in benefit terms						27,207	N/A
Difference between expected and actual experience	(1,436)	5,780	(975)	2,013	(4,826)		N/A
Change in assumptions	5,810	(44,805)	3,353	11,298	11,173		N/A
Benefit payments (1) (2)	<u>(462)</u>	<u>(414)</u>				<u>(3,073)</u>	<u>N/A</u>
Net change in total OPEB liability	14,610	(22,359)	17,152	25,154	14,295	32,143	N/A
Total OPEB liability, beginning	<u>66,385</u>	<u>88,744</u>	<u>71,592</u>	<u>46,438</u>	<u>32,143</u>		<u>N/A</u>
Total OPEB liability, ending	<u>\$ 80,995</u>	<u>\$ 66,385</u>	<u>\$ 88,744</u>	<u>\$ 71,592</u>	<u>\$ 46,438</u>	<u>\$ 32,143</u>	<u>\$N/A</u>
Pensionable covered payroll	\$ 4,623,703	\$ 4,137,952	\$ 3,669,425	\$ 3,474,351	\$ 3,158,143	\$ 2,913,801	\$N/A
Net pension liability as a percentage of covered payroll	1.75%	1.60%	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 independent auditors' report and notes to schedule of changes in total OPEB liability and related ratios.



**TOWN OF HORIZON CITY, TEXAS**

**SCHEDULE OF OTHER POST-EMPLOYMENT BENEFIT CONTRIBUTIONS**

**Years Ended September 30, 2015 through 2024**

	<u><b>2024</b></u>	<u><b>2023</b></u>	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>Years 2015 - 2017</b></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></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$N/A</u></u>
Covered payroll	\$ 5,077,296	\$ 4,491,887	\$ 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%	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 75, 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**

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

**Year Ended December 31, 2023**

**VALUATION DATE**

Notes	December 31, 2023
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**METHODS AND ASSUMPTIONS**

Actuarial Cost Method	Individual entry age normal.
Inflation	2.50%
Salary increases	3.60% to 11.85%, including inflation.
Discount rate (1)	3.77%
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3% floor.

(1) The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

Note: The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

**SUPPLEMENTARY INFORMATION**

**TOWN OF HORIZON CITY, TEXAS**

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

**September 30, 2024**

	<b>Special Revenue Fund - State and Local Grants</b>	<b>Economic Development Fund</b>	<b>Special Revenue Fund - Special Events</b>	<b>Transportation Reinvestment Zone #2</b>	<b>Tax Increment Reinvestment Zone #1</b>	<b>Aggregate Non-Major Funds</b>
<b><u>ASSETS</u></b>						
Cash and cash equivalents, non-pooled	\$	\$ 736,360	\$ 24,831	\$	\$	\$ 761,191
Pooled cash and cash equivalents	(14,249)			6,920	(10,640)	(17,969)
Investments		852,263				852,263
Pooled investments				3,696	23,125	26,821
Taxes receivable				15,775	24	15,799
Due from other funds		797,378				797,378
Grants receivable	17,729					17,729
Other assets		3,500				3,500
Prepaid expenses		1,949				1,949
Total assets	<u>\$ 3,480</u>	<u>\$ 2,391,450</u>	<u>\$ 24,831</u>	<u>\$ 26,391</u>	<u>\$ 12,509</u>	<u>\$ 2,458,661</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>						
Liabilities:						
Accounts payable	\$	\$ 10,495	\$ 425	\$	\$	\$ 10,920
Accrued liabilities		17,597				17,597
Due to other funds					150,000	150,000
Total liabilities		28,092	425		150,000	178,517
Deferred inflows of resources:						
Deferred property taxes				15,775	24	15,799
Total deferred inflows of resources				15,775	24	15,799
Fund balances:						
Nonspendable		1,949				1,949
Restricted	3,480					3,480
Committed		2,361,409	24,406	10,616		2,396,431
Unassigned					(137,515)	(137,515)
Total fund balances	<u>3,480</u>	<u>2,363,358</u>	<u>24,406</u>	<u>10,616</u>	<u>(137,515)</u>	<u>2,264,345</u>
Liabilities, deferred inflows of resources and fund balances	<u>\$ 3,480</u>	<u>\$ 2,391,450</u>	<u>\$ 24,831</u>	<u>\$ 26,391</u>	<u>\$ 12,509</u>	<u>\$ 2,458,661</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, 2024

