



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2018**

Prepared by: Finance Department
Dee Willman
Assistant Director of Finance

HONDO

THIS IS GOD'S COUNTRY

CITY OF HONDO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

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City of Hondo

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January 31, 2019

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

We are pleased to present the Comprehensive Annual Financial Report of the City of Hondo, Texas (the City) for the fiscal year ended September 30, 2018. State law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hondo for the fiscal year ended September 30, 2018.

This report consists of management's representations concerning the finances of the City of Hondo. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hondo has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Hondo's financial statements in conformity with U.S. GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Hondo comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Hondo's financial statements have been audited by Armstrong, Vaughan & Associates P.C. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hondo for the fiscal year ended September 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hondo's financial statements for the fiscal year ended September 30, 2018, are fairly presented in conformity with U.S. GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Hondo's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Hondo, incorporated in 1942, is located approximately 40 miles west of San Antonio, Texas. The City of Hondo occupies approximately 9.6 square miles of land. The City of Hondo is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body. The City has operated under the council-manager form of government. Policymaking and legislative authority are vested in a City Council consisting of the Mayor and five councilmembers. The City Council is responsible for establishing public policy on City matters by the passage of appropriate ordinances and resolutions. The City Manager is responsible for overseeing the day-to-day operations of the government, implementing policy established by City Council, and for appointing the heads of the various departments. The City provides a full range of services, including police and fire protection, the construction and maintenance of streets, recreational facilities, cultural events, airport operations, water, electric, sanitation and sewer services.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hondo operates.

Local economy.

Hondo is a community west of San Antonio. The major local employers of the City are the County, School District and City itself. The remaining workforce commutes to the San Antonio and surrounding area. The City (through the Economic Development Corporation) is working to expand the South Texas Regional Training Center to offer job training. At the same time, the City is actively marketing undeveloped land to businesses. The City anticipates the additional skilled workforce and available real estate will attract new employers.

Long-term financial planning.

The City issued \$5.5 million in bonds in January 2017 to fund water and sewer system improvements. The projects are expected to be completed in the 2018-2019 fiscal year. The City's is saving funds every year to help offset the costs of street and drainage issues and limit the need for long-term bonds for those purposes.

Financial Information:

Internal Control. Management is responsible for establishing and maintaining internal controls designed to ensure that assets of the City are protected from loss, theft or misuse and to provide adequate accounting information compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The internal control system is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of an internal control should not exceed the benefits derived from the internal control. The City utilizes financial accounting software which is designed with a system of internal controls. These controls are continually being reevaluated to provide reasonable, but not absolute, assurances.

Budget Controls.

The City also utilizes budgetary controls. Legally expenditures cannot exceed the appropriated amount. The objective of these budgetary controls is to ensure compliance with the adopted budget approved by the City Council as mandated by the city charter and state law. The levels of budgetary control are established at the department basis and at the fund level. Staff believes these controls help monitor and direct approved expenditures to a level within the budget parameters which directly results in a strong financial performance.

Financial Results.

Assets and fund balances continue to grow as the City grows and financial results remain strong. Staff closely monitors and plans the amount of issuance to keep steady debt ratios per capita, per revenue, and per operations tax rate to the debt tax rate. Examples of these ratios can be found in the Statistical Section of the report (as listed in the table of contents). A more detailed summary of the City's Financial Performance is available in the Management Discussion and Analysis section (as listed in the table of contents).

Independent Audit.

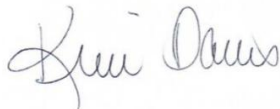
An independent audit is performed every year of the general ledger, accounts, financial records, and transactions of all city departments. The audit is completed by an independent certified public accounting firm selected by the City Council. The City is in compliance with this requirement and the independent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

Acknowledgements

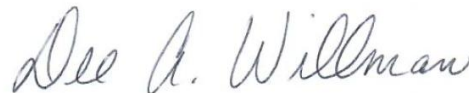
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

In conclusion, we would have none of the success we have enjoyed without the assistance of each and every staff member, as well as the support and strategic direction from the Mayor and the City Council during the strategic planning, pre-budget, and budget approval process.

Respectfully submitted,



Kim Davis
City Manager



Dee Willman
Assistant Finance Director

CITY OF HONDO
PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

JAMES W. DANNER

CITY COUNCIL

ANN-MICHELLE LONG

JOHN MCANELLY

BOBBY VELA

ERIC TORRES

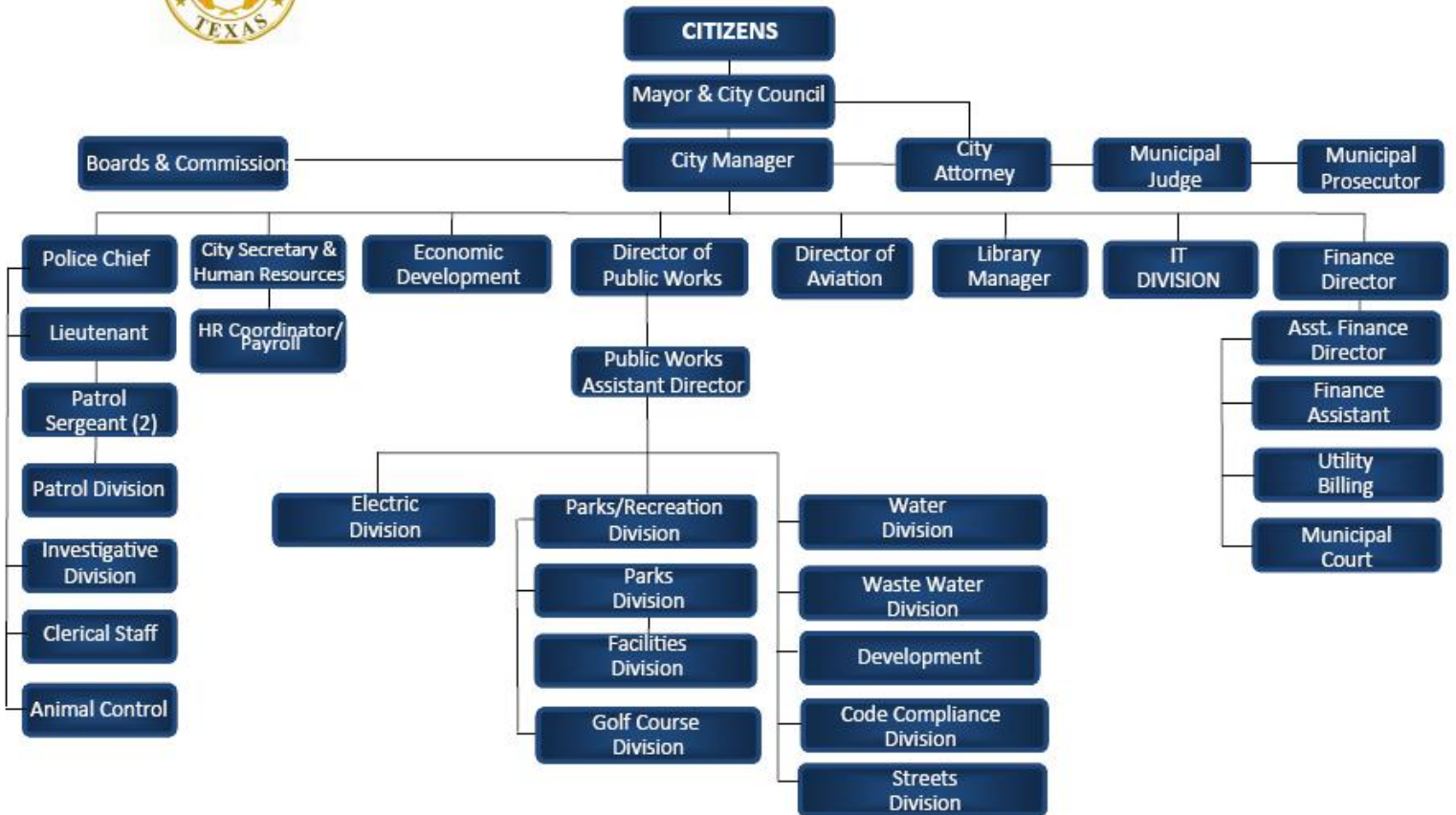
JOHN E. VILLA

CITY MANAGER

KIM DAVIS



CITY OF HONDO ORGANIZATIONAL CHART





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hondo as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Hondo's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hondo, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A21 to the financial statements, as of October 1, 2017, the District adopted new accounting guidance from the Governmental Accounting Standards Board Statement No 75 related to accounting for other post-employment benefits. The new accounting pronouncement resulted in a restatement of prior year balances. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

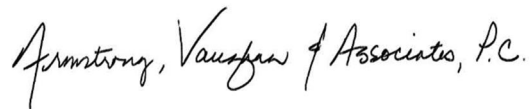
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019 on our consideration of City of Hondo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hondo's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

January 31, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Hondo’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2018. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

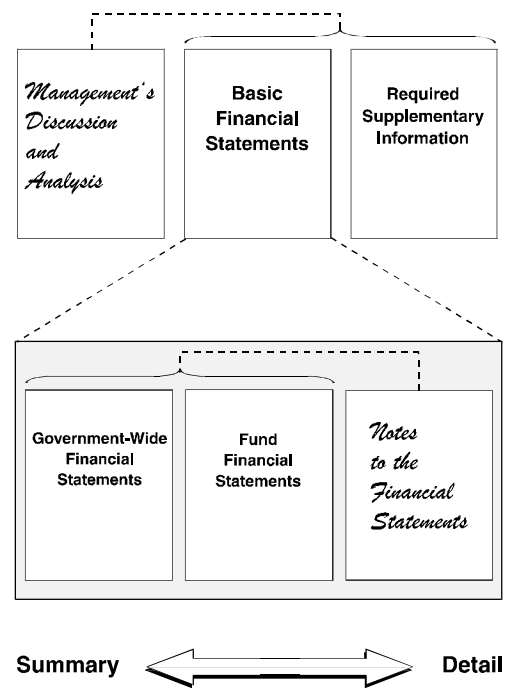
- The City’s total combined net position was \$41.6 million at September 30, 2018.
- The City’s governmental expenses were \$1.4 thousand less than the \$8.3 million generated in general and program revenues for governmental activities, including transfers and payments in lieu of taxes. The total cost of the City’s governmental programs decreased 0.6% from the prior year from good budgetary cost controlling measures.
- The City’s business-type expenses (including transfers and payments in lieu of taxes) were \$993 thousand less than the \$16.1 million generated in charges for services and other revenues. The total cost of the City’s business-type activities decreased 2.2% from the prior year.
- The general fund reported a fund balance of \$2.1 million, a decrease of \$336 thousand, largely due to capital outlay for streets and buildings.
- No new debt was issued but construction continues in the Water & Sewer fund from the 2017 bond issuance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s net position and how they have changed. Net position—the difference between the City’s assets and liabilities—is one way to measure the City’s financial health or *position*.

- Over time, increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City’s tax base.

- The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, streets, economic development, culture and recreation, and interest on long-term debt. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, which explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$41.6 million at September 30, 2018. (See Table A-1).

Table A-1

City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<i>Assets:</i>						
Current Assets	\$ 6,068,561	\$ 5,778,012	\$ 5,347,534	\$ 4,781,323	\$ 11,416,095	\$ 10,559,335
Other Assets	545,990	532,590	2,121,920	5,112,221	2,667,910	5,644,811
Capital Assets (net)	13,774,119	12,948,770	30,926,649	27,891,169	44,700,768	40,839,939
Total Assets	20,388,670	19,259,372	38,396,103	37,784,713	58,784,773	57,044,085
<i>Deferred Outflows:</i>	554,180	681,313	153,698	193,861	707,878	875,174
<i>Liabilities:</i>						
Current Liabilities	1,240,903	1,018,711	2,932,926	2,769,863	4,173,829	3,788,574
Long-Term Liabilities	4,822,999	5,793,630	7,909,854	8,606,549	12,732,853	14,400,179
Total Liabilities	6,063,902	6,812,341	10,842,780	11,376,412	16,906,682	18,188,753
<i>Deferred Inflows:</i>	820,780	238,885	248,519	64,697	1,069,299	303,582
<i>Net Position:</i>						
Net Invested in Capital Assets	9,422,569	8,182,720	24,902,646	23,843,466	34,325,215	32,026,186
Restricted	3,645,681	2,697,464	-	-	3,645,681	2,697,464
Unrestricted	989,918	2,009,275	2,555,856	2,693,999	3,545,774	4,703,274
Total Net Position	\$ 14,058,168	\$ 12,889,459	\$ 27,458,502	\$ 26,537,465	\$ 41,516,670	\$ 39,426,924

2017 has not been restated for GASB 75

Governmental Activities

- Property tax rates did not change for the fiscal year ending September 30, 2018, but increasing property values increased tax revenues by 9% to \$1.5 million.
- Sales tax collections increased 21% to \$1.8 million
- Costs decreased slightly from strong budgetary controls and continued benefits from bond refinancing.

Business-Type Activities

- Expenses decreased slightly by an average of 2.2%. The largest cost savings was in Water and Sewer as the bond issue costs in the prior year did not continue.
- Electric, water and sewer rates were largely unchanged, leading to modest growth from new connections.

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<i>Program Revenues:</i>						
Charges for Services	\$ 684,588	\$ 705,738	\$ 15,764,308	\$ 15,160,851	\$ 16,448,896	\$ 15,866,589
Operating Grants and Contributions	4,783	140,211	-	-	4,783	140,211
Capital Contributions	731,675	223,284	62,102	316,636	793,777	539,920
<i>General Revenues:</i>						
Taxes	3,478,062	3,087,870	-	-	3,478,062	3,087,870
Interest Earnings	75,061	22,730	30,523	7,468	105,584	30,198
Miscellaneous	66,729	74,111	248,333	-	315,062	74,111
TOTAL REVENUES	5,040,898	4,253,944	16,105,266	15,484,955	21,146,164	19,738,899
<i>Program Expenses:</i>						
General Government	1,373,751	1,289,075	-	-	1,373,751	1,289,075
Tax and Finance	195,860	248,173	-	-	195,860	248,173
Public Safety	1,904,235	1,885,309	-	-	1,904,235	1,885,309
Municipal Court	107,932	116,926	-	-	107,932	116,926
Public Works	1,324,824	1,437,598	-	-	1,324,824	1,437,598
Parks, Recreation	1,507,742	1,470,009	-	-	1,507,742	1,470,009
Library	378,399	345,605	-	-	378,399	345,605
Electric Utility	-	-	6,905,253	6,897,935	6,905,253	6,897,935
Water & Sewer	-	-	2,309,930	2,524,656	2,309,930	2,524,656
Airport	-	-	1,304,189	1,360,976	1,304,189	1,360,976
Sanitation	-	-	1,317,579	1,319,815	1,317,579	1,319,815
Interest on Debt	118,552	165,322	-	-	118,552	165,322
TOTAL EXPENSES	6,911,295	6,958,017	11,836,951	12,103,382	18,748,246	19,061,399
Transfers	3,273,297	3,258,399	(3,273,297)	(3,258,399)	-	-
Change in Net Position	\$ 1,402,900	\$ 554,326	\$ 995,018	\$ 123,174	\$ 2,397,918	\$ 677,500

2017 has not been restated for GASB 75

Table A-3 presents the cost of each of the City’s largest functions, as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by grants as well as local tax dollars. The cost of all *governmental* activities this year was \$7.0 million. Taxpayers paid for 22% of these activities through property taxes of \$1.5 million. 10% of the cost was paid by those who directly benefited from the programs. Business-type activities charges for services equaled 133% of expenses.