	<b>Special Revenue Fund - State and Local Grants</b>	<b>Economic Development Fund</b>	<b>Special Revenue Fund - Special Events</b>	<b>Transportation Reinvestment Zone #2</b>	<b>Tax Increment Reinvestment Zone #1</b>	<b>Aggregate Non-Major Funds</b>
<b><u>REVENUES</u></b>						
Property taxes	\$	\$	\$	\$747,116	\$ 11,216	\$ 758,332
Sales taxes		678,392				678,392
Federal and state grants	177,537					177,537
Interest income		56,028	239	523	174	56,964
Other income	<u>          </u>	<u>          </u>	<u>          </u>	<u>1,227</u>	<u>          </u>	<u>1,227</u>
Total revenues	<u>177,537</u>	<u>734,420</u>	<u>239</u>	<u>748,866</u>	<u>11,390</u>	<u>1,672,452</u>
<b><u>EXPENDITURES</u></b>						
General government		420,254			563	420,817
Capital outlay	96,638					96,638
Public safety - police	83,870					83,870
Community development			3,492			3,492
Debt service:						
Principal		39,248		652,679		691,927
Interest	<u>          </u>	<u>1,364</u>	<u>          </u>	<u>117,933</u>	<u>          </u>	<u>119,297</u>
Total expenditures	<u>180,508</u>	<u>460,866</u>	<u>3,492</u>	<u>770,612</u>	<u>563</u>	<u>1,416,041</u>
Excess of revenues (expenditures) over expenditures (revenues)	<u>(2,971)</u>	<u>273,554</u>	<u>(3,253)</u>	<u>(21,746)</u>	<u>10,827</u>	<u>256,411</u>
Other financing sources:						
Transfers in	<u>          </u>	<u>          </u>	<u>10,000</u>	<u>          </u>	<u>          </u>	<u>10,000</u>
Total other financing sources	<u>          </u>	<u>          </u>	<u>10,000</u>	<u>          </u>	<u>          </u>	<u>10,000</u>
Net change in fund balance	(2,971)	273,554	6,747	(21,746)	10,827	266,411
Fund balance, beginning of the year	<u>6,451</u>	<u>2,089,804</u>	<u>17,659</u>	<u>32,362</u>	<u>(148,342)</u>	<u>1,997,934</u>
Fund balance, end of the year	<u>\$ 3,480</u>	<u>\$ 2,363,358</u>	<u>\$ 24,406</u>	<u>\$ 10,616</u>	<u>\$ (137,515)</u>	<u>\$ 2,264,345</u>

See independent auditors' report.

SBNG

**AUDITORS' SECTION**

**SBNG**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

To the Honorable Mayor Andres Renteria  
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, 2024, 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 17, 2025.

**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 Andres Renteria  
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 17, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM  
GUIDANCE***

To the Honorable Mayor Andres Renteria  
and Members of Town Council  
Town of Horizon City, Texas

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

***Opinion on Each Major Federal Program***

We have audited Town of Horizon City, Texas' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Horizon City, Texas' major federal programs for the year ended September 30, 2024. Town of Horizon City, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Town of Horizon City, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

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

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

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

(Continued)

To the Honorable Mayor Andres Renteria  
and Members of Town Council  
Town of Horizon City, Texas

## **Report on Compliance for Each Major Federal Program (Continued)**

### ***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

(Continued)

To the Honorable Mayor Andres Renteria  
and Members of Town Council  
Town of Horizon City, Texas

### **Report on Internal Control over Compliance**

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

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

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

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

*SBNG, PC*

El Paso, Texas  
April 17, 2025

**TOWN OF HORIZON CITY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

Year Ended September 30, 2024

Program Title	Assistance Listing Number	Agency or Pass- Through Number	Contract Period	Award Amount	Amount Expended
<b>FEDERAL EXPENDITURES</b>					
<b>U.S. Department of Homeland Security - FEMA</b>					
<i>Passed through Texas Office of the Governor - Homeland Security Grants Division</i>					
Homeland Security Grant Program	97.067	3007408	03/01/2023 - 02/29/2024	\$ 58,953	\$ 51,722
Homeland Security Grant Program	97.067	3007409	03/01/2024 - 02/28/2025	\$ 59,000	<u>21,197</u>
Total 97.067					<u>72,919</u>
<b>Total Department of Homeland Security</b>					<u>72,919</u>
<b>U.S. Department of the Treasury</b>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	10/01/2021 - 12/31/2026	\$ 4,876,630	<u>511,499</u>
Total 21.027					<u>511,499</u>
<b>Total U.S. Department of Treasury</b>					<u>511,499</u>
<b>U.S. Department of Transportation</b>					
<i>Passed through the Texas Department of Transportation</i>					
North Darrington Road Reconstruction*	20.205	0924-06-587	09/14/2022 - completion	\$ 14,236,616	1,542,360
Darrington Road Safety Lights*	20.205	0924-06-644	10/25/2021 - completion	\$ 781,254	687,416
Rodman Street Shared-Use-Path*	20.205	0924-06-697	03/22/2024- completion	\$ 200,439	<u>        </u>
Total 20.205					<u>2,229,776</u>
<b>National Highway Traffic Safety Administration</b>					
<i>Passed through the Texas Department of Transportation</i>					
STEP - Impaired Driving Mobilization	20.616	2024-HorizonPD-IDM-00050	12/13/2023 - 09/02/2024	\$ 4,966	1,286
STEP- Click it or Ticket Mobilization	20.616	2024-HorizonPD-CIOT-00050	05/17/2024 - 06/05/2024	\$ 2,420	<u>1,413</u>
Total 20.616					<u>2,699</u>
<b>Total U.S. Department of Transportation</b>					<u>2,232,475</u>
<b>Total Federal Expenditures</b>					<u>2,816,893</u>

\*Federal expenditures reported under ALN 20.205 consisted entirely of in-kind federal expenditures for the year ended September 30, 2024.

(Continued)

**TOWN OF HORIZON CITY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**(CONTINUED)**  
**Year Ended September 30, 2024**

Program Title	Assistance Listing Number	Agency or Pass- Through Number	Contract Period	Award Amount	Amount Expended
<b>STATE EXPENDITURES</b>					
<b>Texas Comptroller of Public Accounts</b>					
Law Enforcement Officer Standards and Education	State	17425217670-002	10/01/2023 - 09/31/2024	\$ 4,549	<u>\$ 4,549</u>
<b>Texas Treasury Safekeeping Trust Company</b>					
Opioid Abatement	State	N/A	04/15/2024 - 09/30/2024	\$ 459	<u>459</u>
<b>Texas Office of the Governor - Homeland Security Grants Division (HSGD)</b>					
Local Border Security Program (LBSP)	State	2999509	09/01/2023 - 08/31/2024	\$ 95,000	47,503
Local Border Security Program (LBSP)	State	2999510	09/01/2024 - 08/31/2025	\$ 58,620	<u>          </u>
					<u>47,503</u>
<b>Texas Office of the Governor - Criminal Justice Division (CJD)</b>					
SH- Bullet Resistant Shield Grant Program	State	4650501	11/01/2022 - 10/31/2023	\$ 100,333	96,638
BG- Rifle Resistant Body Armor Grant Program	State	4833601	09/01/2023 - 08/31/2024	\$ 24,548	<u>24,548</u>
					<u>121,186</u>
<b>Texas Department of Transportation</b>					
North Darrington Road Reconstruction*	State	0924-06-587	09/14/2022 - completion	\$ 4,756,618	89,869
North Kenazo Avenue Safety Lighting*	State	0924-06-643	10/20/2021 - completion	\$ 19,906	19,906
Darrington Road Safety Lights*	State	0924-06-644	10/25/2021 - completion	\$ 38,928	38,928
Rodman Street Shared-Use-Path*	State	0924-06-697	03/22/2024- completion	\$ 8,241	<u>          </u>
					<u>148,703</u>
<b>The State of Texas</b>					
<b><i>El Paso County Criminal District Court Number One</i></b>					
District Attorney of the 34h Judicial District	State	2024DCV1073	03/08/2024-Completion	\$ 3,840	<u>3,840</u>
<b>Total State Expenditures</b>					<u>326,240</u>
<b>Total Federal and State Expenditures</b>					<u>\$ 3,143,133</u>