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
General Government	\$ 1,373,751	\$ 1,289,075	\$ 540,196	\$ 999,486
Tax and Finance	195,860	248,173	195,860	248,173
Public Safety	1,904,235	1,885,309	1,732,924	1,679,103
Municipal Court	107,932	116,926	21,393	5,720
Public Works	1,324,824	1,437,598	1,324,824	1,437,598
Parks, Recreation	1,507,742	1,470,009	1,294,449	1,225,918
Library	378,399	345,605	262,051	127,464
Electric Utility	6,905,253	6,897,935	(2,587,756)	(2,281,037)
Water & Sewer	2,309,930	2,524,656	(1,779,681)	(1,618,033)
Airport	1,304,189	1,360,976	419,127	533,795
Sanitation	1,317,579	1,319,815	(41,149)	(8,830)

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

- The General fund decreased its fund balance by \$336 thousand primarily from continued street/curb/and drainage projects. In addition, a building was purchased to expand city office space.
- The Economic Development Corporation increased its fund balance by \$374 thousand and it began South Texas Regional Training Center renovations and expansion. The expansion of the STRTC is funded by a U.S. Department of Commerce grant and additional funding from Medina County.
- Other nonmajor governmental funds were largely unchanged.
- All of the proprietary funds generated sufficient operating revenues to cover operating expenses and debt service, except for the Airport. The Airport continues to sell available land and pursue rental agreements to cover operations.

Budgetary Highlights

- General Fund revenues exceeded the budget by \$392 and expenditures, mostly from strong sales tax collections.
- General Fund expenditures were \$576 thousand under budget. A large portion of the savings was from capital outlay not advancing as quickly as anticipated.
- The General Fund balance decreased \$336 thousand, which was \$982 thousand better than what the final budget projected.
- Similar to the General Fund, the Economic Development Corporation (EDC) revenues exceeded the budget based on better than anticipated sales tax collections. In addition, the U.S. Department of Commerce grant for the STRTC renovations began in the 2018 fiscal year.
- EDC expenses were under budget by \$600 thousand for capital projects as the STRTC renovation is not as far as along as anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2018, the City had invested \$79 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant changes in fiscal year 2018 included several heavy equipment purchases and ongoing Water & Sewer plant improvements. (See Table A-4)

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 628	\$ 503	\$ 2,284	\$ 2,409	\$ 2,912	\$ 2,912
Water Rights	-	-	200	200	200	200
Buildings and Improvements	8,059	7,955	18,497	18,487	26,556	26,442
Infrastructure	16,510	16,485	23,353	21,150	39,863	37,635
Equipment	3,079	2,339	1,866	1,618	4,945	3,957
Construction in Progress	978	373	3,980	2,440	4,958	2,813
Totals at Historical Cost	29,254	27,655	50,180	46,304	79,434	73,959
Total Accumulated Depreciation	(15,480)	(14,706)	(19,253)	(18,414)	(34,733)	(33,120)
Net Capital Assets	<u>\$13,774</u>	<u>\$12,949</u>	<u>\$30,927</u>	<u>\$27,890</u>	<u>\$44,701</u>	<u>\$40,839</u>

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

Long Term Debt

The City had bonds payable at year end as outlined in Table A-5. No new debt was issued during the 2018 fiscal year. More detailed information about the City's debt is presented in the notes to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds Payable	\$ 4,352	\$ 4,766	\$ 8,173	\$ 8,684	\$12,525	\$13,450
Total Long-Term Debt	<u>\$ 4,352</u>	<u>\$ 4,766</u>	<u>\$ 8,173</u>	<u>\$ 8,684</u>	<u>\$12,525</u>	<u>\$13,450</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2018-2019 year, the City decreased the property tax rate from \$0.5139 to \$0.5109. However, property value growth is expected to offset the decrease in the rate. The City intends to maintain current service levels to the citizens, while containing and reducing overall operational costs. Any increases in revenue are targeted towards improving working capital and fund capital improvements. The City plans to complete water system improvements, including an elevated storage tank. In addition, major improvements are planned for the South Texas Regional Training Center, which will be funded partially by the Economic Development Corporation and partially through a grant.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (830) 426-3378 or visit the City's website at www.hondo-tx.org.

HONDO

THIS IS GOD'S COUNTRY

BASIC FINANCIAL STATEMENTS

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

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

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

HONDO

THIS IS GOD'S COUNTRY

CITY OF HONDO
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,321,258	\$ 2,682,599	\$ 5,003,857
Certificates of Deposit	2,662,370	-	2,662,370
Ad Valorem Tax Receivable (Net)	119,279	-	119,279
Other Receivables (Net)	645,437	2,301,287	2,946,724
Due from Other Governments	315,068	-	315,068
Prepaid Expenses	5,149	-	5,149
Inventory	-	363,648	363,648
Restricted Cash and Investments	545,990	2,121,920	2,667,910
Capital Assets (net)	13,774,119	30,926,649	44,700,768
TOTAL ASSETS	20,388,670	38,396,103	58,784,773
DEFERRED OUTFLOWS			
Deferred Pension Related Outflows	538,193	148,648	686,841
Deferred OPEB Related Outflows	15,987	5,050	21,037
TOTAL DEFERRED OUTFLOWS	554,180	153,698	707,878
LIABILITIES			
Accounts Payable	496,497	1,883,111	2,379,608
Accrued Wages	173,336	52,097	225,433
Accrued Interest	19,063	30,297	49,360
Accrued Compensated Absences	112,659	21,714	134,373
Deposits and Unearned Revenue	22,958	424,097	447,055
<i>Long-term Debt</i>			
Long-term Debt Due in One Year	416,390	521,610	938,000
Long-term Debt Due in More than One Year	3,935,160	7,651,840	11,587,000
Total OPEB Liabilities	447,858	149,871	597,729
Net Pension Liability	439,981	108,143	548,124
TOTAL LIABILITIES	6,063,902	10,842,780	16,906,682
DEFERRED INFLOWS			
Deferred Pension Related Inflows	820,780	248,519	1,069,299
NET POSITION			
Net Investment in Capital Assets	9,422,569	24,902,646	34,325,215
Restricted for:			
Nonexpendable Perpetual Care Trust	545,990	-	545,990
Debt Service	160,094	-	160,094
Economic Development	2,753,588	-	2,753,588
Police, Municipal Court and Library	31,524	-	31,524
Tourism Development	142,130	-	142,130
Cemetery Maintenance	12,355	-	12,355
Unrestricted	989,918	2,555,856	3,545,774
TOTAL NET POSITION	\$ 14,058,168	\$ 27,458,502	\$ 41,516,670

See accompanying notes to basic financial statements.

CITY OF HONDO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
<i>Governmental Activities:</i>				
General Government	\$ 1,373,751	\$ 265,375	\$ -	\$ 568,180
Tax and Finance	195,860	-	-	-
Public Safety	1,904,235	85,381	2,930	83,000
Municipal Court	107,932	86,539	-	-
Public Works	1,324,824	-	-	-
Parks, Recreation and Golf Course	1,507,742	211,440	1,853	-
Library	378,399	35,853	-	80,495
Interest on Long-term Debt	118,552	-	-	-
<i>Total Governmental Activities</i>	6,911,295	684,588	4,783	731,675
<i>Business-Type Activities:</i>				
Electric	6,905,253	9,493,009	-	-
Water & Sewer	2,309,930	4,075,548	-	14,063
Airport	1,304,189	837,023	-	48,039
Sanitation	1,317,579	1,358,728	-	-
<i>Total Business-Type Activities</i>	11,836,951	15,764,308	-	62,102
Total Primary Government	\$ 18,748,246	\$ 16,448,896	\$ 4,783	\$ 793,777
General Revenues:				
Taxes				
Ad Valorem Taxes				
Sales Taxes				
Other Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers and Payments in Lieu of Taxes				
Change in Net Position				
Net Position at Beginning of Year				
Prior Period Adjustment				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (540,196)		\$ (540,196)
(195,860)		(195,860)
(1,732,924)		(1,732,924)
(21,393)		(21,393)
(1,324,824)		(1,324,824)
(1,294,449)		(1,294,449)
(262,051)		(262,051)
(118,552)		(118,552)
<u>(5,490,249)</u>		<u>(5,490,249)</u>
	\$ 2,587,756	2,587,756
	1,779,681	1,779,681
	(419,127)	(419,127)
	41,149	41,149
	<u>3,989,459</u>	<u>3,989,459</u>
		<u>(1,500,790)</u>
1,511,949	-	1,511,949
1,824,144	-	1,824,144
141,969	-	141,969
75,061	30,523	105,584
66,729	248,333	315,062
<u>3,619,852</u>	<u>278,856</u>	<u>3,898,708</u>
<u>3,273,297</u>	<u>(3,273,297)</u>	<u>-</u>
1,402,900	995,018	2,397,918
12,889,459	26,537,465	39,426,924
(234,191)	(73,981)	(308,172)
<u>\$ 14,058,168</u>	<u>\$ 27,458,502</u>	<u>\$ 41,516,670</u>

CITY OF HONDO
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Major Fund General Fund	Major Fund Economic Development	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,329,059	\$ 590,434	\$ 401,764	\$ 2,321,257
Certificates of Deposit	871,489	1,783,226	7,656	2,662,371
Ad Valorem Taxes Receivable (Net)	91,333	-	27,947	119,280
Other Receivables (Net)	399,890	188,764	56,782	645,436
Due from Other Governments	-	315,068	-	315,068
Prepaid Items	5,149	-	-	5,149
Restricted Certificates of Deposit	-	-	545,990	545,990
TOTAL ASSETS	\$ 2,696,920	\$ 2,877,492	\$ 1,040,139	\$ 6,614,551
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 358,142	\$ 118,354	\$ 20,001	\$ 496,497
Accrued Wages	167,785	5,550	-	173,335
Unearned Revenue	17,675	-	5,283	22,958
<i>Total Liabilities</i>	<u>543,602</u>	<u>123,904</u>	<u>25,284</u>	<u>692,790</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	91,333	-	27,947	119,280
<i>Total Deferred Inflows of Resources</i>	<u>91,333</u>	<u>-</u>	<u>27,947</u>	<u>119,280</u>
<i>Fund Balances:</i>				
Nonspendable:				
Prepaid Items	5,149	-	-	5,149
Perpetual Care Trust	-	-	545,990	545,990
Restricted for:				
Debt Service	-	-	151,210	151,210
Economic Development	-	2,753,588	-	2,753,588
Police Department	-	-	6,383	6,383
Tourism Development	-	-	142,130	142,130
Cemetery Maintenance	-	-	12,355	12,355
Municipal Court	25,141	-	-	25,141
Committed for:				
South TX Regional Training Center	-	-	127,254	127,254
Capital Projects	141,566	-	-	141,566
Other	2,500	-	1,586	4,086
Unassigned	1,887,629	-	-	1,887,629
<i>Total Fund Balances</i>	<u>2,061,985</u>	<u>2,753,588</u>	<u>986,908</u>	<u>5,802,481</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,696,920	\$ 2,877,492	\$ 1,040,139	\$ 6,614,551

See accompanying notes to basic financial statements.

CITY OF HONDO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 5,802,481

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 13,774,119

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 119,280

Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds. (112,659)

Long-term liabilities, including capital leases and related accrued interest, are not due and payable in the current period and, therefore not reported in the funds. (4,370,614)

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

Net Pension Liability	(439,981)	
Pension Related Deferred Outflows	538,193	
Pension Related Deferred Inflows	(820,780)	
OPEB Related Deferred Outflows	15,987	
Total OPEB Obligation	(447,858)	(1,154,439)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 14,058,168

CITY OF HONDO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Economic Development	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Ad Valorem Taxes	\$ 1,100,475	\$ -	\$ 387,512	\$ 1,487,987
Sales Taxes	1,216,096	608,048	-	1,824,144
Other Taxes	31,848	-	110,121	141,969
Licenses and Permits	138,474	-	-	138,474
Grants and Donations	98,029	565,068	-	663,097
Charges for Services	394,473	-	78,928	473,401
Fines and Penalties	86,539	-	4,500	91,039
Interest Income	60,519	11,145	3,398	75,062
Miscellaneous	124,037	25	-	124,062
TOTAL REVENUES	<u>3,250,490</u>	<u>1,184,286</u>	<u>584,459</u>	<u>5,019,235</u>
EXPENDITURES				
<i>Current:</i>				
General Government	968,871	167,592	152,645	1,289,108
Tax and Finance	199,692	-	-	199,692
Public Safety	1,821,493	-	3,816	1,825,309
Municipal Court	108,650	-	-	108,650
Public Works	906,233	-	-	906,233
Parks, Recreation and Golf Course	1,421,299	-	-	1,421,299
Library	316,586	-	-	316,586
Capital Outlay	1,161,014	481,147	-	1,642,161
<i>Debt Service:</i>				
Principal	-	90,000	324,500	414,500
Interest and Fiscal Charges	-	42,156	77,658	119,814
TOTAL EXPENDITURES	<u>6,903,838</u>	<u>780,895</u>	<u>558,619</u>	<u>8,243,352</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,653,348)	403,391	25,840	(3,224,117)
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Assets	13,702	-	-	13,702
Payments in Lieu of Taxes	3,154,988	-	-	3,154,988
Transfers In (Out)	148,309	(30,000)	-	118,309
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,316,999</u>	<u>(30,000)</u>	<u>-</u>	<u>3,286,999</u>
Net Change in Fund Balance	(336,349)	373,391	25,840	62,882
Fund Balances at Beginning of Year	2,398,334	2,380,197	961,068	5,739,599
Fund Balances at End of Year	<u>\$ 2,061,985</u>	<u>\$ 2,753,588</u>	<u>\$ 986,908</u>	<u>\$ 5,802,481</u>

See accompanying notes to basic financial statements.

CITY OF HONDO
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-Type Activities		
	Electric Utility	Water & Sewer	Airport
ASSETS			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 797,034	\$ 1,694,669	\$ -
Receivables (net of allowances for uncollectibles)	1,541,641	580,174	46,390
Inventory	195,963	140,585	27,100
Due From Other Funds	226,171	-	-
<i>Total Current Assets</i>	<u>2,760,809</u>	<u>2,415,428</u>	<u>73,490</u>
Restricted Cash	-	2,121,920	-
Property and Equipment (net)	<u>1,287,431</u>	<u>13,258,231</u>	<u>16,380,987</u>
TOTAL ASSETS	<u>4,048,240</u>	<u>17,795,579</u>	<u>16,454,477</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	67,496	53,637	25,976
OPEB Related Deferred Outflows	<u>2,058</u>	<u>2,116</u>	<u>822</u>
TOTAL DEFERRED OUTFLOWS	<u>69,554</u>	<u>55,753</u>	<u>26,798</u>
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	1,124,444	622,452	29,817
Accrued Wages	21,801	21,467	8,829
Accrued Interest	1,385	28,495	417
Accrued Compensated Absences	12,086	7,243	2,385
Deposits and Unearned Revenue	312,844	104,975	6,258
Due to Other Funds	-	-	226,171
Current Portion of Long-Term Debt	<u>50,000</u>	<u>456,610</u>	<u>15,000</u>
<i>Total Current Liabilities</i>	<u>1,522,560</u>	<u>1,241,242</u>	<u>288,877</u>
<i>Long-term Liabilities:</i>			
Long-term Debt (Net of Current Portion)	465,000	7,046,840	140,000
Total OPEB Liability	60,761	63,458	24,205
Net Pension Liability	<u>49,870</u>	<u>40,281</u>	<u>17,047</u>
<i>Total Long-term Liabilities</i>	<u>575,631</u>	<u>7,150,579</u>	<u>181,252</u>
TOTAL LIABILITIES	<u>2,098,191</u>	<u>8,391,821</u>	<u>470,129</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows	<u>103,534</u>	<u>100,058</u>	<u>42,228</u>
NET POSITION			
Net Investment In Capital Assets	772,431	7,904,228	16,225,987
Unrestricted (Deficit)	<u>1,143,638</u>	<u>1,455,225</u>	<u>(257,069)</u>
TOTAL NET POSITION	<u>\$ 1,916,069</u>	<u>\$ 9,359,453</u>	<u>\$ 15,968,918</u>

See accompanying notes to basic financial statements.

<u>Business-Type Activities</u>	
<u>Sanitation</u>	<u>Total Proprietary</u>
\$ 190,896	\$ 2,682,599
133,082	2,301,287
-	363,648
-	226,171
<u>323,978</u>	<u>5,573,705</u>
-	2,121,920
-	30,926,649
<u>323,978</u>	<u>38,622,274</u>
1,539	148,648
54	5,050
<u>1,593</u>	<u>153,698</u>
106,398	1,883,111
-	52,097
-	30,297
-	21,714
20	424,097
-	226,171
-	521,610
<u>106,418</u>	<u>3,159,097</u>
-	7,651,840
1,447	149,871
945	108,143
<u>2,392</u>	<u>7,909,854</u>
<u>108,810</u>	<u>11,068,951</u>
<u>2,699</u>	<u>248,519</u>
-	24,902,646
214,062	2,555,856
<u>\$ 214,062</u>	<u>\$ 27,458,502</u>

CITY OF HONDO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR SEPTEMBER 30, 2018

	Business-Type Activities		
	Electric Utility	Water & Sewer	Airport
OPERATING REVENUES			
Charges for Utility Service	\$ 9,288,371	\$ 3,968,858	\$ -
Fuel Sales	-	-	348,028
Rentals and Leases	-	-	486,331
Miscellaneous Charges	204,638	106,690	2,664
TOTAL OPERATING REVENUES	<u>9,493,009</u>	<u>4,075,548</u>	<u>837,023</u>
OPERATING EXPENSES			
Personnel	584,800	598,250	231,208
Materials and Supplies	488,177	446,829	396,334
Services	5,778,680	697,265	173,801
Depreciation	45,126	394,517	500,291
TOTAL OPERATING EXPENSES	<u>6,896,783</u>	<u>2,136,861</u>	<u>1,301,634</u>
OPERATING INCOME (LOSS)	<u>2,596,226</u>	<u>1,938,687</u>	<u>(464,611)</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	-	14,063	48,039
Interest Income	-	28,276	2,247
Interest Expense	(8,470)	(173,069)	(2,555)
TOTAL NONOPERATING	<u>(8,470)</u>	<u>(130,730)</u>	<u>47,731</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>2,587,756</u>	<u>1,807,957</u>	<u>(416,880)</u>
TRANSFERS			
Payment in Lieu of Taxes	(2,775,000)	(379,988)	-
Gain on Sale of Capital Assets	-	-	248,333
Transfers Out	(69,243)	(35,394)	(12,944)
TOTAL TRANSFERS	<u>(2,844,243)</u>	<u>(415,382)</u>	<u>235,389</u>
CHANGE IN NET POSITION	(256,487)	1,392,575	(181,491)
BEGINNING NET POSITION	2,202,704	7,997,882	16,162,449
Prior Period Adjustment	(30,148)	(31,004)	(12,040)
ENDING NET POSITION	<u>\$ 1,916,069</u>	<u>\$ 9,359,453</u>	<u>\$ 15,968,918</u>

See accompanying notes to basic financial statements.

<u>Business-Type Activities</u>	
<u>Sanitation</u>	<u>Total Proprietary</u>
\$ 1,336,947	\$ 14,594,176
-	348,028
-	486,331
21,781	335,773
<u>1,358,728</u>	<u>15,764,308</u>
13,533	1,427,791
-	1,331,340
1,304,046	7,953,792
-	939,934
<u>1,317,579</u>	<u>11,652,857</u>
<u>41,149</u>	<u>4,111,451</u>
-	62,102
-	30,523
-	(184,094)
<u>-</u>	<u>(91,469)</u>
<u>41,149</u>	<u>4,019,982</u>
-	(3,154,988)
-	248,333
(728)	(118,309)
<u>(728)</u>	<u>(3,024,964)</u>
40,421	995,018
174,430	26,537,465
(789)	(73,981)
<u>\$ 214,062</u>	<u>\$ 27,458,502</u>

CITY OF HONDO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities		
	Electric Utility	Water & Sewer	Airport
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 9,585,688	\$ 4,137,250	\$ 905,657
Cash Paid to Employees for Services	(591,016)	(608,729)	(233,768)
Cash Paid to Suppliers for Goods and Services	(6,287,110)	(1,010,975)	(543,037)
Net Cash Provided (Used) by Operating Activities	<u>2,707,562</u>	<u>2,517,546</u>	<u>128,852</u>
Cash Flows From Noncapital Financing Activities:			
Payments in Lieu of Taxes and Transfers	(3,070,414)	(415,382)	(465,656)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(3,070,414)</u>	<u>(415,382)</u>	<u>(465,656)</u>
Cash Flows From Capital and Related Financing Activities:			
Capital Grants	-	14,063	48,039
Proceeds from the Sale of Capital Assets	-	-	373,333
Purchase of Capital Assets	(552,750)	(3,478,431)	(69,233)
Principal Payments on Long-Term Debt	(45,000)	(450,500)	(15,000)
Interest Paid	(8,550)	(173,663)	(2,582)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(606,300)</u>	<u>(4,088,531)</u>	<u>334,557</u>
Cash Flows From Investing Activities:			
Investment Interest Received	-	28,276	2,247
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>28,276</u>	<u>2,247</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(969,152)	(1,958,091)	-
Beginning of Year:			
Cash and Cash Equivalents	1,766,186	662,459	-
Restricted Cash	-	5,112,221	-
Total Beginning of Year	<u>1,766,186</u>	<u>5,774,680</u>	<u>-</u>
End of Year:			
Cash and Cash Equivalents	797,034	1,694,669	-
Restricted Cash	-	2,121,920	-
Total End of Year	<u>\$ 797,034</u>	<u>\$ 3,816,589</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

<u>Business-Type Activities</u>	
<u>Sanitation</u>	<u>Total Proprietary</u>
\$ 1,356,493	\$ 15,985,088
(14,371)	(1,447,884)
<u>(1,306,261)</u>	<u>(9,147,383)</u>
35,861	5,389,821
<u>(728)</u>	<u>(3,952,180)</u>
<u>(728)</u>	<u>(3,952,180)</u>
-	62,102
-	373,333
-	(4,100,414)
-	(510,500)
<u>-</u>	<u>(184,795)</u>
<u>-</u>	<u>(4,360,274)</u>
<u>-</u>	<u>30,523</u>
<u>-</u>	<u>30,523</u>
35,133	(2,892,110)
155,763	2,584,408
<u>-</u>	<u>5,112,221</u>
<u>155,763</u>	<u>7,696,629</u>
190,896	2,682,599
<u>-</u>	<u>2,121,920</u>
<u>\$ 190,896</u>	<u>\$ 4,804,519</u>

CITY OF HONDO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities		
	Electric Utility	Water & Sewer	Airport
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 2,596,226	\$ 1,938,687	\$ (464,611)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	45,126	394,517	500,291
(Increase) Decrease in Operating Assets:			
Accounts Receivable (net)	94,434	51,677	74,349
Inventory	(28,948)	18,752	2,854
(Increase) Decrease in Deferred Outflows:			
Pension Related Deferred Outflows	18,425	18,947	7,358
OPEB Related Deferred Outflows	(2,058)	(2,116)	(822)
Increase (Decrease) in Current Liabilities:			
Accounts Payable	8,695	114,367	24,244
Accrued Wages	639	(879)	2,020
Accrued Compensated Absences	3,366	912	(498)
Deposits and Unearned Revenue	(1,755)	10,025	(5,715)
Total OPEB Liability	4,486	4,613	1,791
Net Pension Liability	(105,983)	(108,992)	(42,324)
Increase (Decrease) in Deferred Inflows:			
Pension Related Deferred Inflows	74,909	77,036	29,915
Total Adjustments to Reconcile Operating Activities	111,336	578,859	593,463
Net Cash Provided (Used) by Operating Activities	\$ 2,707,562	\$ 2,517,546	\$ 128,852

See accompanying notes to basic financial statements.

<u>Business-Type Activities</u>	
<u>Sewer Sanitation</u>	<u>Total Proprietary Funds</u>
\$ 41,149	\$ 4,111,451
-	939,934
(2,255)	218,205
-	(7,342)
483	45,213
(54)	(5,050)
(2,215)	145,091
(572)	1,208
-	3,780
20	2,575
118	11,008
(2,775)	(260,074)
<u>1,962</u>	<u>183,822</u>
<u>(5,288)</u>	<u>1,278,370</u>
<u>\$ 35,861</u>	<u>\$ 5,389,821</u>

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hondo, Texas (“City”) was incorporated in 1942 under the provisions of the State of Texas. The City operates under a Home Rule Charter adopted May 12, 2007. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. REPORTING ENTITY

Component Units

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. As of September 30, 2018, the City had one component unit that is blended in these financial statements:

Hondo Economic Development Corporation

The City exerts significant control over the Economic Development Corporation (EDC), a legally separate entity. The EDC uses the taxing authority of the City and exists only to benefit the City and its community. City Council appoints all members of the Board, approves the Budget, and is charged with hiring and firing of EDC employees. This qualifies the EDC as a component unit, which is recorded as a separate fund of the City, using the blended method described in the previous paragraph. The EDC collects a ½ cent sales tax to promote economic growth in the City of Hondo. The EDC does not issue separate financial statements.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales taxes, and payments in lieu of taxes from proprietary funds. Primary expenditures are for general administration, public safety, recreation, and public works.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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

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

Economic Development Fund is used to account for the ½ cent sales tax used to promote business development in the City. This fund is a separate legal entity reported as a blended component unit of the City.

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

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

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

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

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

4. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

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

Cash is reported as restricted only if the restriction on the cash is narrower than the purpose of the fund as a whole. For the City, these balances generally consist of the cemetery trust and unspent bond proceeds for specific projects.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit and qualifying external investment pools which are carried at amortized cost.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2017 and past due after January 31, 2018. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectibles of \$16,118 and \$4,932 in the general and debt service funds, respectively.

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

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

7. PREPAID ITEMS

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

CITY OF HONDO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2018

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

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

9. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

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

10. CAPITAL ASSETS

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

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

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

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

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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

11. INVENTORY

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

12. COMPENSATED ABSENCES

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

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

13. LONG-TERM OBLIGATIONS

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

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

14. PENSIONS

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

15. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The total opeb liability (and related deferred inflows and outflows of resources) and opeb expense of the TMRS supplemental death benefits fund, have been determined on the same basis as they are reported by TMRS..

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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

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

The total opeb liability (and related deferred inflows and outflows of resources) and opeb expense of the retiree insurance plan, have been determined on the economic resources measurement focus. There are no trusts for these plans as they are pay as you go. On the government-wide and proprietary statements, a liability is recorded for the present value of future benefits. In the governmental funds, a liability is recorded only to the extent benefits are due and payable.

16. FUND BALANCES

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

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

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

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

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

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

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

17. NET POSITION

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

18. OPERATING REVENUES AND EXPENSES

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

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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

19. INTERFUND TRANSFERS

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

20. USE OF ESTIMATES

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

21. ADOPTION OF GASB STATEMENT NO 75

On October 31, 2018, the City implemented GASB Statement No 75 related to other post-employment benefits. This required an adjustment to prior periods for the total other post-employment liabilities for the TMRS supplemental death benefits fund and the City's retiree health insurance program.

NOTE B -- DEPOSITS AND INVESTMENTS

1. Deposits

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2018, the carrying amount of the City's deposits were fully collateralized by a combination of federal deposit insurance (FDIC) and securities pledged by the City's depository.

2. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

2. Investments (Continued)

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies. The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper. The City’s investment policy further limits investments to: (1) federally insured bank deposits, (2) collateralized bank deposits, (3) U.S. Government Treasury bills and notes, including sweep accounts that invest in them, (4) U.S. Government Agencies, and (5) Public Funds Investment Pools. No other investments may be made without authorization of City Council.

The City’s investments at September 30, 2018 consist of \$3,208,360 in certificates of deposit covered by pledged securities from the City’s depository. The certificates are reported at amortized cost.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures. The City has reviewed its risk exposure and does not believe it is exposed to significant credit risk, custodial credit risk, or concentration of credit risk.

NOTE C -- PROPERTY TAX CALENDAR

The City’s property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Medina County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2017, upon which the fiscal 2018 levy was based, was \$290 million (i.e., market value less exemptions). The estimated market value was \$326 million, making the taxable value 89% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2018, was \$0.5139 per \$100 of assessed value, which means that the City has a tax margin of \$1.9861 for each \$100 value and could increase its annual tax levy by approximately \$5.8 million based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year’s maintenance and operations tax rate

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE D -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2018 are as follows:

	General Fund	EDC	Nonmajor Funds	Governmental Totals	
Sales and Mixed Beverage Tax	\$ 378,032	\$ 188,764	\$ -	\$ 566,796	
Franchise Fees	9,006	-	-	9,006	
Hotel Occupancy Tax	-	-	31,022	31,022	
Customer Charges	20,011	-	25,760	45,771	
Allowance for Uncollectibles	(7,159)	-	-	(7,159)	
Total Other Receivables	<u>\$ 399,890</u>	<u>\$ 188,764</u>	<u>\$ 56,782</u>	<u>\$ 645,436</u>	

	Electric Utility	Water & Sewer	Airport	Sanitation	Proprietary Totals
Customer Charges	\$ 1,595,331	\$ 602,383	\$ 70,920	\$ 141,583	\$ 2,410,217
Allowance for Uncollectibles	(53,690)	(22,209)	(24,530)	(8,501)	(108,930)
Total Other Receivables	<u>\$ 1,541,641</u>	<u>\$ 580,174</u>	<u>\$ 46,390</u>	<u>\$ 133,082</u>	<u>\$ 2,301,287</u>

NOTE E -- RESTRICTED CASH AND INVESTMENTS

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

Restricted cash reported in the Water and Sewer Fund represents unspent 2017 Series bond proceeds, which are restricted for the plant improvements.