\*State expenditures reported under Texas Department of Transportation consisted entirely of in-kind state expenditures for the year ended September 30, 2024.

See notes to schedule of expenditures of federal and state awards and independent auditors' report.

## **TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2024**

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Town of Horizon City, Texas is presented to assist in understanding City of Socorro, Texas' Schedule of Expenditures of Federal and State Awards ("the Schedule"). The Schedule and notes are representations of City of Socorro, Texas' management, who is responsible for their integrity and objectivity.

Basis of Accounting and Presentation – The Schedule of Expenditures of Federal and State Awards is prepared using the accrual basis of accounting. The information in the Schedule is presented in accordance with the Uniform Guidance. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Costs – Town of Horizon City, Texas does not currently have a negotiated indirect cost reimbursement rate approved by a Federal Cognizant Agency; therefore, the Town has elected to use the de minimis rate of 10% of modified total direct costs as an indirect cost allocation factor, as allowed under 2CFR §200.414.

Subrecipients – There were no sub-recipients of the Federal Awards received by the Town of Horizon City, Texas for the year ended September 30, 2024.

In-Kind Award Reporting – Expenditures of the federal awards received under the Highway Planning and Reconstruction Cluster are composed entirely of in-kind awards provided by the United States Department of Transportation and the Texas Department of Transportation, the pass-through agency. Federal expenditures for this award are managed by the pass-through agency and are used in the design, construction and supervision of improvements of major roads within the Town's limits.

Total federal awards expended by the pass-through agency from inception of the project through September 30, 2024, amount to \$2,229,776 and have been recognized as an in-kind federal award in the current fiscal year.

Total expenditures of state awards received under the Highway Planning and Reconstruction Cluster include an in-kind match of supervision and oversight costs provided by the Texas Department of Transportation, the pass-through agency. Total in-kind award is valued at approximately \$148,703 and has been recognized as an in-kind state grant award in the current fiscal year.

The Town is responsible for making matching payments to the pass-through agency for design, engineering, construction, purchase of land, utilities relocation and supervision at various phases of the project. Total matching payments provided by the Town to the pass-through agency from inception of the project through September 30, 2024, amount to \$1,255,165.

The Town's policy is to recognize the federal funds used for this project as an in-kind award on the basis of historical cost, as reported by the pass-through agency to the Town.

**TOWN OF HORIZON CITY, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended September 30, 2024**

**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. There were no instances of material non-compliance disclosed by the audit of the financial statements of Town of Horizon City, Texas, which would be required to be reported in accordance with *Government Auditing Standards*.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal programs for Town of Horizon City, Texas expresses an unmodified opinion on each major federal program.
6. There are no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major federal programs were the Coronavirus State and Local Fiscal Recovery Funds, Assistance Listing 21.027 and the Highway Planning and Construction program, Assistance Listing 20.205.
8. The threshold used for distinguishing between Type A and B programs was \$750,000 for federal programs.
9. Town of Horizon City, Texas did not qualify as a low-risk auditee.

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**TOWN OF HORIZON CITY, TEXAS**

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

**Year Ended September 30, 2024**

**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.

**III. AUDIT FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS  
PROGRAMS AUDIT.**

**Current Year Findings:** None.

**Prior Year Findings:** None.

See independent auditors’ report.