NOTE F -- INTERFUND TRANSACTIONS

Interfund balances as of September 30, 2018 were as follows:

Due From	Due To	Amount	Purpose
Airport	Electric	\$ 226,171	<i>Short-term pooled cash loan</i>

Interfund transfers during the year ending September 30, 2018 were as follows:

Transfer From	Transfer to	Amount	Purpose
Electric	General	\$ 69,243	<i>Contributions toward capital projects</i>
Water & Sewer	General	35,394	<i>Contributions toward capital projects</i>
Airport	General	12,944	<i>Contributions toward capital projects</i>
Sanitation	General	728	<i>Contributions toward capital projects</i>
Economic Development	General	30,000	<i>Contributions toward capital projects</i>
		<u>\$ 148,309</u>	

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE G -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

<u>Governmental Activities</u>	Balance 10/1/2017	Additions	Disposals/ Transfers	Balance 9/30/2018
Land	\$ 503,148	\$ 125,000	\$ -	\$ 628,148
Buildings and Improvements	7,954,690	122,995	(19,041)	8,058,644
Infrastructure	16,484,831	25,037	-	16,509,868
Vehicles and Equipment	2,339,422	764,326	(25,240)	3,078,508
Construction in Progress	373,178	604,801	-	977,979
	<u>27,655,269</u>	<u>1,642,159</u>	<u>(44,281)</u>	<u>29,253,147</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,583,553)	(198,962)	19,041	(2,763,474)
Vehicles and Equipment	(1,766,171)	(216,226)	25,240	(1,957,157)
Infrastructure	(10,356,775)	(401,622)	-	(10,758,397)
	<u>(14,706,499)</u>	<u>(816,810)</u>	<u>44,281</u>	<u>(15,479,028)</u>
Capital Assets, Net	<u>\$ 12,948,770</u>	<u>\$ 825,349</u>	<u>\$ -</u>	<u>\$ 13,774,119</u>
<u>Business-Type Activities</u>	Balance 10/1/2017	Additions	Disposals/ Transfers	Balance 9/30/2018
Land	\$ 2,409,348	\$ -	\$ (125,000)	\$ 2,284,348
Water Rights	199,541	-	-	199,541
Buildings and Improvements	18,487,263	9,600	-	18,496,863
Infrastructure	21,150,288	411,023	1,791,694	23,353,005
Vehicles and Equipment	1,618,440	348,893	(101,490)	1,865,843
Construction in Progress	2,440,456	3,330,898	(1,791,694)	3,979,660
	<u>46,305,336</u>	<u>4,100,414</u>	<u>(226,490)</u>	<u>50,179,260</u>
Less Accumulated Depreciation				
Buildings and Improvements	(6,073,617)	(425,199)	-	(6,498,816)
Vehicles and Equipment	(1,143,861)	(103,903)	101,490	(1,146,274)
Infrastructure	(11,196,689)	(410,832)	-	(11,607,521)
	<u>(18,414,167)</u>	<u>(939,934)</u>	<u>101,490</u>	<u>(19,252,611)</u>
Capital Assets, Net	<u>\$ 27,891,169</u>	<u>\$ 3,160,480</u>	<u>\$ (125,000)</u>	<u>\$ 30,926,649</u>

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

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE G -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

General Government	\$	108,916
Public Safety		110,199
Public Works		434,127
Parks, Recreation and Golf Course		96,977
Library		66,591
Total Depreciation Expense - Governmental Activities		\$ 816,810

NOTE H -- LONG-TERM LIABILITIES

	Balance 10/1/2017	Additions	Reductions	Balance 9/30/2018
<i>Governmental Activities</i>				
Bonds Payable	\$ 4,766,050	\$ -	\$ (414,500)	\$ 4,351,550
Net Pension Liability	1,263,258	354,759	(1,178,036)	439,981
Accrued Compensated Absences	108,202	112,659	(108,202)	112,659
Total OPEB Liabilities				
SBDF	182,191	34,334	-	216,525
Retiree Insurance	230,821	10,042	(9,530)	231,333
<i>Total Governmental Activities</i>	<u>\$ 6,550,522</u>	<u>\$ 511,794</u>	<u>\$ (1,710,268)</u>	<u>\$ 5,352,048</u>
 <i>Business-Type Activities</i>				
Bonds Payable	\$ 8,683,950	\$ -	\$ (510,500)	\$ 8,173,450
Net Pension Liability	368,217	103,406	(363,480)	108,143
Accrued Compensated Absences	17,934	21,714	(17,934)	21,714
Total OPEB Liabilities				
SBDF	57,555	10,637	-	68,192
Retiree Insurance	81,309	3,538	(3,168)	81,679
<i>Total Business-Type Activities</i>	<u>\$ 9,208,965</u>	<u>\$ 139,295</u>	<u>\$ (895,082)</u>	<u>\$ 8,453,178</u>

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

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE I -- BONDS PAYABLE

Sales Tax Revenue Bonds, Series 2010

The City (through the Economic Development Corporation) issued \$1,000,000 in revenue bonds in 2010 for improvements to the South Texas Regional Training Center. The debt service is funded by the sales tax collections of the Economic Development Corporation. The bonds mature serially through February 1, 2030 and bear interest at rates between 2.75% and 5.00%.

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

The City issued \$490,000 in certificates of obligation in May 2013 for utility system improvements. The debt service on the certificates are to be paid by the water/sewer utility fund. The bonds mature serially through February 1, 2023 and bear interest at rates between 0.38% and 1.86%.

General Obligation Refunding Bonds, Series 2014

The City issued \$1,672,000 in general obligation bonds in May, 2014 to refund the majority of the Certificates of Obligation, Series 2005. The debt service on the 2014 series will be paid in the same ratio as the series 2005 bonds: 63% General Fund and 37% Water/Sewer utility. The bonds mature serially through February 1, 2025 and bear interest at rates between 0.95% and 3.15%.

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

In December 2015, the City issued \$3,450,000 in bonds: \$2.03 million for library construction to be repaid with property taxes and \$1.42 million for water utility improvements to be repaid with excess utility revenues. The bonds mature serially through August 1, 2035 and bear interest at rates between 0.67% and 3.62%.

General Obligation Refunding Bonds, Series 2016

In November 2016, the City issued \$2,635,000 in bonds to refund series 2007. The refunding resulted in gross savings of \$413,067 with a present value of \$375,094. All of the funds originally involved in the 2007 bonds are to service the 2016 bonds: General Fund (Debt Service) (27%), Electric Utility (22%), Water/Sewer Utility (22%), Airport (7%) and Economic Development Corporation (22%). The bonds mature serially through February 1, 2027 and bear interest at rates between 0.963% and 2.012%.

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

In January 2017, the City issued \$5,470,000 in bonds through the Texas Water Development Board's Drinking Water State Revolving Fund for water and sewer plant improvements. The bonds will be serviced by the Water & Sewer Fund, mature serially through August 1, 2036 and bear interest at rates between 0.11% and 2.92%. The proceeds are held in an escrow account and released by the TWDB upon approved outlay requests. The unspent proceeds are reported as restricted cash on the Statement of Net Position.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE I – BONDS PAYABLE (Continued)

Changes in Bonds Payable

	Balance 10/1/2017	Additions	Reductions	Balance 9/30/2018	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
2015 Series	\$ 1,920,000	\$ -	\$ (170,000)	\$ 1,750,000	\$ 170,000
2016 Series	1,260,000	-	(105,000)	1,155,000	105,000
2010 Series	745,000	-	(45,000)	700,000	45,000
2014 Series	841,050	-	(94,500)	746,550	96,390
<i>Total Governmental Activities</i>	<u>\$ 4,766,050</u>	<u>\$ -</u>	<u>\$ (414,500)</u>	<u>\$ 4,351,550</u>	<u>\$ 416,390</u>
<i>Business-Type Activities</i>					
Bonds Payable:					
2015 Series	\$ 1,315,000	\$ -	\$ (60,000)	\$ 1,255,000	\$ 60,000
2016 Series	1,290,000	-	(105,000)	1,185,000	115,000
2017 Series	5,285,000	-	(240,000)	5,045,000	240,000
2013 Series	300,000	-	(50,000)	250,000	50,000
2014 Series	493,950	-	(55,500)	438,450	56,610
<i>Total Business-Type Activities</i>	<u>\$ 8,683,950</u>	<u>\$ -</u>	<u>\$ (510,500)</u>	<u>\$ 8,173,450</u>	<u>\$ 521,610</u>

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2018, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
<i>Governmental Activities</i>			
2019	\$ 416,390	\$ 111,984	\$ 528,374
2020	423,910	104,653	528,563
2021	437,690	96,270	533,960
2022	346,470	86,860	433,330
2023	349,620	78,323	427,943
2024-2028	1,562,470	252,945	1,815,415
2029-2033	610,000	91,126	701,126
2034-2035	205,000	11,142	216,142
	<u>\$ 4,351,550</u>	<u>\$ 833,303</u>	<u>\$ 5,184,853</u>
<i>Business-Type Activities</i>			
2019	\$ 521,610	\$ 180,359	\$ 701,969
2020	528,090	174,436	702,526
2021	535,310	167,187	702,497
2022	537,530	158,702	696,232
2023	544,380	149,295	693,675
2024-2028	2,421,530	589,735	3,011,265
2029-2033	1,900,000	340,114	2,240,114
2034-2036	1,185,000	68,418	1,253,418
	<u>\$ 8,173,450</u>	<u>\$ 1,828,246</u>	<u>\$ 10,001,696</u>

CITY OF HONDO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2018

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS

Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS retirement system.

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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 member's deposits and interest.

At the December 31 valuations and measurement dates, the following employees were covered by the benefit terms:

	2016	2017
Inactive employees or beneficiaries currently receiving benefits	55	64
Inactive employees entitled to but not yet receiving benefits	71	68
Active employees	108	111
	234	243

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Contributions (Continued)

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.36% and 9.00% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$409,452 and matched the required contributions.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

* Presented net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
	<u>100.00%</u>	

Discount Rate

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

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2017:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 14,467,308	\$ 12,835,833	\$ 1,631,475
Changes for the year:			
Service Cost	529,405	-	529,405
Interest	966,146	-	966,146
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(199,900)	-	(199,900)
Changes of Assumptions	-	-	-
Contributions - Employer	-	388,643	(388,643)
Contributions - Employee	-	221,323	(221,323)
Net Investment Income	-	1,778,722	(1,778,722)
Benefit Payments, Including Refunds of Employee Contributions	(837,486)	(837,486)	-
Administrative Expense	-	(9,220)	9,220
Other Changes	-	(466)	466
Net Changes	458,165	1,541,516	(1,083,351)
Balance at December 31, 2017	\$ 14,925,473	\$ 14,377,349	\$ 548,124

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 3,757,354	\$ 548,124	\$ (92,237)

Pension Plan Fiduciary Net Position

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

CITY OF HONDO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2018

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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

For the year ended September 30, 2018, the City recognized pension expense of \$280,150. Also as of September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 338,812
Changes in Actuarial Assumptions	22,797	-
Differences Between Projected and Actual Investment Earnings	360,070	730,487
Contributions Subsequent to the Measurement Date	303,974	-
	\$ 686,841	\$ 1,069,299

Deferred outflows of resources in the amount of \$303,974 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Fiscal Year ended September 30,	
2019	\$ (136,086)
2020	(139,171)
2021	(228,715)
2022	(182,460)
	\$ (686,432)

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT – SUPPLEMENTAL DEATH BENEFIT

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

CITY OF HONDO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2018

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. Membership in the plan at December 31, 2017, the valuation and measurement date, consisted of:

	2017
Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	8
Active employees	111
	173

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

For the Plan Year Ended December 31,	Total Rate	Retiree Portion
2017	0.21%	0.04%
2018	0.22%	0.04%

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

Inflation	2.50%
Salary Increases	3.5% to 10.5% including Inflation
Discount Rate	3.31% based on Fidelity 20-year Municipal GO AA Index
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both male and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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

The changes in the City's Total OPEB Liability (TOL), based on the above actuarial factors, during the year ended December 31, 2017, were as follows:

	Total OPEB Liability
Balance at December 31, 2016	\$ 241,036
Changes for the year:	
Service Cost	11,951
Interest	9,304
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	24,197
Benefit Payments	(1,771)
Net Changes	43,681
Balance at December 31, 2017	\$ 284,717

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

The following presents the TOL of the City, calculated using the discount rate of 3.31% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.31%) and 1-percentage point higher (4.31%) than the current rate:

	Discount Rate 2.31%	Discount Rate 3.31%	Discount Rate 4.31%
Total OPEB Liability	\$ 347,138	\$ 284,717	\$ 236,556

For the year ended September 30, 2018, the City recognized OPEB expense of \$25,769. Also as of September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	19,683	-
Contributions Subsequent to the Measurement Date	1,354	-
	\$ 21,037	\$ -

CITY OF HONDO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2018

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

Deferred outflows of resources in the amount of \$1,354 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Fiscal Year ending September 30,	
2019	\$ 4,514
2020	4,514
2021	4,514
2022	4,514
2023	1,627
	<u>\$ 19,683</u>

NOTE L -- OTHER POSTEMPLOYMENT BENEFIT – RETIREE INSURANCE

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

Membership in the plan as of September 30, 2018, was as follows:

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

This City does not maintain a separate trust for this plan and is not accumulating assets to service the other post-employment benefit.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

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

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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

Changes in the City’s TOL for the measurement period ending September 30, 2018 were as follows:

	Total OPEB Liability
Balance at October 1, 2017	\$ 312,130
Changes for the year:	
Service Cost	1,022
Interest	12,458
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments	(12,598)
Net Changes	882
Balance at September 30, 2018	\$ 313,012

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

	Discount Rate		
	3.06%	4.06%	5.06%
Total OPEB Liability (Asset)	\$ 391,539	\$ 313,012	\$ 254,458

	Health Care Cost Trend Rate		
	4.00%	5.00%	6.00%
Total OPEB Liability (Asset)	\$ 254,555	\$ 313,012	\$ 389,696

For the year ended September 30, 2018, the City recognized OPEB expense of \$13,480. Also as of September 30, 2018, the City reported no deferred outflows or inflows of resources related to the retiree insurance OPEB.

CITY OF HONDO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2018

NOTE M -- HIGHER EDUCATION AUTHORITY

On August 6, 2013, the City created a nonprofit corporation under Section 53.35(b) of The Texas Education code. The creation of this nonprofit corporation established a Higher Education Authority (the Authority) for the purpose of assisting in the financing of accredited primary and secondary schools as provided by state law. In accordance with the terms establishing the nonprofit corporation, the city is not liable for any expenses incurred in establishing or administering the Higher Education Authority. The Authority is not consolidated into the financial statements of City because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards. As of September 30, 2018, the Authority had issued two series of bonds:

<u>Issue</u>	<u>Original Principal</u>	<u>Amount Outstanding</u>	<u>Maturity</u>
2013 Series	\$ 2,500,000	\$ 2,500,000	2028
2016 Series	5,000,000	4,765,000	2035

NOTE N -- COMMITMENTS AND CONTINGENCIES

Litigation

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

Commitments

The City has entered into several contracts related to construction projects. The amounts as of September 30, 2018 were as follows:

<u>Commitment</u>	<u>Estimated Project Cost to City</u>	<u>Expended to Date</u>	<u>Estimated Future Commitment</u>
STRTC Improvements	\$ 1,438,571	\$ 414,563	\$ 1,024,008
Water Tank Rehabilitation	694,250	-	694,250
Water Distribution Projects	2,464,118	2,267,796	196,322
	<u>\$ 4,596,939</u>	<u>\$ 2,682,359</u>	<u>\$ 1,914,580</u>

NOTE O -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to \$1,000,000.

CITY OF HONDO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE P -- PRIOR PERIOD ADJUSTMENT

The City recorded a prior period adjustment to implement GASB Statement 75 for other post-employment benefits (see note A21). The adjustment decreased September 30, 2017 net position as follows:

	Implementation of GASB 75		
	TMRS		Total
	Supplemental Death Benefit	City Retiree Insurance	
<i>Reported on Statement of Activities:</i>			
Governmental Activities	182,191	52,000	234,191
Business-Type Activities	57,554	16,427	73,981
 <i>Reported in Proprietary Funds Statements:</i>			
Electric Fund	23,454	6,694	30,148
Water & Sewer	24,120	6,884	31,004
Airport	9,366	2,674	12,040
Sanitation	614	175	789

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF HONDO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 1,122,835	\$ 1,122,835	\$ 1,100,475	\$ (22,360)
Sales Taxes	975,000	975,000	1,216,096	241,096
Other Taxes	43,000	43,000	31,848	(11,152)
Licenses and Permits	201,096	201,096	138,474	(62,622)
Grants and Donations	50,223	50,223	98,029	47,806
Charges for Services	319,965	319,965	394,473	74,508
Fines and Penalties	100,500	100,500	86,539	(13,961)
Interest Income	7,500	7,500	60,519	53,019
Miscellaneous	38,700	38,700	124,037	85,337
TOTAL REVENUES	<u>2,858,819</u>	<u>2,858,819</u>	<u>3,250,490</u>	<u>391,671</u>
EXPENDITURES				
<i>Current:</i>				
General Government	1,121,166	1,121,166	968,871	152,295
Tax and Finance	273,752	273,752	199,692	74,060
Public Safety	1,858,989	1,858,989	1,821,493	37,496
Municipal Court	117,711	117,711	108,650	9,061
Public Works	963,632	969,257	906,233	63,024
Parks, Recreation and Golf Course	1,407,108	1,448,974	1,421,299	27,675
Library	327,910	327,910	316,586	11,324
Capital Outlay	1,316,163	1,362,174	1,161,014	201,160
TOTAL EXPENDITURES	<u>7,386,431</u>	<u>7,479,933</u>	<u>6,903,838</u>	<u>576,095</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,527,612)</u>	<u>(4,621,114)</u>	<u>(3,653,348)</u>	<u>967,766</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Assets	20,000	20,000	13,702	(6,298)
Payments in Lieu of Taxes	3,155,000	3,155,000	3,154,988	(12)
Transfers In	127,669	127,669	148,309	20,640
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,302,669</u>	<u>3,302,669</u>	<u>3,316,999</u>	<u>14,330</u>
Net Change in Fund Balance	(1,224,943)	(1,318,445)	(336,349)	982,096
Beginning Fund Balance	2,398,334	2,398,334	2,398,334	-
Ending Fund Balance	<u>\$ 1,173,391</u>	<u>\$ 1,079,889</u>	<u>\$ 2,061,985</u>	<u>\$ 982,096</u>

CITY OF HONDO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL – ECONOMIC DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Sales Taxes	\$ 480,000	\$ 480,000	\$ 608,048	\$ 128,048
Grants and Donations	-	250,000	565,068	315,068
Interest Income	4,000	4,000	11,145	7,145
Miscellaneous	-	-	25	25
TOTAL REVENUES	<u>484,000</u>	<u>734,000</u>	<u>1,184,286</u>	<u>450,286</u>
EXPENDITURES				
<i>Current:</i>				
General Government	169,545	169,545	167,592	1,953
<i>Capital Outlay</i>	680,316	1,080,316	481,147	599,169
<i>Debt Service:</i>				
Principal	90,000	90,000	90,000	-
Interest	42,157	42,157	42,156	1
TOTAL EXPENDITURES	<u>982,018</u>	<u>1,382,018</u>	<u>780,895</u>	<u>601,123</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(498,018)</u>	<u>(648,018)</u>	<u>403,391</u>	<u>1,051,409</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net Change in Fund Balance	(528,018)	(678,018)	373,391	1,051,409
Beginning Fund Balance	<u>2,380,197</u>	<u>2,380,197</u>	<u>2,380,197</u>	<u>-</u>
Ending Fund Balance	<u>\$ 1,852,179</u>	<u>\$ 1,702,179</u>	<u>\$ 2,753,588</u>	<u>\$ 1,051,409</u>

CITY OF HONDO
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2018

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund, Debt Service and Economic Development Fund.

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

The City does not use encumbrances.

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

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

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

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

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

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and femal rates multiplied by 103% and projected on a fully generational basis with scale BB.

Changes in Benefit Terms: None

Changes in Assumptions: None

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

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

Total OPEB Liability	2017
Service Cost	\$ 11,951
Interest (on the Total OPEB Liability)	9,304
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Change of Assumptions	24,197
Benefit Payments	(1,771)
Net Change in Total Pension Liability	43,681
Total OPEB Liability - Beginning	241,036
Total OPEB Liability - Ending	\$ 284,717
 Covered Payroll	 \$ 4,426,466
 Total OPEB Liability as a Percentage of Covered Payroll	 6.43%

Actuarial Assumptions:

Inflation	2.50% per year
Salary Increases	3.5%-10.5% including inflation
Discount Rate *	3.31%

* Based on the Fidelity "20-year Municipal GO AA Index"

Changes in Benefit Terms: None

Changes in Assumptions: None

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

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

Total OPEB Liability	2017
Service Cost	\$ 11,951
Interest (on the Total OPEB Liability)	9,304
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Change of Assumptions	24,197
Benefit Payments	(1,771)
Net Change in Total Pension Liability	43,681
Total OPEB Liability - Beginning	241,036
Total OPEB Liability - Ending	\$ 284,717
 Covered Payroll	 \$ 4,426,466
 Total OPEB Liability as a Percentage of Covered Payroll	 6.43%

Actuarial Assumptions:

Actuarial Valuation Date	September 30, 2018
Actuarial Method	Entry Age Normal
	Level Percentage of Projected Salary
Discount Rate	4.06%
Mortality Table	RP-2014 Total with Projection MP-2018
Health Cost Trend	Level 5%
 Changes in Benefit Terms:	 None
 Changes in Assumptions:	 None

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

SUPPLEMENTARY INFORMATION

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

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

SPECIAL REVENUE FUNDS

South Central Regional Training Center (STRTC)– To account for rental and intergovernmental revenues to support the operations of the STRTC Center.

Hotel Tax Fund – To account for the Hotel Tax revenues paid to the City and restricted by State Law. The revenues provide for contributions to various civic organizations and to support activities that generate tourism in the City.

Seizure and Forfeiture – To account for assets seized or forfeited as part of criminal activities. The funds are restricted by law in support of the police department.

Unclaimed Funds – To account for City payments and refunds not claimed by the payee. Balances are held for the required period by law. Income from the assets is used to cover the administrative costs of the fund.

DEBT SERVICE FUNDS

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

PERMANENT FUNDS

Perpetual Care – To account for fees on the sale of burial plots restricted by ordinance to be held in perpetuity. Income from the payments may be used to maintain the cemetery grounds.

CITY OF HONDO
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING SEPTEMBER 30, 2018

		Special Revenue Funds	
	Debt Service	Seizure & Forfeiture	Unclaimed Funds
ASSETS			
Cash and Cash Equivalents	\$ 151,210	\$ 15,516	\$ 6,048
Certificates of Deposit	-	-	7,656
Property Taxes Receivable (net)	27,947	-	-
Other Receivables (net)	-	-	-
Restricted Cash and Investments	-	-	-
	TOTAL ASSETS	\$ 15,516	\$ 13,704
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ -	\$ 4,670	\$ 12,118
Unearned Revenue	-	4,463	-
<i>Total Liabilities</i>	-	9,133	12,118
 <i>Deferred Inflows of Resources:</i>			
Unavailable Property Tax Revenue	27,947	-	-
<i>Total Deferred Inflows</i>	27,947	-	-
 <i>Fund Balances:</i>			
Nonspendable:			
Perpetual Care Trust	-	-	-
Restricted For:			
Debt Service	151,210	-	-
Police Department	-	6,383	-
Tourism Development	-	-	-
Cemetery Maintenance	-	-	-
Committed For:			
South TX Regional Training Center	-	-	-
Other	-	-	1,586
<i>Total Fund Balances</i>	151,210	6,383	1,586
	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	\$ 15,516	\$ 13,704

Special Revenue Funds		Permanent Fund	Total
STRTC Fund	Hotel Tax	Perpetual Care	Nonmajor Funds
\$ 105,527	\$ 111,108	\$ 12,355	\$ 401,764
-	-	-	7,656
-	-	-	27,947
25,760	31,022	-	56,782
-	-	545,990	545,990
<u>\$ 131,287</u>	<u>\$ 142,130</u>	<u>\$ 558,345</u>	<u>\$ 1,040,139</u>
\$ 3,213	\$ -	\$ -	\$ 20,001
820	-	-	5,283
<u>4,033</u>	<u>-</u>	<u>-</u>	<u>25,284</u>
-	-	-	27,947
-	-	-	27,947
-	-	545,990	545,990
-	-	-	151,210
-	-	-	6,383
-	142,130	-	142,130
-	-	12,355	12,355
127,254	-	-	127,254
-	-	-	1,586
<u>127,254</u>	<u>142,130</u>	<u>558,345</u>	<u>986,908</u>
<u>\$ 131,287</u>	<u>\$ 142,130</u>	<u>\$ 558,345</u>	<u>\$ 1,040,139</u>

CITY OF HONDO
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING SEPTEMBER 30, 2018

	Special Revenue Funds		
	Debt Service	Seizure & Forfeiture	Unclaimed Funds
REVENUES			
Ad Valorem Taxes	\$ 387,512	\$ -	\$ -
Other Taxes	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	4,500	-
Interest Income	-	-	48
TOTAL REVENUES	<u>387,512</u>	<u>4,500</u>	<u>48</u>
EXPENDITURES			
<i>Current:</i>			
General Government	-	-	144
Public Safety	-	3,816	-
<i>Debt Service:</i>			
Principal	324,500	-	-
Interest and Fiscal Charges	77,658	-	-
TOTAL EXPENDITURES	<u>402,158</u>	<u>3,816</u>	<u>144</u>
Net Change in Fund Balance	(14,646)	684	(96)
Fund Balances at Beginning of Year	<u>165,856</u>	<u>5,699</u>	<u>1,682</u>
Fund Balances at End of Year	<u><u>\$ 151,210</u></u>	<u><u>\$ 6,383</u></u>	<u><u>\$ 1,586</u></u>

Special Revenue Funds		Permanent Fund	Total
STRTC Fund	Hotel Tax	Perpetual Care	Nonmajor Funds
\$ -	\$ -	\$ -	\$ 387,512
-	110,121	-	110,121
65,528	-	13,400	78,928
-	-	-	4,500
-	-	3,350	3,398
<u>65,528</u>	<u>110,121</u>	<u>16,750</u>	<u>584,459</u>
32,851	103,500	16,150	152,645
-	-	-	3,816
-	-	-	324,500
-	-	-	77,658
<u>32,851</u>	<u>103,500</u>	<u>16,150</u>	<u>558,619</u>
32,677	6,621	600	25,840
<u>94,577</u>	<u>135,509</u>	<u>557,745</u>	<u>961,068</u>
<u>\$ 127,254</u>	<u>\$ 142,130</u>	<u>\$ 558,345</u>	<u>\$ 986,908</u>

CITY OF HONDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDING SEPTEMBER 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Property Taxes	\$ 400,758	\$ 400,758	\$ 387,512	\$ (13,246)
Interest Income	300	300	-	(300)
TOTAL REVENUES	<u>401,058</u>	<u>401,058</u>	<u>387,512</u>	<u>(13,546)</u>
EXPENDITURES				
<i>Debt Service:</i>				
Principal	324,500	324,500	324,500	-
Interest and Fiscal Charges	76,259	76,259	77,658	(1,399)
TOTAL EXPENDITURES	<u>400,759</u>	<u>400,759</u>	<u>402,158</u>	<u>(1,399)</u>
Net Change in Fund Balance	299	299	(14,646)	(14,945)
Beginning Fund Balance	165,856	165,856	165,856	-
Ending Fund Balance	<u>\$ 166,155</u>	<u>\$ 166,155</u>	<u>\$ 151,210</u>	<u>\$ (14,945)</u>

CITY OF HONDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – PERPETUAL CARE
FOR THE YEAR ENDING SEPTEMBER 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Charges for Services	\$ 15,000	\$ 15,000	\$ 13,400	\$ (1,600)
Interest Income	2,000	2,000	3,350	1,350
TOTAL REVENUES	<u>17,000</u>	<u>17,000</u>	<u>16,750</u>	<u>(250)</u>
EXPENDITURES				
<i>Current:</i>				
General Government	18,500	18,500	16,150	2,350
TOTAL EXPENDITURES	<u>18,500</u>	<u>18,500</u>	<u>16,150</u>	<u>2,350</u>
Net Change in Fund Balance	(1,500)	(1,500)	600	2,100
Beginning Fund Balance	557,745	557,745	557,745	-
Ending Fund Balance	<u>\$ 556,245</u>	<u>\$ 556,245</u>	<u>\$ 558,345</u>	<u>\$ 2,100</u>

CITY OF HONDO
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – SOUTH TEXAS REGIONAL TRAINING CENTER
 FOR THE YEAR ENDING SEPTEMBER 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Charges for Services	\$ 62,190	\$ 62,190	\$ 65,528	\$ 3,338
TOTAL REVENUES	<u>62,190</u>	<u>62,190</u>	<u>65,528</u>	<u>3,338</u>
EXPENDITURES				
<i>Current:</i>				
General Government	31,816	31,816	32,851	(1,035)
TOTAL EXPENDITURES	<u>31,816</u>	<u>31,816</u>	<u>32,851</u>	<u>(1,035)</u>
Net Change in Fund Balance	30,374	30,374	32,677	2,303
Beginning Fund Balance	94,577	94,577	94,577	-
Ending Fund Balance	<u>\$ 124,951</u>	<u>\$ 124,951</u>	<u>\$ 127,254</u>	<u>\$ 2,303</u>

CITY OF HONDO
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - HOTEL TAX FUND
 FOR THE YEAR ENDING SEPTEMBER 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Occupancy Tax	\$ 110,000	\$ 110,000	\$ 110,121	\$ 121
TOTAL REVENUES	<u>110,000</u>	<u>110,000</u>	<u>110,121</u>	<u>121</u>
EXPENDITURES				
<i>Current:</i>				
General Government	102,500	102,500	103,500	(1,000)
TOTAL EXPENDITURES	<u>102,500</u>	<u>102,500</u>	<u>103,500</u>	<u>(1,000)</u>
Net Change in Fund Balance	7,500	7,500	6,621	(879)
Beginning Fund Balance	135,509	135,509	135,509	-
Ending Fund Balance	<u>\$ 143,009</u>	<u>\$ 143,009</u>	<u>\$ 142,130</u>	<u>\$ (879)</u>

HONDO

THIS IS GOD'S COUNTRY

STATISTICAL SECTION

This part of the City of Hondo's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Hondo's overall financial health.

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

- Demographic and Economic Statistics
- Principal Employers

Operating Information

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

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

CITY OF HONDO
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year			
	2009	2010	2011	2012
<i>Governmental Activities:</i>				
Net Investment in Capital Assets	\$ 8,104,292	\$ 7,683,820	\$ 8,908,588	\$ 8,854,700
Restricted	1,972,546	2,299,343	1,471,898	2,585,591
Unrestricted	533,986	33,735	238,035	802,462
<i>Total Governmental Activities</i>	<u>\$ 10,610,824</u>	<u>\$ 10,016,898</u>	<u>\$ 10,618,521</u>	<u>\$ 12,242,753</u>
<i>Business-Type Activities:</i>				
Net Investment in Capital Assets	\$ 13,040,003	\$ 17,929,114	\$ 19,088,163	\$ 20,614,145
Restricted	536,522	539,562	-	466,590
Unrestricted	2,934,854	2,079,001	3,180,881	1,398,216
<i>Total Business-Type Activities</i>	<u>\$ 16,511,379</u>	<u>\$ 20,547,677</u>	<u>\$ 22,269,044</u>	<u>\$ 22,478,951</u>
<i>Primary Government:</i>				
Net Investment in Capital Assets	\$ 21,144,295	\$ 25,612,934	\$ 27,996,751	\$ 29,468,845
Restricted	2,509,068	2,838,905	1,471,898	3,052,181
Unrestricted	3,468,840	2,112,736	3,418,916	2,200,678
<i>Total Primary Government</i>	<u>\$ 27,122,203</u>	<u>\$ 30,564,575</u>	<u>\$ 32,887,565</u>	<u>\$ 34,721,704</u>

Note:

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

TABLE 1

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 8,868,905	\$ 8,339,222	\$ 6,850,373	\$ 7,122,538	\$ 8,182,720	\$ 9,422,569
1,713,408	1,415,138	3,185,244	3,880,549	2,697,464	3,645,681
859,873	1,275,488	1,254,484	1,332,046	2,009,275	989,918
<u>\$ 11,442,186</u>	<u>\$ 11,029,848</u>	<u>\$ 11,290,101</u>	<u>\$ 12,335,133</u>	<u>\$ 12,889,459</u>	<u>\$ 14,058,168</u>
\$ 22,941,746	\$ 23,910,599	\$ 23,941,373	\$ 25,154,199	\$ 23,843,466	\$ 24,902,646
586,691	210,020	-	-	-	-
88,369	1,099,641	1,417,576	1,260,092	2,693,999	2,555,856
<u>\$ 23,616,806</u>	<u>\$ 25,220,260</u>	<u>\$ 25,358,949</u>	<u>\$ 26,414,291</u>	<u>\$ 26,537,465</u>	<u>\$ 27,458,502</u>
\$ 31,810,651	\$ 32,249,821	\$ 30,791,746	\$ 32,276,737	\$ 32,026,186	\$ 34,325,215
2,300,099	1,625,158	3,185,244	3,880,549	2,697,464	3,645,681
948,242	2,375,129	2,672,060	2,592,138	4,703,274	3,545,774
<u>\$ 35,058,992</u>	<u>\$ 36,250,108</u>	<u>\$ 36,649,050</u>	<u>\$ 38,749,424</u>	<u>\$ 39,426,924</u>	<u>\$ 41,516,670</u>

**CITY OF HONDO
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
<i>Governmental Activities:</i>				
General Government	\$ 693,165	\$ 1,190,028	\$ 1,557,261	\$ 881,032
Tax and Finance	227,378	240,899	159,918	172,892
Public Safety	1,427,744	1,432,213	1,455,764	1,472,529
Municipal Court	239,903	221,756	152,890	72,347
Public Works	2,805,501	2,530,648	2,209,856	2,768,570
Parks, Recreation and Golf Course	1,072,912	1,236,571	1,170,680	1,178,716
Library	253,858	260,300	254,070	252,329
Interest on Long-term Debt	110,600	108,972	127,066	101,363
<i>Total Governmental Activities</i>	<u>6,831,061</u>	<u>7,221,387</u>	<u>7,087,505</u>	<u>6,899,778</u>
<i>Business-Type Activities:</i>				
Electric	6,199,154	5,952,436	6,129,124	6,067,577
Water & Sewer	1,696,649	1,871,118	1,668,041	1,868,575
Airport	866,432	1,136,269	1,458,597	1,883,172
Sanitation	-	-	-	-
<i>Total Business-Type Activities</i>	<u>8,762,235</u>	<u>8,959,823</u>	<u>9,255,762</u>	<u>9,819,324</u>
Total Primary Government Expenses	<u>\$ 15,593,296</u>	<u>\$ 16,181,210</u>	<u>\$ 16,343,267</u>	<u>\$ 16,719,102</u>
Program Revenues				
<i>Governmental Activities:</i>				
Charges for Service:				
General Government	\$ 285,485	\$ 387,955	\$ 329,823	\$ 265,618
Public Safety	-	-	12,060	26,809
Municipal Court	78,287	68,516	95,769	93,501
Public Works	972,206	954,186	1,013,381	1,058,377
Parks, Recreation and Golf Course	113,813	156,365	156,063	54,492
Library	16,033	14,889	15,179	13,779
Operating Grants and Contributions	8,470	6,673	12,903	13,838
Capital Grants and Contributions	102,830	-	315,000	80,449
<i>Total Governmental Activities</i>	<u>1,577,124</u>	<u>1,588,584</u>	<u>1,950,178</u>	<u>1,606,863</u>
<i>Program Revenues</i>	<u>1,577,124</u>	<u>1,588,584</u>	<u>1,950,178</u>	<u>1,606,863</u>
<i>Business-Type Activities:</i>				
Charges for Service:				
Electric	\$ 7,583,950	\$ 7,454,882	\$ 8,724,137	\$ 8,392,116
Water & Sewer	2,073,396	1,738,371	2,044,162	2,025,592
Airport	779,440	977,814	1,235,730	1,468,433
Sanitation	-	-	-	-
Capital Grants and Contributions	520,035	5,539,887	776,733	2,304,658
<i>Total Business-Type Activities</i>	<u>10,956,821</u>	<u>15,710,954</u>	<u>12,780,762</u>	<u>14,190,799</u>
<i>Program Revenues</i>	<u>10,956,821</u>	<u>15,710,954</u>	<u>12,780,762</u>	<u>14,190,799</u>
Total Primary Government Program Revenues	<u>\$ 12,533,945</u>	<u>\$ 17,299,538</u>	<u>\$ 14,730,940</u>	<u>\$ 15,797,662</u>

TABLE 2

		Fiscal Year									
		2013	2014	2015	2016	2017	2018				
\$	1,414,142	\$	1,673,378	\$	1,184,455	\$	1,203,002	\$	1,289,075	\$	1,373,751
	169,911		259,503		156,959		195,250		248,173		195,860
	1,429,390		1,539,701		1,629,587		1,699,171		1,885,309		1,904,235
	72,587		95,117		133,077		103,791		116,926		107,932
	1,318,524		1,567,434		1,328,843		1,450,028		1,437,598		1,324,824
	1,223,199		1,310,999		1,296,458		1,312,772		1,470,009		1,507,742
	231,236		282,579		214,912		261,937		345,605		378,399
	95,841		-		141,642		186,883		165,322		118,552
	<u>5,954,830</u>		<u>6,728,711</u>		<u>6,085,933</u>		<u>6,412,834</u>		<u>6,958,017</u>		<u>6,911,295</u>
	6,001,541		5,744,881		6,052,647		6,435,595		6,897,935		6,905,253
	1,899,773		2,093,799		2,322,578		2,271,277		2,524,656		2,309,930
	1,260,199		1,490,499		1,383,178		1,318,748		1,360,976		1,304,189
	1,170,246		1,217,815		1,175,650		1,203,091		1,319,815		1,317,579
	<u>10,331,759</u>		<u>10,546,994</u>		<u>10,934,053</u>		<u>11,228,711</u>		<u>12,103,382</u>		<u>11,836,951</u>
\$	<u>16,286,589</u>	\$	<u>17,275,705</u>	\$	<u>17,019,986</u>	\$	<u>17,641,545</u>	\$	<u>19,061,399</u>	\$	<u>18,748,246</u>
\$	374,376	\$	822,324	\$	208,224	\$	355,682	\$	289,589	\$	265,375
	16,181		19,701		54,803		69,511		71,296		85,381
	72,360		110,065		159,637		101,527		111,206		86,539
	-		-		-		-		-		-
	106,525		115,087		164,125		192,044		215,730		211,440
	13,625		11,596		14,755		16,373		17,917		35,853
	-		54,465		7,871		15,256		140,211		4,783
	695,573		-		-		-		223,284		731,675
	<u>1,278,640</u>		<u>1,133,238</u>		<u>609,415</u>		<u>750,393</u>		<u>1,069,233</u>		<u>1,421,046</u>
\$	8,144,304	\$	9,203,394	\$	9,128,350	\$	10,163,815	\$	9,178,972	\$	9,493,009
	2,311,614		2,397,845		2,354,102		2,867,187		3,876,333		4,075,548
	1,149,867		841,029		840,819		827,271		776,901		837,023
	772,920		1,239,036		1,254,646		1,271,633		1,328,645		1,358,728
	587,380		1,507,203		292,272		63,218		316,636		62,102
	<u>12,966,085</u>		<u>15,188,507</u>		<u>13,870,189</u>		<u>15,193,124</u>		<u>15,477,487</u>		<u>15,826,410</u>
\$	<u>14,244,725</u>	\$	<u>16,321,745</u>	\$	<u>14,479,604</u>	\$	<u>15,943,517</u>	\$	<u>16,546,720</u>	\$	<u>17,247,456</u>

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

	Fiscal Year			
	2009	2010	2011	2012
Net (Expenses) Revenue				
Governmental Activities	\$ (5,253,937)	\$ (5,632,803)	\$ (5,137,327)	\$ (5,292,915)
Business-Type Activities	2,194,586	6,751,131	3,525,000	4,371,475
Total Primary Government				
Net Expenses	<u>\$ (3,059,351)</u>	<u>\$ 1,118,328</u>	<u>\$ (1,612,327)</u>	<u>\$ (921,440)</u>
Governmental Revenues and Other Changes in Net Assets				
<i>Governmental Activities:</i>				
Taxes:				
Ad Valorem Taxes	\$ 852,272	\$ 885,825	\$ 932,123	\$ 966,254
Sales Taxes	1,125,586	1,075,920	1,145,755	1,250,327
Other Taxes	138,064	108,916	176,613	161,554
Interest and Investment Earnings	60,571	18,962	5,840	8,111
Miscellaneous	140,238	223,655	78,568	234,270
Transfers and PILOT	2,985,057	2,665,000	2,949,126	2,951,895
<i>Total Governmental Activities</i>	<u>5,301,788</u>	<u>4,978,278</u>	<u>5,288,025</u>	<u>5,572,411</u>
<i>Business-Type Activities:</i>				
Interest and Investment Earnings	43,679	10,766	11,701	2,239
Miscellaneous	-	-	1,584,717	132,824
Transfers and PILOT	(2,985,057)	(2,665,000)	(2,949,126)	(2,951,895)
<i>Total Business-Type /Activities</i>	<u>(2,941,378)</u>	<u>(2,654,234)</u>	<u>(1,352,708)</u>	<u>(2,816,832)</u>
Total Primary Government	<u>\$ 2,360,410</u>	<u>\$ 2,324,044</u>	<u>\$ 3,935,317</u>	<u>\$ 2,755,579</u>
Changes In Net Assets				
Governmental Activities	\$ 47,851	\$ (654,525)	\$ 150,698	\$ 279,496
Business-Type Activities	(746,792)	4,096,897	2,172,292	1,554,643
Total Primary Government	<u>\$ (698,941)</u>	<u>\$ 3,442,372</u>	<u>\$ 2,322,990</u>	<u>\$ 1,834,139</u>

Note:

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

TABLE 2 (CONT.)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ (4,676,190)	\$ (5,595,473)	\$ (5,476,518)	\$ (5,662,441)	\$ (5,888,784)	\$ (5,490,249)
<u>2,634,326</u>	<u>4,641,513</u>	<u>2,936,136</u>	<u>3,964,413</u>	<u>3,374,105</u>	<u>3,989,459</u>
<u>\$ (2,041,864)</u>	<u>\$ (953,960)</u>	<u>\$ (2,540,382)</u>	<u>\$ (1,698,028)</u>	<u>\$ (2,514,679)</u>	<u>\$ (1,500,790)</u>
\$ 992,802	\$ 1,019,171	\$ 1,070,383	\$ 1,183,968	\$ 1,389,066	\$ 1,511,949
1,270,315	1,324,079	1,591,844	1,631,989	1,509,044	1,824,144
112,885	101,677	184,952	172,642	189,760	141,969
10,506	14,936	8,927	11,178	22,730	75,061
95,704	118,496	32,381	554,349	74,111	66,729
<u>1,639,289</u>	<u>2,744,033</u>	<u>3,320,854</u>	<u>3,153,347</u>	<u>3,258,399</u>	<u>3,273,297</u>
<u>4,121,501</u>	<u>5,322,392</u>	<u>6,209,341</u>	<u>6,707,473</u>	<u>6,443,110</u>	<u>6,893,149</u>
1,498	557	663	78	7,468	30,523
65,741	(96,988)	50,174	244,198	-	248,333
<u>(1,639,289)</u>	<u>(2,744,033)</u>	<u>(3,320,854)</u>	<u>(3,153,347)</u>	<u>(3,258,399)</u>	<u>(3,273,297)</u>
<u>(1,572,050)</u>	<u>(2,840,464)</u>	<u>(3,270,017)</u>	<u>(2,909,071)</u>	<u>(3,250,931)</u>	<u>(2,994,441)</u>
<u>\$ 2,549,451</u>	<u>\$ 2,481,928</u>	<u>\$ 2,939,324</u>	<u>\$ 3,798,402</u>	<u>\$ 3,192,179</u>	<u>\$ 3,898,708</u>
\$ (554,689)	\$ (273,081)	\$ 732,823	\$ 1,045,032	\$ 554,326	\$ 1,402,900
<u>1,062,276</u>	<u>1,801,049</u>	<u>(333,881)</u>	<u>1,055,342</u>	<u>123,174</u>	<u>995,018</u>
<u>\$ 507,587</u>	<u>\$ 1,527,968</u>	<u>\$ 398,942</u>	<u>\$ 2,100,374</u>	<u>\$ 677,500</u>	<u>\$ 2,397,918</u>

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

	Fiscal Year			
	2009	2010	2011	2012
Nonspendable Fund Balance:				
Prepaid Items	\$ -	\$ -	\$ -	\$ -
Perpetual Care Trust	556,447	574,857	599,335	608,665
Total Nonspendable Fund Balance	<u>556,447</u>	<u>574,857</u>	<u>599,335</u>	<u>608,665</u>
Restricted Fund Balance:				
Debt Service	98,802	257,510	125,034	136,664
Economic Development	2,066,210	3,165,499	2,404,958	1,672,737
Cemetery Maintenance	-	-	-	-
Police Department	-	-	-	-
Tourism Development	-	-	-	-
Library	-	-	-	-
Municipal Court	-	-	-	-
Other Restrictions	-	-	-	-
Total Restricted Fund Balance	<u>2,165,012</u>	<u>3,423,009</u>	<u>2,529,992</u>	<u>1,809,401</u>
Committed Fund Balance:				
South TX Regional Training Center	-	-	-	-
Capital Projects	417,845	-	67,878	1,403,878
Other	-	-	-	-
Total Committed Fund Balance:	<u>417,845</u>	<u>-</u>	<u>67,878</u>	<u>1,403,878</u>
Unassigned Fund Balance	<u>21,790</u>	<u>(212,246)</u>	<u>157,053</u>	<u>819,005</u>
Total Governmental Funds	<u>\$ 3,161,094</u>	<u>\$ 3,785,620</u>	<u>\$ 3,354,258</u>	<u>\$ 4,640,949</u>

TABLE 3

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ 56,717	\$ 2,040	\$ 66,382	\$ 5,149
630,065	633,400	600,835	519,290	532,590	545,990
630,065	633,400	657,552	521,330	598,972	551,139
138,019	148,764	173,673	173,697	165,856	151,210
1,854,865	1,924,744	2,238,347	2,462,720	2,380,197	2,753,588
-	-	29,713	62,866	25,155	12,355
-	-	8,396	419	5,699	6,383
-	-	81,628	111,538	135,509	142,130
-	-	55,882	555,432	-	-
34,606	-	18,235	19,376	24,325	25,141
199,039	30,044	-	-	-	-
2,226,529	2,103,552	2,605,874	3,386,048	2,736,741	3,090,807
-	-	45,561	72,374	94,577	127,254
447,520	158,889	632,455	267,230	85,786	141,566
-	195,475	12,185	18,700	1,682	4,086
447,520	354,364	690,201	358,304	182,045	272,906
943,297	1,242,687	1,346,429	2,397,127	2,221,841	1,887,629
\$ 4,247,411	\$ 4,334,003	\$ 5,300,056	\$ 6,662,809	\$ 5,739,599	\$ 5,802,481

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

	Fiscal Year			
	2009	2010	2011	2012
REVENUES				
Ad Valorem Taxes	\$ 845,024	\$ 896,330	\$ 919,918	\$ 956,549
Sales Taxes	1,125,586	1,075,920	1,145,755	1,250,327
Other Taxes	86,957	53,720	61,969	44,028
Licenses and Permits	30,504	31,530	43,636	31,058
Grants and Donations	111,300	109,172	778,828	94,287
Charges for Services	1,412,926	1,545,807	1,514,839	1,525,652
Fines and Penalties	73,501	51,889	93,294	93,501
Interest Income	47,217	14,833	5,840	8,111
Miscellaneous	144,091	108,951	152,918	209,831
TOTAL REVENUES	3,877,106	3,888,152	4,716,997	4,213,344
EXPENDITURES				
<i>Current:</i>				
General Government	667,498	1,138,537	1,531,524	1,305,019
Tax and Finance	227,255	240,899	159,918	172,892
Public Safety	1,504,856	1,371,512	1,511,302	1,482,158
Municipal Court	240,125	221,756	152,890	72,347
Public Works	2,565,118	2,307,277	2,243,496	2,511,899
Parks, Recreation and Golf Course	1,153,534	1,145,085	1,084,315	1,112,230
Library	255,753	247,300	241,798	240,514
Capital Outlay	-	-	1,226,884	-
<i>Debt Service:</i>				
Principal	181,202	82,314	88,902	119,929
Interest and Fiscal Charges	114,712	103,666	125,095	97,174
Bond Issue Costs	-	-	-	-
TOTAL EXPENDITURES	6,910,053	6,858,346	8,366,124	7,114,162
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,032,947)</u>	<u>(2,970,194)</u>	<u>(3,649,127)</u>	<u>(2,900,818)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Long-Term Financing	-	-	55,756	147,260
Payment to Refunding Escrow Agent	-	-	-	-
Proceeds from Disposal of Assets	3,154,988	2,460	10,800	5,635
Payments in Lieu of Taxes	-	-	-	-
Transfers In (Out)	2,953,738	2,665,000	4,202,875	2,951,895
TOTAL OTHER FINANCING SOURCES (USES)	6,108,726	2,667,460	4,269,431	3,104,790
Net Change in Fund Balance	<u>\$ 3,075,779</u>	<u>\$ (302,734)</u>	<u>\$ 620,304</u>	<u>\$ 203,972</u>
Debt Service as a Percentage of Noncapital Expenditures	4.3%	2.7%	3.0%	3.1%

See Independent Auditor's Report.

TABLE 4

		Fiscal Year									
		2013	2014	2015	2016	2017	2018				
\$	993,367	\$	1,018,498	\$	1,064,110	\$	1,174,053	\$	1,378,474	\$	1,487,987
	1,270,315		1,324,079		1,591,844		1,631,988		1,509,043		1,824,144
	156,473		258,918		184,952		172,642		189,759		141,969
	35,185		39,431		76,182		218,810		162,402		138,474
	651,955		49,730		10,778		20,539		496,456		663,097
	434,637		1,236,014		382,035		415,343		445,275		473,401
	72,360		110,066		162,693		103,921		117,486		91,039
	10,506		14,936		8,924		11,169		22,732		75,062
	225,287		83,800		23,839		63,189		46,154		124,062
	<u>3,850,085</u>		<u>4,135,472</u>		<u>3,505,357</u>		<u>3,811,654</u>		<u>4,367,781</u>		<u>5,019,235</u>
	1,581,134		1,505,597		1,134,413		1,096,134		1,197,446		1,289,108
	169,911		259,503		163,439		188,522		244,780		199,692
	1,372,327		1,501,501		1,603,595		1,607,141		1,760,014		1,825,309
	72,587		95,117		132,518		101,102		116,165		108,650
	985,097		1,205,369		957,164		1,029,662		1,006,556		906,233
	1,136,501		1,232,711		1,225,726		1,193,238		1,359,964		1,421,299
	219,421		270,764		248,848		245,110		433,593		316,586
	-		-		380,035		2,327,330		1,954,319		1,642,161
	153,951		1,131,657		187,712		248,829		384,907		414,500
	98,075		144,109		141,988		180,513		111,371		119,814
	-		-		-		-		25,504		-
	<u>5,789,004</u>		<u>7,346,328</u>		<u>6,175,438</u>		<u>8,217,581</u>		<u>8,594,619</u>		<u>8,243,352</u>
	<u>(1,938,919)</u>		<u>(3,210,856)</u>		<u>(2,670,081)</u>		<u>(4,405,927)</u>		<u>(4,226,838)</u>		<u>(3,224,117)</u>
	-		1,053,360		-		2,030,000		1,300,000		-
	-		-		-		-		(1,272,005)		-
	48,932		-		935		585,333		17,234		13,702
	-		-		3,155,004		3,155,000		3,154,988		3,154,988
	<u>1,639,289</u>		<u>2,744,033</u>		<u>165,850</u>		<u>(1,653)</u>		<u>103,411</u>		<u>118,309</u>
	<u>1,688,221</u>		<u>3,797,393</u>		<u>3,321,789</u>		<u>5,768,680</u>		<u>3,303,628</u>		<u>3,286,999</u>
\$	<u>(250,698)</u>	\$	<u>586,537</u>	\$	<u>651,708</u>	\$	<u>1,362,753</u>	\$	<u>(923,210)</u>	\$	<u>62,882</u>
	4.4%		17.4%		5.7%		7.3%		7.5%		8.1%

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

TABLE 5

Fiscal Year	Property	Sales & Use	Mixed Beverage	Franchise	Hotel	Total
2018	\$ 1,487,987	\$ 1,824,144	\$ 2,952	\$ 28,896	\$ 110,121	\$ 3,454,100
2017	1,378,474	1,509,043	3,301	66,664	119,794	3,077,276
2016	1,174,053	1,631,988	4,708	62,024	105,910	2,978,683
2015	1,064,110	1,591,844	2,714	58,654	123,584	2,840,906
2014	1,018,498	1,324,079	2,720	157,241	98,957	2,601,495
2013	993,367	1,270,315	1,491	43,618	111,364	2,420,155
2012	956,549	1,250,327	1,542	44,028	-	2,250,904
2011	919,918	1,145,755	2,240	61,969	-	2,127,642
2010	896,330	1,075,920	-	53,720	-	2,025,970
2009	845,024	1,125,586	-	86,957	-	2,057,567

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

TABLE 6

Fiscal Year Ended September 30,	Total Water Consumption (In Gallons)	Water Base Rate (Includes first 2,000)	Water Initial Rate Per 1,000 Gallons	Sewer Base Rate (Includes first 2,000)	Sewer Initial Rate Per 1,000 Gallons
2018	447,534,800	\$ 30.00	\$ 2.44	\$ 25.00	\$ 1.70
2017	526,194,400	30.00	2.44	25.00	1.70
2016	378,476,700	23.00	2.44	15.00	1.70
2015	483,572,500	11.50	2.44	7.08	1.70
2014	490,208,500	11.50	2.44	7.08	1.70
2013	501,434,700	11.50	2.44	7.08	1.70
2012	475,798,100	11.50	1.95	7.08	1.36
2011	550,403,000	9.20	1.69	7.08	1.36
2010	460,510,000	9.20	1.69	7.08	1.36
2009	643,309,100	9.20	1.69	7.08	1.36

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

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

TABLE 7

Consumers	2018			2009		
	Total Water Consumption (in Gallons)	Rank	Percentage of Total City Water Consumption	Total Water Consumption (in Gallons)	Rank	Percentage of Total City Water Consumption
Texas Dept of Criminal Justice	123,166,600	1	27.52%	81,061,100	2	12.60%
Texas Dept of Criminal Justice	17,056,600	2	3.81%	18,703,900	3	2.91%
PTCAA	11,070,500	3	2.47%			
Hondo Municipal Golf Course	7,591,000	4	1.70%	16,885,400	4	2.62%
USRC Medina Cty Dialysis	4,747,300	5	1.06%			
City of Hondo	3,604,100	6	0.81%			
Medina County Sheriff's Office	3,272,000	7	0.73%	3,220,400	7	0.50%
Landmark Apartments	2,873,600	8	0.64%			
City of Hondo Cemetery	2,315,700	9	0.52%	5,793,200	6	0.90%
Encinito Apartments	2,210,600	10	0.49%			
HEB Grocery Car Wash				9,407,800	1	1.46%
Medina County Courthouse				9,413,300	5	1.46%
South Texas Liquid Terminal				2,994,600	8	0.47%
Hondo ISD				2,705,000	9	0.42%
Medina Community Hospital				2,303,300	10	0.36%
TOTAL	<u>177,908,000</u>		39.75%	<u>152,488,000</u>		23.70%

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

TABLE 8

Fiscal Year Ended September 30,	Total Electric Consumption (In KWH)	Electric Base Rate	Initial Rate Per Per KWH
2018	76,206,703	15.00	0.1137
2017	72,464,108	15.00	0.1137
2016	73,555,397	15.00	0.1137
2015	74,378,945	9.30	0.1160
2014	74,963,254	9.30	0.1160
2013	72,520,229	9.30	0.1040
2012	75,314,682	9.30	0.1040
2011	77,924,332	9.30	0.1040
2010	73,503,881	9.30	0.1040
2009	76,280,529	9.30	0.0890

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

CITY OF HONDO
 PRINCIPAL ELECTRIC CONSUMERS
 CURRENT AND NINE YEARS AGO

TABLE 9

Consumers	2018			2009		
	Total Electric Consumption (in KWH)	Rank	Percentage of Total City Electric Consumption	Total Electric Consumption (in KWH)	Rank	Percentage of Total City Electric Consumption
Texas Dept of Criminal Justice	6,310,376	1	8.28%	7,471,800	1	9.80%
Wal-mart Stores	3,581,000	2	4.70%	4,241,500	2	5.56%
Medina Community Hospital	3,015,750	3	3.96%	2,542,500	4	3.33%
HEB	2,000,400	4	2.62%	2,545,200	3	3.34%
Martin Resources	1,768,368	5	2.32%			
James Avery Craftsman	1,152,530	6	1.51%	949,320	6	1.24%
City of Hondo	1,070,100	7	1.40%	1,528,200	5	2.00%
Medina County Sheriff's Office	729,200	8	0.96%	850,600	7	1.12%
City of Hondo Water Tower	721,800	9	0.95%			
McDonald's	600,360	10	0.79%	681,960	9	0.89%
Hondo ISD 1				804,600	8	1.05%
Hondo ISD 2				543,840	10	0.71%
TOTAL	<u>20,949,884</u>		27.49%	<u>22,159,520</u>		29.05%

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

TABLE 10

Fiscal Year Ended September 30,	Residential Property	Agricultural & Commercial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2018	163,024,971	164,400,490	36,092,637	\$ 291,332,824	0.5139
2017	137,805,351	141,818,105	25,719,269	253,904,187	0.5139
2016	137,129,210	140,440,295	19,092,370	258,477,135	0.4527
2015	134,856,515	142,109,350	19,263,450	257,702,415	0.4974
2014	123,259,604	125,039,826	18,904,001	229,395,429	0.4089
2013	123,279,725	124,368,380	18,804,061	228,844,044	0.4089
2012	120,941,666	120,999,032	18,164,980	223,775,718	0.4089
2011	118,973,806	118,057,163	20,374,867	216,656,102	0.3939
2010	116,257,657	117,152,611	21,358,521	212,051,747	0.3939
2009	111,256,986	114,081,965	23,557,868	201,781,083	0.3939

Source: Medina County Appraisal District

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

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

TABLE 11

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	Debt Service	Total	Hondo ISD	Medina County	Medina County Hospital
2018	0.3759	0.1380	0.5139	1.3750	0.5517	0.0644
2017	0.3866	0.1273	0.5139	1.3800	0.5517	0.0638
2016	0.3614	0.0913	0.4527	1.3150	0.5517	0.0641
2015	0.3010	0.1964	0.4974	1.1400	0.5250	0.0608
2014	0.3362	0.0727	0.4089	1.1400	0.5250	0.0581
2013	0.3181	0.0908	0.4089	1.1400	0.5380	0.0581
2012	0.3105	0.0984	0.4089	1.1400	0.5430	0.0555
2011	0.2618	0.1321	0.3939	1.1400	0.5423	0.0529
2010	0.2618	0.1321	0.3939	1.1400	0.5418	0.0500
2009	0.3342	0.0597	0.3939	1.1300	0.5576	-

Source: Medina County Tax Assessor Collector

CITY OF HONDO
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT AND NINE YEARS AGO

TABLE 12

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Martin Product Sales	\$ 8,500,000	1	2.92%			
Wal-Mart Real Estate Trust	5,501,700	2	1.89%	\$ 9,227,140	1	4.57%
Wal-Mart Stores East	4,606,130	3	1.58%	6,235,030	2	3.09%
Baker Hughes Oilfield	4,400,140	4	1.51%			
Siddhi Inc	2,785,530	5	0.96%			
James Avery Craftsman	2,764,000	6	0.95%	2,239,940	4	1.11%
Hoadley, Irene	2,426,960	7	0.83%	1,773,240	7	0.88%
PTCAA Texas LP	2,311,190	8	0.79%			
H E Butt Grocery Company	2,302,090	9	0.79%	1,874,910	6	0.93%
Hampel Oil Distributors	2,249,030	10	0.77%			
ADM Corn Processing				2,298,740	3	1.14%
North First Street Properties				2,048,550	5	1.02%
Dattu LLC				1,699,280	8	0.84%
Southwestern Bell				1,685,820	9	0.84%
Hondo Encinito Apartments				1,650,000	10	0.82%
Total	\$37,846,770		12.99%	\$ 9,382,390		15.23%

Source: Medina County Appraisal District

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

TABLE 13

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the		Collections In Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 841,633	\$ 809,963	96.24%	\$ 17,203	\$ 827,166	98.28%
2010	873,184	841,473	96.37%	17,244	858,717	98.34%
2011	889,584	856,644	96.30%	18,473	875,117	98.37%
2012	945,556	910,465	96.29%	20,624	931,089	98.47%
2013	989,383	954,488	96.47%	20,428	974,916	98.54%
2014	1,007,151	972,266	96.54%	20,418	992,684	98.56%
2015	1,062,074	1,027,490	96.74%	20,117	1,047,607	98.64%
2016	1,178,873	1,137,045	96.45%	27,361	1,164,406	98.77%
2017	1,367,968	1,322,063	96.64%	20,348	1,342,411	98.13%
2018	1,489,579	1,441,735	96.79%	-	1,441,735	96.79%

HONDO

THIS IS GOD'S COUNTRY

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

Governmental Activities					
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	Capital Lease	Note Payable
2018	\$ 2,561,550	\$ 1,090,000	\$ 700,000	\$ -	\$ -
2017	2,761,050	1,260,000	745,000	-	-
2016	2,953,030	1,317,314	785,000	31,975	-
2015	1,023,120	1,395,814	825,000	62,215	-
2014	1,038,870	1,498,502	865,000	91,489	-
2013	-	2,622,331	905,000	119,827	-
2012	-	2,575,290	940,000	175,138	-
2011	-	2,878,023	975,000	55,756	-
2010	-	2,996,925	1,000,000	-	-
2009	-	3,116,274	-	-	78,225

TABLE 14

Business-Type Activities						
Revenue Bonds	Certificates of Obligation	General Obligation Bonds	Note Payable	Total Primary Government	Percent of Personal Income	Per Capita
\$ -	\$ 6,550,000	\$ 1,648,450	\$ -	\$ 12,550,000	8.14%	\$ 1,349
-	6,900,000	1,783,950	-	13,450,000	9.32%	1,461
-	1,717,685	1,917,970	-	8,722,974	6.65%	961
-	1,849,186	600,880	-	5,756,215	4.67%	639
-	2,013,318	652,310	27,629	6,187,118	5.15%	692
-	2,787,669	-	54,453	6,489,280	5.02%	730
-	2,581,710	-	80,496	6,352,634	4.91%	717
-	2,495,977	-	105,780	6,510,536	4.89%	737
50,000	2,589,075	96,000	130,328	6,862,328	5.17%	779
185,000	2,666,726	190,000	154,160	6,390,385	4.81%	726

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

TABLE 15

Fiscal Year	General Bonded Debt Outstanding				Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita*
	Certificates of Obligation	General Obligation Bonds	Available in Debt Service Funds	Total			
2018	\$ 1,090,000	\$ 4,210,000	\$ (160,094)	\$ 5,139,906	\$ 291,332,824	1.76%	\$ 552
2017	1,260,000	4,545,000	(166,158)	5,638,842	253,904,187	2.22%	613
2016	1,317,314	4,871,000	(162,788)	6,025,526	258,477,135	2.33%	664
2015	1,395,814	1,624,000	(167,495)	2,852,319	257,702,415	1.11%	317
2014	1,498,502	1,691,180	(148,764)	3,040,918	229,395,429	1.33%	340
2013	2,622,331	-	(138,019)	2,484,312	228,844,044	1.09%	279
2012	2,575,290	-	(136,664)	2,438,626	223,775,718	1.09%	275
2011	2,878,023	-	(125,034)	2,752,989	216,656,102	1.27%	312
2010	2,996,925	96,000	(110,368)	2,982,557	212,051,747	1.41%	339
2009	3,116,274	190,000	(112,097)	3,194,177	201,781,083	1.58%	363

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Per Capita was derived using population data on Table 21.

CITY OF HONDO
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 SEPTEMBER 30, 2018

TABLE 16

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<i>Debt repaid with property taxes:</i>			
Hondo ISD	\$ 15,057,468	48.93%	\$ 7,367,619
Medina County	3,590,000	9.96%	357,564
Subtotal, Overlapping Debt			7,725,183
City Governmental Activities Direct Debt			4,351,550
TOTAL NET OVERLAPPING DEBT			\$ 12,076,733

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

CITY OF HONDO
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

TABLE 17

Assessed Value, 2017 Tax Roll		\$ 291,332,824
Debt Limit - Texas statues do not provide a legal debt limit for cities; however, through accepted practice a practical "economic" debt limit is considered to be 10% of the assessed value.		\$ 29,133,282
Amount of Applicable Debt:		
General Bonded Debt	\$ 4,351,550	
Less Debt Service Net Position	<u>(160,094)</u>	<u>4,191,456</u>
DEBT MARGIN		<u><u>\$ 24,941,826</u></u>
Total Net Debt as a Percentage of Debt Margin		17%

	Fiscal Year		
	2015	2016	2017
Assessed Value	\$ 257,702,415	\$ 258,477,135	\$ 253,904,187
Debt Limit	25,770,242	25,847,714	25,390,419
Total Net Debt Applicable to Limit	3,076,439	4,892,556	4,599,892
Total Debt Margin	<u><u>\$ 218,452,758</u></u>	<u><u>\$ 250,302,458</u></u>	<u><u>\$ 276,403,844</u></u>
	2012	2013	2014
Assessed Value	\$ 223,775,718	\$ 228,844,044	\$ 229,395,429
Debt Limit	22,377,572	22,884,404	22,939,543
Total Net Debt Applicable to Limit	3,378,626	3,389,312	3,253,608
Total Debt Margin	<u><u>\$ 181,090,821</u></u>	<u><u>\$ 180,153,436</u></u>	<u><u>\$ 199,536,987</u></u>
	2009	2010	2011
Assessed Value	\$ 201,781,083	\$ 212,051,747	\$ 216,656,102
Debt Limit	20,178,108	21,205,175	21,665,610
Total Net Debt Applicable to Limit	3,004,177	3,886,557	3,727,989
Total Debt Margin	<u><u>\$ 176,640,471</u></u>	<u><u>\$ 172,668,024</u></u>	<u><u>\$ 185,416,114</u></u>

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

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

TABLE 18

Fiscal Year	Water and Sewer Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest		
2018	\$ 4,075,548	\$ 1,742,344	\$2,333,204	\$ 450,500	\$ 173,069	3.74
2017	3,876,333	1,768,483	2,107,850	957,888	153,823	1.90
2016	2,867,187	1,803,888	1,063,299	188,299	71,937	4.09
2015	2,354,102	1,914,240	439,862	130,828	46,916	2.47
2014	2,397,845	1,647,246	750,599	82,296	51,692	5.60
2013	2,350,539	1,505,266	845,273	65,508	64,610	6.50
2012	2,054,936	1,449,586	605,350	60,881	67,626	4.71
2011	2,103,361	1,254,280	849,081	205,031	70,023	3.09
2010	1,738,371	1,456,060	282,311	280,446	86,826	0.77
2009	2,073,396	1,269,570	803,826	276,619	99,302	2.14

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

TABLE 20

Fiscal Year	Electric Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest		
2018	\$ 9,493,011	\$ 6,851,658	\$2,641,353	\$ 45,000	\$ 8,470	49.40
2017	9,178,970	6,812,840	2,366,130	613,868	18,424	3.74
2016	10,163,815	6,350,609	3,813,206	35,389	29,039	59.19
2015	9,128,350	5,967,090	3,161,260	130,828	19,476	21.03
2014	9,203,395	5,652,837	3,550,558	30,892	31,879	56.56
2013	8,155,630	5,924,023	2,231,607	29,421	33,268	35.60
2012	8,392,116	5,987,169	2,404,947	26,479	35,015	39.11
2011	8,725,437	6,044,867	2,680,570	26,479	35,717	43.10
2010	7,454,882	5,869,540	1,585,342	20,398	37,509	27.38
2009	7,583,950	6,101,344	1,482,606	128,722	44,553	8.56

CITY OF HONDO
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

TABLE 21

Year	Population	Total Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
2018	9,305	\$ 154,267,595	\$ 16,579	30.1	3.4%
2017	9,206	144,304,050	15,675	30.5	3.6%
2016	9,079	131,246,024	14,456	30.0	4.7%
2015	9,002	123,210,374	13,687	29.6	4.4%
2014	8,941	120,175,981	13,441	31.1	4.6%
2013	8,895	129,333,300	14,540	33.1	5.9%
2012	8,854	129,480,896	14,624	31.3	6.2%
2011	8,829	133,123,662	15,078	32.2	7.8%
2010	8,807	132,791,946	15,078	32.2	7.6%
2009	8,803	132,731,634	15,078	32.2	7.4%

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

CITY OF HONDO
 PRINCIPAL EMPLOYERS
 CURRENT AND NINE YEARS AGO

TABLE 22

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Texas Dept of Corrections	497	1	15.88%	490	1	15.16%
Hondo ISD	475	2	15.18%	317	2	9.81%
Walmart	260	3	8.31%	250	3	7.74%
Medina County	205	4	6.55%	218	4	6.75%
Medina Healthcare System	150	5	4.79%	150	5	4.64%
City of Hondo	139	6	4.44%	125	6	3.87%
Hondo Rail	124	7	3.96%	-	-	0.00%
HEB	115	8	3.68%	110	7	3.40%
Total	<u>1,965</u>		<u>62.80%</u>	<u>1,660</u>		<u>51.36%</u>

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

HONDO

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CITY OF HONDO
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

<u>Function</u>	<u>Fiscal Year</u>			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>General Government</u>				
Building Permits Issued	756	715	646	581
<u>Police</u>				
Citations Issued	1,650	1,408	1,555	1,286
<u>Park and Civic Center</u>				
Park User Reservations	88	76	71	64
Civic Center Rentals	108	103	93	77
<u>Library</u>				
Annual Circulation	28,330	28,720	38,994	20,544
Library Visits	17,704	80,885	76,785	49,668
Items in Collection	22,816	26,411	24,485	23,076
<u>Water & Sewer</u>				
Water Customers	2,668	2,662	2,653	2,687
Sewer Customers	2,491	2,491	2,484	2,525
Total Consumption (hundreds of gallons)	6,433,091	4,605,100	5,504,030	4,757,981
Average Monthly Consumption	20,090	14,418	17,292	14,758
<u>Electric Utility</u>				
Electric Customers	2,941	2,939	2,924	2,969
Total Consumption	76,280,529	73,503,881	77,924,332	75,314,682
<u>Sanitation</u>				
Customers	2,332	2,333	2,322	2,344
<u>Airport</u>				
Gallons of Fuel Sold	113,620	165,471	163,762	154,668
Number of Flights	2,329	3,159	2,373	2,142

TABLE 23

Fiscal Year					
2013	2014	2015	2016	2017	2018
574	538	607	498	612	477
1,132	1,898	2,598	1,067	1,106	865
74	71	85	96	100	122
71	78	111	100	108	142
24,036	28,988	18,689	14,292	18,748	23,703
53,265	49,991	50,917	46,932	46,380	44,808
26,349	29,162	25,069	20,153	14,607	14,637
2,699	2,717	2,723	2,762	2,731	2,735
2,535	2,536	2,530	2,566	2,548	2,536
5,014,347	4,902,085	4,835,725	3,784,767	5,261,944	4,475,348
15,483	15,035	14,799	11,419	16,056	13,636
2,979	2,975	2,981	3,012	2,990	2,987
72,520,229	74,378,945	74,378,945	73,555,397	72,464,108	76,206,703
2,361	2,354	2,346	2,368	2,354	2,350
50,634	49,640	76,248	100,989	76,862	96,602
1,156	1,027	1,454	2,222	1,669	1,880

CITY OF HONDO
CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS

<u>Function</u>	<u>Fiscal Year</u>			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Streets</u>				
Streets, paved (miles)	61.50	63.59	63.59	63.59
Streets, unpaved (miles)	53.30	55.39	55.39	55.39
Alleys, unpaved (miles)	13.28	13.28	13.28	13.28
<u>Police</u>				
Stations	1	1	1	1
Patrol Units	30	30	30	30
<u>Animal Control</u>				
Facility	1	1	1	1
Control Vehicle	1	1	1	1
<u>Library</u>				
Facility	1	1	1	1
Volumes in Collection	22,816	26,411	24,485	23,076
<u>Parks and Recreation</u>				
Parks	15	15	16	16
Swimming Pools	1	1	1	1
Baby Pools	1	1	1	1
Baseball/Softball Diamonds	3	3	3	3
Soccer Fields	2	2	2	2
Community Centers	1	1	1	1
<u>Water & Sewer</u>				
Number of Storage Tanks	5	5	5	5
Number of Pump Stations	3	3	3	3
Water Mains (Miles)	70	70	70	70
Sewer Mains (Miles)	49	50	50	50
Sewer Treatment Plants	1	1	1	1
<u>Electric</u>				
Facility	1	1	1	1
Substations	1	1	1	1
Power Lines (Miles)	69	69	69	69
<u>Facilities Maintenance</u>				
City Buildings (Square Feet)	381,868	381,868	381,868	381,868

TABLE 24

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
63.59	63.59	63.59	63.59	63.59	63.59
55.39	55.39	55.39	55.39	55.39	55.39
13.28	13.28	13.28	13.28	13.28	13.28
1	1	1	1	1	1
30	31	31	32	32	34
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
26,349	29,162	25,069	20,153	14,607	14,637
16	16	16	16	16	16
1	1	1	1	1	1
1	1	1	1	1	1
3	3	5	5	5	5
2	2	2	2	2	2
1	1	1	1	1	1
5	5	5	5	5	5
3	3	3	3	3	3
70	70	70	70	70	70
50	50	50	50	50	50
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
69	69	69	69	69	69
381,868	381,868	381,868	381,868	385,034	385,034

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

TABLE 25

<u>Function</u>	Full-Time Equivalents									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>General Government</u>										
Administration	2	2	2	2	5	4	4	3	3	3
Finance	2	2	2	3	3	3	3	3	4	4
Police	21	21	21	21	21	22	23	23	23	23
Crossing Guards	6	6	6	7	7	7	7	7	7	7
Legal & Courts	1	1	1	1	1	1	2	2	1	1
Animal Control	2	2	2	2	1	1	2	2	2	2
Streets	11	11	11	10	11	10	10	10	10	10
Library	6	6	6	7	7	6	7	7	6	6
Parks	12	12	12	12	13	12	12	12	12	12
Facilities Maintenance	4	4	4	4	4	4	4	6	6	6
Recreation	15	15	15	16	16	16	19	19	21	21
Golf Course	5	5	5	5	5	5	4	4	4	4
Code Compliance	3	3	3	3	3	3	3	3	3	4
Utility Billing	4	4	4	5	4	4	4	4	4	4
City Secretary	2	2	2	2	1	3	4	2	2	2
Public Works	0	0	0	0	0	1	1	2	2	2
<u>Electric</u>	11	11	11	11	10	10	10	10	10	10
<u>Water & Sewer</u>										
Water	8	8	8	8	8	8	8	8	8	8
Sewer	4	4	4	4	4	4	4	4	4	4
<u>Airport</u>	5	5	5	5	4	4	4	4	4	4
<u>Sanitation</u>	1	1	1	1	1	1	1	1	1	1
<u>Economic Development</u>	0	0	0	0	1	1	1	1	1	1
TOTAL	<u>125</u>	<u>125</u>	<u>125</u>	<u>129</u>	<u>130</u>	<u>130</u>	<u>137</u>	<u>137</u>	<u>138</u>	<u>139</u>

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT

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

Management, Mayor and Council of
City of Hondo, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Hondo's basic financial statements, and have issued our report thereon dated January 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hondo's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hondo's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hondo's internal control.

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

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

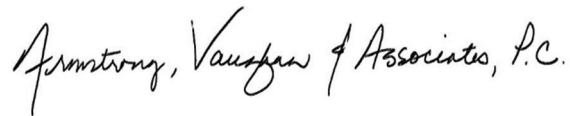
Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hondo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

January 31, 2019



INDEPENDENT AUDITOR'S REPORT

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

Management, Mayor and Council of
City of Hondo, Texas

Report on Compliance for Each Major Federal Program

We have audited City of Hondo's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018. City of Hondo's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Hondo complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

January 31, 2019

CITY OF HONDO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

A. Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal Control over Major Federal Programs:

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

<u>Title</u>	<u>CFDA</u>
Drinking Water State Revolving Fund	66.468

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

B. Financial State Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF HONDO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through Texas Water Development Board</i>			
Drinking Water State Revolving Fund	66.468	L1000553	\$ 1,885,977
U.S. DEPARTMENT OF COMMERCE			
<i>Direct Award</i>			
Public Works Assistance	11.300	NA	315,068
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct Award</i>			
Police Grants	10.766	NA	83,000
NATIONAL ENDOWMENT FOR THE HUMANITIES			
<i>Passed Through Texas State Library and Archives Commission</i>			
Grants to States Program	45.310	LS-00-17-00044-17	1,412
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Texas Department of Agriculture</i>			
Community Development Block Grant	14.228	7217200	11,250
TOTAL FEDERAL AWARDS EXPENDED			<u><u>\$ 2,296,707</u></u>

CITY OF HONDO
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1 -- BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City, and is presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 -- INDIRECT COSTS

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

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